



Local Agency Formation Commission of Napa County

Subdivision of the State of California

We Manage Government Boundaries, Evaluate Municipal Services, and Protect Agriculture

Brad Wagenknecht, Chairman ■ Brian J. Kelly, Vice Chairman ■ Joan Bennett ■ Bill Dodd ■ Gregory Pitts
Juliana Inman, Alternate ■ Mark Luce, Alternate ■ Gregory Rodeno, Alternate

Administrative Office

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Napa, California 94559

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REGULAR MEETING AGENDA

Monday, August 5, 2013

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. APPROVAL OF AGENDA

The Chair will consider a motion to approve the agenda as prepared by the Executive Officer with any requests to remove or rearrange items by members or staff.

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 scheduled for hearing, action, or discussion as part of the current agenda other than to request discussion on a specific consent item. Individuals will be limited to three minutes. 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 and subject to single motion approval. With the concurrence of the Chair, a Commissioner may request discussion of an item on the consent calendar.

a) Fourth Quarter Budget Report for 2012-2013 (Action)

The Commission will review a fourth quarter budget report comparing budgeted versus actual transactions for 2012-2013. The report notes the Commission eliminated its budgeted funding gap of (\$8,811) and finished with an overall operating surplus of \$19,101; the latter amount increasing the agency's available fund balance to \$137,623. The report is being presented to the Commission to formally accept and file.

b) Authorization to Approve Audit Expenditure (Action)

The Commission will consider authorizing the Executive Officer to approve an expenditure in the amount of \$4,725 to Gallina LLP to prepare an independent audit of the agency's financial statements for 2012-2013.

c) Approval of Meeting Minutes (Action)

The Commission will consider approving summary minutes prepared by staff for the June 3, 2013 meeting. All members were present.

d) Current and Future Proposals (Information)

The Commission will receive a report summarizing current and future proposals. The report is being presented for information. One new proposal not scheduled for action as part of this regular meeting has been submitted since the June 3, 2013 meeting.

e) CALAFCO Quarterly Report (Information)

The Commission will receive the most recent quarterly report prepared by the California Association of Local Agency Formation Commissions. The report is being presented to Commissioners for information only.

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.

a) Spanish Flat Water District Sphere of Influence Update

The Commission will consider taking two separate actions relating to the agency's scheduled sphere of influence update on the Spanish Flat Water District. The first proposed action is for the Commission to formally receive and file a final report on the sphere update. The second proposed action is for the Commission to adopt a draft resolution

enacting the final report's central recommendation to affirm and expand the District's sphere designation to include additional land identified as Study Area A.

PUBLIC HEARING ITEMS CONTINUED...

- b) **Ratification of Outside Service Agreement for the Napa Sanitation District Involving 3174 Valley Green Lane**
The Commission will consider a recommendation to ratify an outside service agreement approved by the Chair authorizing the Napa Sanitation District to provide temporary public sewer service to an incorporated property at 3174 Valley Green Lane (050-400-005) to address a public health threat.

7. ACTION ITEMS

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

None

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) **Municipal Service Review on Central County Region: Draft Section on City of Napa**
The Commission will review a draft section of its scheduled municipal service review on the central county region specific to the City of Napa. The draft section examines the availability and adequacy of municipal services provided by Napa relative to the Commission's mandates to facilitate orderly growth and development and will serve as the source document to inform a pending sphere of influence update. The draft section is being presented for discussion and feedback in anticipation of preparing a final version for future action.
- b) **Legislative Report**
The Commission will receive a status report on the first year of the 2013-2014 session of the California Legislature as it relates to items directly or indirectly effecting Local Agency Formation Commissions. The report also updates the Commission on potential changes to the section of law involving outside municipal service extensions. The report is being presented for discussion with possible direction for staff with regard to issuing comments on specific items of interest.

9. EXECUTIVE OFFICER REPORT

The Commission will receive a verbal report from the Executive Officer regarding current and pending staff activities.

10. CLOSED SESSION

None

11. COMMISSIONER COMMENTS; REQUEST FOR FUTURE AGENDA ITEMS

12. ADJOURNMENT TO NEXT REGULAR SCHEDULED MEETING: October 7, 2013

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. All questions should be directed to Commission Counsel Jacqueline M. Gong at jgong@napa.lafco.ca.gov or 707-259-8249.



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We Manage Local Government Boundaries, Evaluate Municipal Services, and Protect Agriculture

August 5, 2013
Agenda Item No. 5a (Consent/Action)

July 29, 2013

TO: Local Agency Formation Commission

FROM: Keene Simonds, Executive Officer

SUBJECT: Fourth Quarter Budget Report for 2012-2013

The Commission will review a fourth quarter budget report comparing budgeted versus actual transactions for 2012-2013. The report notes the Commission eliminated its budgeted funding gap of (\$8,811) and finished with an overall operating surplus of \$19,101; the latter amount increasing the agency's available fund balance to \$137,623. The report is being presented to the Commission to formally accept 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 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. Background

LAFCO of Napa County's ("Commission") adopted final budget for 2012-2013 totals \$432,461. This amount represents the total approved operating expenditures for the fiscal year divided between salaries and benefits, services and supplies, and contingencies. Budgeted revenues total \$423,650 and are divided between intergovernmental fees, service charges, and investments. Markedly, an operating shortfall of (\$8,811) was intentionally budgeted at the beginning of the fiscal year to reduce the funding requirements of the local agencies and to be covered by drawing down on unreserved funds. The unreserved portion of the fund balance totaled \$118,523 as of July 1, 2012.

Budgeted Operating Expenses	Budgeted Operating Revenues	Budgeted Year-End Operating Balance
\$432,461	\$423,650	(\$8,811)

Joan Bennett, Commissioner
Councilmember, City of American Canyon

Gregory Pitts, Commissioner
Councilmember, City of St. Helena

Juliana Inman, Alternate Commissioner
Councilmember, City of Napa

Brad Wagenknecht, Chair
County of Napa Supervisor, 1st District

Bill Dodd, Commissioner
County of Napa Supervisor, 4th District

Mark Luce, Alternate Commissioner
County of Napa Supervisor, 2nd District

Brian J. Kelly, Vice Chair
Representative of the General Public

Gregory Rodeno, Alternate Commissioner
Representative of the General Public

Keene Simonds
Executive Officer

B. Discussion

The Commission has finished the 2012-2013 fiscal year with an overall operating surplus of \$19,101. This surplus is in contrast to the budgeted deficit of (\$8,811) projected at the beginning of the fiscal year. A detailing of year-end operating transactions follows.

Operating Revenues

The Commission’s operating revenues budgeted for 2012-2013 were set at \$423,650. Actual revenues collected through the fourth quarter totaled \$435,318. This amount represents 103% of the adopted budget total and results in a year-ending balance of \$11,668 and is summarized in the following table.

Revenue Units	Adopted	End of 4 th Quarter	Dollar Difference	Percent Collected
Intergovernmental	409,574	409,574	0	100.0
Service Charges	10,000	23,759	13,759	237.6
Investments	4,076	1,985	(2,091)	48.7
Total	\$423,650	\$435,318	\$11,668	102.7%

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

Intergovernmental Fees

The Commission budgeted \$409,574 in intergovernmental fees in 2012-2013. Half of the total was invoiced to the County of Napa in the amount of \$204,787. The remaining amount was proportionally invoiced to the cities based on a weighted calculation of population and general tax revenues. This latter formula resulted in invoice charges totaling \$33,321 for American Canyon, \$12,095 for Calistoga, \$136,583 for Napa, \$14,153 for St. Helena, and \$8,635 for Yountville. All agency invoices were paid in full leaving a zero balance.

Service Charges

The Commission budgeted \$10,000 in service charges in 2012-2013. Actual revenues collected within this unit totaled \$23,759 or 238% of the budgeted amount. The collected service charges – which were predominately tied to the submittal of five proposals involving four city annexations and one special district outside service request – exceed the amount collected in the prior fiscal year by more than double.¹

¹ The Commission’s actual service charges collected in 2011-2012 totaled \$9,087.

Investments

The Commission budgeted \$4,076 in investment income in 2012-2013 based on actual revenues collected during the first two quarters of the prior fiscal year. All income generated in this unit is tied to interest earned on the Commission’s fund balance, which is under pooled investment by the County Treasurer. Actual earnings generated at the end of the fiscal year totaled \$1,985 or 48% due to lower than expected investment gains.

Operating Expenses

The Commission’s operating expenses budgeted for 2012-2013 were set at \$432,461. Actual expenses – including encumbrances – through the fourth quarter totaled \$416,217. This amount represents 96% of the budgeted total and results in a year-ending balance of \$16,244 as summarized in the following table.

Expense Units	Adopted	End of 4 th Quarter	Dollar Balance	Percent Expended
Salaries/Benefits	311,287	312,192	(905)	(100.3)
Services/Supplies	121,174	104,025	17,149	82.7
Contingencies	-	-	-	-
Total	\$432,461	\$416,217	\$16,244	96.2%

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

Salaries/Benefits

The Commission budgeted \$311,287 in salaries and benefits for 2012-2013 for the 2.5 fulltime equivalent employees assigned to the agency. Actual expenses within the 10 affected accounts totaled \$312,192, representing slightly over 100% of the budgeted amount. This deficit – totaling \$905 – was the result of a five percent shortfall in the salaries account and attributed to two distinct factors. First, the budgeted amount mistakenly omitted an automobile allowance for the Executive Officer.² Second, two employees cashed out an allowable amount of accrued vacation time as provided under County policy. Surpluses in group insurance and per diem accounts all but eliminated the deficit in salaries with the remaining amount covered by the overall surplus from the services and supplies unit.

Services/Supplies

The Commission budgeted \$121,174 in services and supplies for 2012-2013. Actual expenses – including contractual encumbrances – in the 20 affected accounts totaled \$104,025 and representing 86% of the budgeted amount. Three of the affected accounts – information technology, business travel/mileage, and training – finished with balances exceeding their budgeted allocation for reasons detailed below.

² The Commission provides a \$5,280 annual automobile allowance to the Executive Officer; an amount that was mistakenly omitted from the adopted budget for 2012-2013.

- Information Technology Services

This account covers the Commission's contracted cost for the County's Information Technology Services Department to provide network and related services to the agency. The Commission budgeted \$22,009 in this account in 2012-2013. Actual expenses totaled \$22,149 or 100.6% of the budgeted amount and is the result of a mid-year budget amendment in which previous funds allocated to this account were transferred into a separate and new account (Computer and Software License) to cover other technical services provided by the Commission's website host and document management vendors. In making the authorized transfer, which was part of a comprehensive set of budget amendments to align with the County's new accounting system, staff miscalculated the needed transfer and overdrew the account by \$140. Savings in other services and supplies accounts were used to cover this deficit.

Business Travel

This account covers the Commission's costs to reimburse members and staff for all travel related expenditures incurred in the course of performing agency business and includes airline tickets and automobile mileage.³ The Commission budgeted \$5,000 in this account in 2012-2013. Actual expenses totaled \$6,529 or 131% of the budgeted amount. The majority of the expenses were tied to reimbursing members and staff for their vehicle mileage to attend the CALAFCO Annual Conference in Monterey in October 2012 along with travel costs for the Executive Officer and Commissioner Inman to attend various CALAFCO meetings throughout the fiscal year. Savings in other services and supplies accounts were used to cover this deficit.

- Training/Conferences

This account is used for a variety of instructional activities for commissioners and staff with the majority of actual expenditures associated with CALAFCO. The Commission budgeted \$4,000 in this account in 2012-2013. Actual expenses totaled \$6,926 and represent 173% of the budgeted amount. The majority of charges were tied to registering members and staff for the recent CALAFCO Annual Conference and various training programs for staff throughout the fiscal year.⁴ Savings in other services and supplies accounts were used to cover this deficit.

Contingencies

The Commission did not budget or use funds for contingencies in 2012-2013.

³ The Executive Officer does not receive mileage reimbursement for any vehicle travel incurred within Napa County.

⁴ Attendees for the CALAFCO Annual Conference included six commissioners (Bennett, Chilton, Kelly, Inman, Rodeo, and Wagenknecht) and three staff (Simonds, Freeman, and Gong). CALAFCO's Annual Conference was held on October 3-5 at the Hyatt Regency in Monterey, California.

C. Analysis

The Commission was successful in significantly improving its financial standing at the end of the fiscal year by achieving an overall operating surplus of \$19,101; an amount representing a stark contrast to the projected budget deficit of (\$8,811) adopted at the beginning of the fiscal year. The net savings, accordingly, achieved this fiscal year are \$27,982. These savings are attributed to sizeable reductions in anticipated group insurance and legal service costs coupled with actual service charge revenues more than doubling relative to their budgeted amount. Furthermore, the operating surplus – which exceeds the amount anticipated and projected in the current fiscal year by nearly \$5,500 – results in the Commission increasing its unreserved fund balance from \$118,523 to \$137,624 and is the first rise in reserves since 2007-2008.

D. Recommendation

It is recommended the Commission formally accept the report as presented.

E. Alternatives for Action

The following two alternatives are available to the Commission:

Alternative Action One (Recommended):

Accept the staff report as presented.

Alternative Action Two:

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

F. Procedures for Consideration

This item has been agendaized 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) 2012-2013 General Ledger through June 30, 2013



Local Agency Formation Commission of Napa County

Subdivision of the State of California

FY2012-2013 Adopted Operating Budget: Fourth Quarter Report

Expenses

		FY2009-10		FY2010-11		FY2011-12		FY2012-13		
		Adopted	Actual	Adopted	Actual	Adopted	Actual	Adopted	Actual	Balance
		FY09-10	FY09-10	FY10-11	FY10-11	FY11-12	FY11-12	FY12-13	FY12-13	
Salaries and Benefits										
<u>Account</u>	<u>Description</u>									
51100	Salaries and Wages	195,580.00	193,055.65	198,346.60	198,280.48	202,387.60	203,108.73	203,183.19	212,429.87	(9,246.68) -4.55%
51400	Employee Insurance: Premiums	36,471.00	29,210.94	37,953.96	33,872.67	45,648.12	37,643.35	47,646.00	39,635.35	8,010.65 16.81%
51600	Retirement	34,064.00	33,015.37	34,991.95	34,924.41	36,701.99	36,871.55	37,736.30	37,730.04	6.26 0.02%
51605	Other Post Employment Benefits	8,706.00	8,706.00	9,138.00	9,138.00	9,341.00	9,341.00	12,139.00	12,139.00	- 0.00%
51210	Commissioner/Director Pay	9,600.00	5,100.00	9,600.00	4,900.00	9,600.00	5,700.00	6,400.00	6,125.00	275.00 4.30%
51300	Medicare	2,836.00	2,657.51	2,876.49	2,738.20	2,934.62	2,790.20	2,946.16	2,896.38	49.78 1.69%
51205	Cell Phone Allowance	840.00	843.50	840.00	843.50	840.00	843.50	840.00	840.00	- 0.00%
51405	Workers Compensation	168.00	168.00	226.00	226.00	327.00	327.00	396.00	396.00	- 0.00%
51115	Overtime	-	-	-	-	-	-	-	-	- 0.00%
		288,265.00	272,756.97	293,973.00	284,923.26	307,780.33	296,625.33	311,286.64	312,191.64	(905.00) -0.29%
Services and Supplies										
<u>Account</u>	<u>Description</u>									
52605	Rents and Leases: Building/Land	29,280.00	29,280.00	29,280.00	29,280.00	29,280.00	29,280.00	25,560.00	25,560.00	- 0.00%
52140	Legal Services	24,990.00	17,938.31	26,010.00	17,659.74	22,540.00	17,593.30	22,540.00	10,673.44	11,866.56 52.65%
52130	Information Technology Services	22,438.00	19,182.50	18,438.91	17,625.42	24,630.83	23,385.87	22,009.00	22,149.36	(140.36) -0.64%
52125	Accounting/Auditing Services	7,883.00	7,819.33	8,277.15	7,301.48	8,691.01	7,340.78	9,125.56	8,051.60	1,073.96 11.77%
52600	Rents and Leases: Equipment	-	-	-	-	-	-	6,500.00	6,232.62	267.38 4.11%
53100	Office Supplies	15,000.00	9,697.20	15,000.00	9,628.08	12,000.00	14,508.46	5,500.00	2,375.00	3,125.00 56.82%
52905	Business Travel/Mileage	4,500.00	5,044.48	4,500.00	6,469.45	5,000.00	2,253.35	5,000.00	6,528.78	(1,528.78) -30.58%
52900	Training/Conference	4,500.00	6,063.92	4,500.00	4,140.97	4,000.00	5,141.00	4,000.00	6,925.77	(2,925.77) -73.14%
53600	Special Departmental Purchases	1,000.00	1,095.25	1,000.00	2,482.00	1,000.00	426.64	3,500.00	3,415.29	84.71 2.42%
53415	Computer Software/License	-	-	-	-	-	-	3,487.13	-	3,487.13 100.00%
52800	Communications/Telephone	3,500.00	1,205.16	3,500.00	1,640.02	4,470.00	2,329.81	2,970.00	2,486.89	483.11 16.27%
53120	Memberships/Certifications	2,275.00	2,200.00	2,275.00	2,200.00	2,275.00	2,200.00	2,248.40	2,248.00	0.40 0.02%
53205	Utilities: Electric	-	-	-	-	-	-	1,500.00	1,029.77	470.23 31.35%
52830	Publications and Notices	1,500.00	1,112.17	1,500.00	1,433.43	1,500.00	2,255.64	1,500.00	1,169.59	330.41 22.03%
52835	Filing Fees	850.00	250.00	850.00	450.00	850.00	237.50	850.00	350.00	500.00 58.82%
53110	Postage/Freight	-	-	-	-	-	-	800.00	277.42	522.58 65.32%
52700	Insurance: Liability	347.00	347.00	444.00	444.00	321.00	321.00	153.00	148.00	5.00 3.27%
52105	Election Services	-	-	-	-	-	-	-	150.00	(150.00) -
53105	Office Supplies: Furniture/Fixtures	-	-	-	-	-	-	-	322.38	(322.38) -
54600	Capital Replacement/Depreciation*	-	3,931.30	3,931.40	3,931.40	3,931.40	3,931.40	3,931.40	3,931.40	- 0.00%
		118,063.00	105,166.62	119,506.46	104,685.99	120,489.23	111,204.75	121,174.49	104,025.31	17,149.18 14.15%
Contingencies										
<u>Account</u>	<u>Description</u>									
58100	Appropriation for Contingencies	90,632.80	-	-	-	-	-	-	-	-
		90,632.80	-	-	-	-	-	-	-	-
EXPENSE TOTALS		496,960.80	377,923.59	413,479.46	389,609.25	428,269.56	407,830.08	432,461.13	416,216.95	16,244.18 3.76%

Revenues

		FY2009-10		FY2010-11		FY2011-12		FY2012-13		
		Adopted FY09-10	Actual FY09-10	Adopted FY10-11	Actual FY10-11	Adopted FY11-12	Actual FY11-12	Adopted FY12-13	Actual FY12-13	Difference
Intergovernmental										
<u>Account</u>	<u>Description</u>									
43910	County of Napa	-	153,965.70	178,009.77	178,010.00	191,550.50	191,550.50	204,787.17	204,787.17	- 0.0%
43950	Other Governmental Agencies	-	153,965.70	178,009.77	178,010.00	191,550.50	191,550.50	204,787.17	204,787.17	- 0.0%
----	<i>City of Napa</i>	-	105,428.75	119,646.81	119,647.00	126,330.38	126,330.38	136,583.40	136,583.40	- 0.0%
----	<i>City of American Canyon</i>	-	22,010.54	27,468.37	27,468.00	32,912.04	32,912.04	33,320.64	33,320.64	- 0.0%
----	<i>City of St. Helena</i>	-	11,135.35	12,656.54	12,657.00	12,997.37	12,997.37	14,152.67	14,152.67	- 0.0%
----	<i>City of Calistoga</i>	-	8,742.73	10,642.45	10,642.00	11,393.34	11,393.34	12,095.39	12,095.39	- 0.0%
----	<i>Town of Yountville</i>	-	6,648.33	7,595.60	7,596.00	7,917.37	7,917.37	8,635.07	8,635.07	- 0.0%
			307,931.40	356,019.55	356,020.00	383,101.00	383,101.00	409,574.34	409,574.34	- 0.0%
Service Charges										
42690	Application/Permit Fees	-	18,437.00	10,000.00	24,293.00	10,000.00	8,562.00	10,000.00	23,078.00	13,078.00 130.8%
46800	Charges for Services	-	625.00	-	3,187.00	-	475.00	-	500.00	500.00 -
47900	Miscellaneous	-	156.30	-	-	-	50.00	-	180.70	180.70 -
			19,218.30	10,000.00	27,480.00	10,000.00	9,087.00	10,000.00	23,758.70	13,758.70 137.6%
Investments										
45100	Interest	-	3,791.48	5,000.00	2,570.00	2,340.00	2,472.66	4,076.00	1,985.03	(2,090.97) -51.3%
			3,791.48	5,000.00	2,570.00	2,340.00	2,472.66	4,076.00	1,985.03	(2,090.97) -51.3%
	REVENUE TOTALS	-	330,941.18	371,019.55	386,070.00	395,441.00	394,660.66	423,650.34	435,318.07	11,667.73 2.8%
OPERATING DIFFERENCE		-	(43,051)	(42,459.91)	(3,539)	(32,828.56)	(13,169.42)	(8,810.79)	19,101.12	

UNRESERVED/UNRESTRICTED FUND BALANCE

Beginning:	186,574.00	134,344.00	131,692.00	118,522.58
Ending:	134,344.00	131,692.00	118,522.58	137,623.70



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August 5, 2013

Agenda Item No. 5b (Consent/Action)

July 29, 2013

TO: Local Agency Formation Commission

FROM: Keene Simonds, Executive Officer

SUBJECT: Authorization to Approve Audit Expenditure

The Commission will consider authorizing the Executive Officer to approve an expenditure in the amount of \$4,725 to Gallina LLP to prepare an independent audit of the agency's financial statements for 2012-2013.

Local Agency Formation Commissions (LAFCOs) are authorized under California Government Code Section 56380 to enter into agreements or contracts with public and private parties for services necessary to fulfill its regulatory and planning responsibilities.

A. Background

It is the practice of LAFCO of Napa County ("Commission") to authorize the Chair to enter into an agreement with a public accounting firm to conduct an independent audit of the agency's financial statements for the prior fiscal year. The purpose of the audit is for a third-party to assess the reliability of the Commission's financial statements by reviewing records and testing transactions to determine their compliance with generally accepted governmental accounting standards. The audit also provides an opportunity for the third-party to identify reporting omissions and to make suggestions for improvements.

B. Discussion

The Commission has received an engagement letter from Gallina, LLP to prepare an independent audit concerning the agency's financial statements for the 2012-2013 fiscal year. Gallina is headquartered in Sacramento, California and is entering the third year of a three-year contract to provide auditing services for the County of Napa. Gallina's proposed cost to prepare the audit for the Commission is \$4,725. This amount equals Gallina's charge to the Commission for preparing an audit for the 2011-2012 fiscal year.

An expanded overview on the County's competitive procurement process for outside auditing services is attached.

Joan Bennett, Commissioner
Councilmember, City of American Canyon

Gregory Pitts, Commissioner
Councilmember, City of St. Helena

Juliana Inman, Alternate Commissioner
Councilmember, City of Napa

Brad Wagenknecht, Chair
County of Napa Supervisor, 1st District

Bill Dodd, Commissioner
County of Napa Supervisor, 4th District

Mark Luce, Alternate Commissioner
County of Napa Supervisor, 2nd District

Brian J. Kelly, Vice Chair
Representative of the General Public

Gregory Rodeno, Alternate Commissioner
Representative of the General Public

Keene Simonds
Executive Officer

C. Analysis

It is generally accepted governmental agencies should prepare annual audits to enhance transparency in the management of public funds. Additionally, as mentioned, the Commission relies on the annual audit process as a performance measure for staff as well as to identify opportunities to improve accounting practices. Accordingly, *while not a requirement*, it is appropriate for the Commission to enter into an agreement with Gallina based on its contractual relationship with the County to prepare an audit on the agency's financial statements for the 2012-2013 fiscal year (emphasis added). Entering the proposed agreement with Gallina requires Commission authorization given the quoted cost – \$4,725 – exceeds the Executive Officer's spending authority under agency policy.¹

D. Recommendation

It is recommended the Commission authorize the Executive Officer to approve an expenditure in the amount of \$4,725 for Gallina to prepare an independent audit for the 2012-2013 fiscal year.

E. Alternatives for Action

The following three alternatives are available to the Commission:

Alternative Action One (Recommended):

Authorize the Executive Officer to approve an expenditure in the amount of \$4,725 for Gallina to prepare an independent audit for the 2012-2013 fiscal year.

Alternative Action Two:

Continue consideration of the item to another meeting while providing appropriate direction to staff with respect to any additional information requests.

Alternative Action Three:

Take no action.

F. Procedures for Consideration

This item has been agendaized 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

(All attachments available on
Attachments: "Staff Reports" page)

- ~~1) Engagement Letter from Gallina LLP~~
- 2) Summary of County's Process to Select Audit Firm

¹ Commission policy prohibits the Executive Officer from approving any single or cumulative expense in excess of \$3,000.



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Tracy A. Schulze
Auditor-Controller

MEMO

TO: Board of Supervisors
Nancy Watt, CEO
Minh Tran, County Counsel
Helene Franchi, CEO Principal Analyst

FROM: Tracy Schulze, Auditor-Controller

DATE: January 22, 2013

RE: RFP for Independent Auditor

This memo is in response to Supervisor Dodd's request to ensure that the Board is fulfilling its obligation to the public, regarding due diligence in selecting the County's independent audit firm. The concern results from the fact that Gallina, LLP (Gallina) has been the County's audit firm for several years and there are opinions that indicate it is prudent to rotate audit firms every 3-5 years.

For background information, on April 19th, 2011 I provided an update to the Board on the Request for Proposal (RFP) for Independent Auditors. I have attached the agenda item for the contract awarded on June 7, 2011. For this RFP, I spent several days compiling best practice language and structure, organized an audit committee, created a well-structured, specific grading process, and even spoke to the Grand Jury on several occasions requesting their participation on the audit committee. I worked with the CEO's office and County Counsel's office to ensure that Napa County was producing a comprehensive request.

As stated in the June 7th agenda item, the RFP was mailed to 33 firms and included a pre-proposal conference for questions and answers. Two interested bidders attended the conference in person, one attended by phone. The County received five bids at closing, with one being disqualified for not meeting the minimum requirements. An Audit Committee, consisting of the Auditor-Controller, Assistant Auditor-Controller, Internal Audit Manager, CEO Principal Management Analyst and Deputy County Counsel, thoroughly reviewed each proposal against predetermined criteria. Technical Expertise was valued at 60% and cost was valued at 40%. Overall, the four firms were comparable in expertise, with slight variations, but the three new proposals were much higher in cost. Therefore, the bid was awarded to Gallina for 3 years with a 2 year extension option and included a change in partner assigned to the County's audit as specified in auditing best practices.

I have also attached some recent literature from three highly regarded resources in the accounting profession that provides arguments both for and against auditor rotation. The Public Company Accounting Oversight Board (PCAOB) is a nonprofit corporation established by Congress to protect the interests of investors, overseeing the audits of broker-dealers, including compliance reports filed pursuant to federal securities law. The PCAOB provided a concept paper that examines all sides of the argument with a heavy focus on the ability for private companies to “make deals” with their auditors. (Attachment A). Although they lean towards audit rotation, there is no true evidence that rotation reduces the risk of fraud and in some arguments, rotation is said to increase the potential of fraud. Invited to comment on the PCAOB’s report, the American Institute of Certified Public Accountants (AICPA) submitted a response (Attachment B). The AICPA is the world’s largest member association representing the accounting profession, with nearly 386,000 members in 128 countries, and sets ethical standards for the profession and U.S. auditing standards for private companies, nonprofit organizations, federal, state and local governments. Their position is that mandatory auditor rotation is costly and has the potential to hinder than enhance audit quality. And finally, the third attachment (Attachment C) is the related best practice standard written by the Government Finance Officers Association (GFOA). GFOA is the professional association of state/provincial and local finance officers in the United States and Canada, and has served the public finance profession since 1906. GFOA members, which I am a current member, are dedicated to the sound management of government financial resources. GFOA concluded that best practice is that governmental entities should undertake a full scale competitive process for selection every five years.

Although there are strong arguments both for and against, due diligence lies with putting proper controls and practices in place to ensure the services being provided are in the best interest of the public that the County serves. As an independently elected official, I also share this duty with you and can assure you that continuing to have the firm Gallina as the County’s independent auditor serves the best interest of the public. Gallina knows the County and can actually audit and really dig into specific areas each year instead of trying to learn about the County and spending all their time creating an audit program that simply verifies proper signatures and correct documentation. Furthermore, the learning curve of a new audit firm, not only defers in-depth auditing procedures for the first few years, it also demands a greater amount of County staff time over the period of the audit, making it even more costly.

Overall, I do not agree with changing an audit firm just for the sake of changing firms. Highly regarded industrial publications show that the best practice is to solicit bids every five years to ensure you have the most qualified firm within the market rate. We did this and we will continue to do this. Best practice also states that you should mitigate risks of keeping the same firm by mandatory partner and audit staffing changes which provides the same “new look” as a different firm would have, but at a much less cost to the County and tax payers. With the new contract awarded, we required a partner change and that they rotate their audit staff assignments each year.

I would be happy to meet with you anytime if you have any additional questions or concerns.



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We Manage Local Government Boundaries, Evaluate Municipal Services, and Protect Agriculture

August 5, 2013

Agenda Item No. 5c (Consent/Action)

July 29, 2013

TO: Local Agency Formation Commission

FROM: Kathy Mabry, Commission Secretary

SUBJECT: Approval of Meeting Minutes

The Commission will consider approving summary minutes prepared by staff for the June 3, 2013 meeting. All members were present.

A. Discussion and Recommendation

Attached are summary minutes prepared for the Commission's Regular Meeting on June 3, 2013. Staff recommends approval.

Respectfully submitted,

Kathy Mabry
Commission Secretary

Attachment: as stated

Joan Bennett, Commissioner
Councilmember, City of American Canyon

Gregory Pitts, Commissioner
Councilmember, City of St. Helena

Juliana Inman, Alternate Commissioner
Councilmember, City of Napa

Brad Wagenknecht, Chair
County of Napa Supervisor, 1st District

Bill Dodd, Commissioner
County of Napa Supervisor, 4th District

Mark Luce, Alternate Commissioner
County of Napa Supervisor, 2nd District

Brian J. Kelly, Vice Chair
Representative of the General Public

Gregory Rodeno, Alternate Commissioner
Representative of the General Public

Keene Simonds
Executive Officer



**LOCAL AGENCY FORMATION COMMISSION OF NAPA COUNTY
MEETING MINUTES OF JUNE 3, 2013**

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

a) Commission Roll Call

Chair Wagenknecht called the regular meeting of June 3, 2013 to order at 4:00 pm. At the time of roll call, the following Commissioners and staff were present:

Regular Commissioners	Alternate Commissioners	Staff
Brad Wagenknecht, Chair	Juliana Inman (<i>arrived at 4:03 pm</i>)	Keene Simonds, Executive Officer
Brian J. Kelly, Vice-Chair	Mark Luce	Jackie Gong, Commission Counsel
Joan Bennett	Gregory Rodeno	Brendon Freeman, Analyst
Bill Dodd		Kathy Mabry, Secretary
Greg Pitts		

b) Pledge of Allegiance

Chair Wagenknecht led the Pledge of Allegiance.

c) Oath of Office for Commissioners with New Terms

The Commission Counsel administered new oaths of offices for Commissioners Inman, Luce, and Pitts.

2. APPROVAL OF AGENDA

There were no requests to rearrange the agenda.

3. PUBLIC COMMENTS

Chair Wagenknecht invited members of the audience to provide public comment. No comments were received.

4. RECOGNITION OF SERVICE: Lewis Chilton

The Commission recognized the service of Lewis Chilton as Commissioner for LAFCO between 2009 and 2013. Chair Wagenknecht presented Mr. Chilton with a plaque with a commemorative inscription. Mr. Chilton expressed his appreciation to the Commission for the commendation.

5. CONSENT ITEMS

a) Third Quarter Budget Report for 2012-2013

The Commission reviewed a third quarter budget report for 2012-2013. The report compared budgeted versus actual transactions through the first three quarters. The report projected the Commission is on pace to improve its year-end financial position by eliminating its budgeted funding gap of (\$8,811) and finish with an overall operating surplus of \$13,652.

b) Amendments to Support Services Agreement with the County of Napa

The Commission considered an amendment to its support services agreement with the County of Napa (*Napa County Agreement No. 4433, LAFCO Agreement No. 03-02*) involving the provision of information technology services. The amendment establishes the Commission's 2013-2014 annual charge for information technology services provided by the County in the amount of \$22,374, and represents an approximate 1.7% increase over the current fiscal year.

5. **CONSENT ITEMS – *continued*:**

c) **Approval of Meeting Minutes**

The Commission considered the minutes prepared by staff for the April 1, 2013 meeting.

d) **Current and Future Proposals**

The Commission received a report summarizing current and future proposals. No new proposals have been submitted since the April 1, 2013 meeting.

Upon motion by Commissioner Bennett and second by Commissioner Kelly, the consent items were approved (Commissioner Pitts abstained from voting since he was not present at the April 1, 2013 meeting).

6. **PUBLIC HEARING ITEMS**

a) **Consideration of a Final Budget for Fiscal Year 2013-2014**

Staff presented the Commission with a final budget for 2013-2014 prepared by the Budget Committee (Chilton, Kelly and Simonds). The budget report was nearly identical to the proposed budget adopted in April and subsequently circulated for public review. Operating expenses total \$448,800 and represents a 3.8% increase over the current fiscal year. Operating revenues total \$432,850 with the majority coming from local funding agencies; the latter of which would increase by 2.4%. The anticipated shortfall of \$15,949 would be covered by agency reserves.

Chair Wagenknecht opened the public hearing. No public comments were received.

Chair Wagenknecht closed the public hearing.

Upon motion by Commissioner Pitts and second by Commissioner Kelly, the final budget was unanimously approved by the Commission (**Resolution No. 2013-06**).

b) **Amendments to Adopted Fee Schedule**

Staff presented the Commission with amendments to its adopted fee schedule prepared by the Policy Committee (Luce, Rodeno and Simonds). The proposed amendments included increasing the composite hourly staff rate from \$118 to \$123 along with making changes to the policy statements accompanying the fee schedule to improve implementation.

Staff provided clarification of the proposed amendments to the adopted fee schedule.

Chair Wagenknecht opened the public hearing. No comments were received.

Chair Wagenknecht closed the public hearing.

Upon motion by Commissioner Dodd and second by Commissioner Bennett, the amendments to the adopted fee schedule were unanimously approved (**Resolution No. 2013-07**).

7. **ACTION ITEMS**

a) **Amendments to Policy on Conducting of Meetings and Business**

Staff presented the Commission with amendments to its existing policies concerning the conducting of meetings and business prepared by the Policy Committee. The majority of the proposed amendments reflects and expands on current practices and address per diem allowances and reimbursement procedures. Amendments were also proposed to address setting agenda items.

There were no Commissioner comments were received.

Upon motion by Commissioner Dodd and second by Commissioner Pitts, the amendments to the proposed amendments were approved.

b) Approval of Meeting Calendar for Second Half of 2013

The Commission considered approving a meeting calendar for the final six months of 2013. It was recommended the Commission schedule four regular meetings for August 5th, October 7th, November 4th, and December 2nd. One special meeting was also recommended for November for the Commission to hold its biennial workshop. Staff will poll the Commission to see which date in November will work best for holding the workshop.

Upon motion by Commissioner Bennett and second by Commissioner Kelly, the meeting calendar for the second half of 2013 was approved.

c) California Association of Local Agency Formation Commissions: Annual Conference Items

The Commission considered items relating to CALAFCO's Annual Conference scheduled for August 28-30th at Resort at Squaw Creek in Lake Tahoe. This included appointing a delegate and alternate delegate, nominating interested City and Public members for board election and making a nomination for the achievement awards.

Upon motion by Commissioner Bennett and second by Commissioner Pitts, the Commission appointed Chair Wagenknecht and Commissioner Inman to serve as delegate and alternate delegate, respectfully. The Commission nominated Alternate Commissioner Inman for City member seat and Alternate Commissioner Rodeo for Public member seat on CALAFCO.

No nominations for the achievement award were made.

8. DISCUSSION ITEMS

a) Spanish Flat Water District Sphere of Influence Update

Staff presented the Commission with a draft report on its scheduled sphere of influence update on the Spanish Flat Water District. The draft report draws on current legislative directives and adopted local policies in identifying and evaluating the merits of adding two study areas – "A" and "B" – to the sphere to facilitate either future annexations or outside service extensions. Staff summarized the draft notes the recommendation is to add Study Area A.

b) Profile Report on Mutual Water Companies in Napa County

Staff presented the Commission with a profile report on mutual water companies operating in Napa County. The one-time report was prepared in response to the recent enactment of Assembly Bill 54 and identified each mutual water company's service area along with basic service information.

No public comments were received and no action was taken.

c) Legislative Report

Staff provided the Commission with a status report on the first year of the 2013-2014 session of the California Legislature as it relates to items directly or indirectly effecting Local Agency Formation Commissions. The report also updated the Commission on the agency's ongoing efforts to seek amendments to the section of law involving outside municipal service extensions.

9. EXECUTIVE OFFICER REPORT

The Executive Officer provided a brief report on the CALAFCO Workshop attended by staff which was held in Davis in April 2013.

10. CLOSED SESSION

There was no closed session.

11. COMMISSIONER COMMENTS

There was no discussion of this item.

12. ADJOURNMENT TO NEXT REGULAR SCHEDULED MEETING

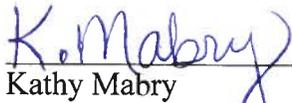
The meeting was adjourned at 5:09 p.m. The next regular LAFCO meeting is scheduled for Monday, August 5, 2013 at 4:00 p.m.

Brad Wagenknecht, Chair

ATTEST:

Keene Simonds, Executive Officer

Prepared by:



Kathy Mabry
Commission Secretary



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We Manage Local Government Boundaries, Evaluate Municipal Services, and Protect Agriculture

August 5, 2013

Agenda Item No. 5d (Consent/Information)

July 30, 2013

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. One new proposal has been submitted since the June 3, 2013 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 four active proposals on file with LAFCO of Napa County (“Commission”). A summary of these active proposals follows.

Proposed Annexation of 3174 Valley Green Lane to Napa Sanitation District

An interested landowner of a 2.2 acre incorporated property located at 3174 Valley Green Lane has filed an annexation application to connect to Napa Sanitation District. This property was conditionally approved for an outside sewer service connection on June 21, 2013. The intent of annexation is to memorialize an outside service agreement the Commission will separately consider as part of today’s public hearing.



Status: Staff will review the proposal and consider action as soon the Commission’s October 7, 2013 meeting.

Joan Bennett, Commissioner
Councilmember, City of American Canyon

Brad Wagenknecht, Chair
County of Napa Supervisor, 1st District

Brian J. Kelly, Vice Chair
Representative of the General Public

Gregory Pitts, Commissioner
Councilmember, City of St. Helena

Bill Dodd, Commissioner
County of Napa Supervisor, 4th District

Gregory Rodeno, Alternate Commissioner
Representative of the General Public

Juliana Inman, Alternate Commissioner
Councilmember, City of Napa

Mark Luce, Alternate Commissioner
County of Napa Supervisor, 2nd District

Keene Simonds
Executive Officer

Proposed Annexation of 820 Levitin Way to the City of Napa

The City of Napa filed a proposal with the Commission on December 12, 2012 to annex six unincorporated lots totaling 18.6 acres. The affected territory is assigned a common situs address of 820 Levitin Way and owned and used by the City to remove reusable materials from curbside collected refuse. The affected territory is located outside the sphere of influence and non-contiguous to existing City limits. Approval is being sought under Government Code Section 56742; a statute permitting LAFCOs to approve annexations of non-contiguous territory to a city without requiring consistency with the sphere of influence so long as the subject lands are owned and used by the annexing agency for municipal purposes. The underlying purpose of the proposal is to eliminate an approximate \$50,000 annual property tax obligation.



Status: Staff continues to review the proposal. This includes the possible merits of reorganizing the proposal to include concurrent detachment from County Service Area No. 3. A property tax agreement between the City and County is also required before consideration by the Commission.

Formation of the Villa Berryessa Water District

This proposal has been filed by Miller-Sorg Group, Inc with the Commission on May 7, 2008. 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. It appears the prolonged delay is attributed to the ongoing settlement of a family estate following the death of the initial trustee.

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

The City of St. Helena filed a proposal with the Commission on November 19, 2008 to annex approximately 100 acres of unincorporated territory located northwest of the intersection of Silverado Trail and Zinfandel Lane. The subject 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 subject 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: 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 subject territory. The negotiation remains pending completion.

There are four potential new proposals that may be submitted to the Commission in the near future based on extensive discussions with proponents. A summary of these anticipated proposals follows.

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 subject area includes the 58-space mobile home park adjacent to Moskowitz 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 presenting at a



community meeting earlier this year. 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. The landowner subsequently requested a fee waiver for the cost of submitting an application to form a new special district at the Commission's June 4th meeting. The Commission denied the request without prejudice and noted the opportunity exists for the landowner to return at a future date with additional information to justify a fee waiver request as well as the underlying action: forming a new special district.

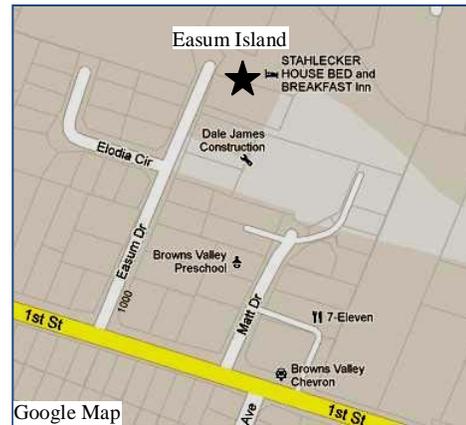
Sibsey Annexation to the City of Napa

A representative for an interested landowner of a 0.77 acre unincorporated property located at 2138 Wilkins Avenue has inquired about re-initiating annexation to the City of Napa. This property was conditionally approved for annexation by the Commission on February 2, 2009. The conditions, however, were never satisfied and annexation proceedings were formally abandoned on April 5, 2010. Staff is working with the landowner's representative and the City to discuss resuming annexation proceedings. This includes preparing a new application in consultation with the City.



Stahlecker Annexation to the City of Napa

An interested landowner within a completely surrounded unincorporated island located near 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 outlining the cost benefits to annexation. Subsequent follow up indicates one of the other two landowners within the island is also agreeable to annexation if there is no financial obligation. Staff is working with the City on its interest/willingness to reduce or waive fees associated with adopting a resolution of application in order to initiate “island proceedings”.



Airport Industrial Area Annexation to County Service Area No. 3

LAFCO staff recently completed a sphere of influence review and update for County Service Area (CSA) No. 3. This included amending CSA No. 3’s sphere to add approximately 125 acres of unincorporated territory located immediately north of the City of American Canyon in the Airport Industrial Area. The County of Napa is expected to submit an application to annex the 125 acres to CSA No. 3 by the end of the fiscal year. The subject territory is completely uninhabited and includes seven entire parcels along with a portion of an eighth parcel. This eighth parcel, notably, comprises a railroad track owned and operated by Southern Pacific. The subject territory also includes segments of Airport Drive, Devlin Road, and South Kelly Road. Annexation would help facilitate the orderly extension of street and fire protection services to the subject territory under the land use authority of the County.



B. Commission Review

This item has been agendaized 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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We Manage Local Government Boundaries, Evaluate Municipal Services, and Protect Agriculture

August 3, 2013

Agenda Item No. 5e (Consent/Information)

July 29, 2013

TO: Local Agency Formation Commission

FROM: Keene Simonds, Executive Officer

SUBJECT: CALAFCO Quarterly Report

The Commission will receive the most recent quarterly report prepared by the California Association of Local Agency Formation Commissions. The report is being presented to Commissioners for information only.

A. Information

The California Association of Local Agency Formation Commissions (CALAFCO) has issued its quarterly report covering the months of April, May and June 2013. The quarterly report summarizes recent Board activities – including action on revising proposed amendments to Government Code Section 56133 – as well as planning activities tied to the Annual Conference scheduled for August 28-30 in Lake Tahoe.

B. Commission Review

The Commission is invited to review and discuss the attached report as needed.

Attachments: as stated

Joan Bennett, Commissioner
Councilmember, City of American Canyon

Gregory Pitts, Commissioner
Councilmember, City of St. Helena

Juliana Inman, Alternate Commissioner
Councilmember, City of Napa

Brad Wagenknecht, Chair
County of Napa Supervisor, 1st District

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We Manage Local Government Boundaries, Evaluate Municipal Services, and Protect Agriculture

August 5, 2013
Agenda Item No. 6a (Public Hearing)

July 29, 2013

TO: Local Agency Formation Commission

FROM: Keene Simonds, Executive Officer
Brendon Freeman, Analyst

SUBJECT: Spanish Flat Water District Sphere of Influence Update

The Commission will consider taking two separate actions relating to the agency's scheduled sphere of influence update on the Spanish Flat Water District. The first proposed action is for the Commission to formally receive and file a final report on the sphere update. The second proposed action is for the Commission to adopt a draft resolution enacting the final report's central recommendation to affirm and expand the District's sphere designation to include additional land identified as Study Area A.

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 ("CKH") directs Local Agency Formation Commissions (LAFCOs) to establish, amend, and update spheres of influence ("spheres") for all cities and special districts. LAFCOs use spheres to designate the territory it independently believes represents the appropriate future service areas and jurisdictional boundaries of the affected agencies. Importantly, all jurisdictional changes and outside service extensions must be consistent with the affected agencies' spheres with limited exceptions. Sphere updates are prepared in concurrence with municipal service reviews and now performed for all local agencies every five years.

A. Discussion

Staff has prepared a final report representing LAFCO of Napa County's ("Commission") scheduled sphere update on Spanish Flat Water District (SFWD); the governmental entity responsible for providing water and sewer services for the unincorporated Spanish Flat and Berryessa Pines communities and their estimated 404 residents. The basic objective of the report – which was initially presented in draft form at the June 3rd meeting for discussion and review – is to independently identify and evaluate areas warranting consideration for inclusion or removal from SFWD's sphere relative to the policies and goals codified in CKH and adopted by the Commission. The report supersedes the last comprehensive sphere update for SFWD adopted by the Commission in December 2007. The report also draws on information collected and analyzed in the Commission's recently completed municipal service review on the Lake Berryessa region, which included evaluating the availability, adequacy, and capacity of services provided by SFWD.

Joan Bennett, Commissioner
Councilmember, City of American Canyon

Gregory Pitts, Commissioner
Councilmember, City of St. Helena

Juliana Inman, Alternate Commissioner
Councilmember, City of Napa

Brad Wagenknecht, Chair
County of Napa Supervisor, 1st District

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Representative of the General Public

Gregory Rodeno, Alternate Commissioner
Representative of the General Public

Keene Simonds
Executive Officer

B. Summary/Analysis

Policy Focus

The final report and its analysis on potential sphere modifications for SFWD is predicated on adhering to the policy interest of the Commission to consider the District's prescribed role in providing water and sewer services in support of development in the Spanish Flat and Berryessa Pines communities. This involves, notably, considering the communities' need for SFWD services relative to the District's ability to provide these services efficiently and in a manner consistent with sensible land uses based on the adopted policies and preferences of the Commission. The report, accordingly, identifies and evaluates the addition of two distinct study areas totaling 13.2 acres of non jurisdictional lands into SFWD's sphere. Both study areas lie within the Berryessa Pines community and are described below with an enlarged map attached.

- Study Area "A" represents non jurisdictional lands immediately adjacent to SFWD's existing sphere and currently receive water and sewer from SFWD through grandfathered outside service agreements.
- Study Area "B" represents non jurisdictional lands immediately adjacent to SFWD's existing sphere and presently used and designated for urban type uses.

Central Conclusions

The final report – and identical to the earlier draft – concludes there is substantive merit for the Commission to add all of Study Area A into SFWD's sphere as part of this scheduled update given the overall consistency with the factors prescribed for consideration by the Legislature. Most notably, adding Study Area A conforms to the Legislature's increasing emphasis on the sphere's role in demarking an agency's existing and probable service area. The report's conclusions, however, are less certain with respect to Study Area B by noting there appears to be equal merit to either add or continue to exclude the affected lands from the sphere depending on the collective preferences of members. The principal justification to include Study Area B applies if it is the Commission's collective preference to emphasize the connectivity between present and planned urban land uses as well as social and economic ties that exist with SFWD. The principal justification, conversely, to continue to exclude Study Area B from the sphere applies if it is the Commission's collective preference to emphasize the apparent lack of need or interest as of date on the part of the affected landowner to establish water and/or sewer service from SFWD.

Public Comments

A notice of review on the earlier draft report prepared on SFWD's sphere update and presented at the June 3rd meeting was circulated on June 11th. The notice summarized the report's key conclusions and invited written comments through July 8th as well as to provide verbal testimony at the public hearing set for August 5th. The notice was posted on the Commission's website and mailed to – among others – SFWD as well as all landowners within the two subject subareas. The following comment was received.

- Al Wynrib, Affected Landowner in Study Area A
Mr. Wynrib telephonically contacted staff on June 17th in response to receiving the notice of review on the sphere update. Mr. Wynrib is the landowner and occupant of 505 Putah Creek Road; one of two lots comprising Study Area A. Mr. Wynrib confirmed his property currently receives water and sewer from SFWD and reported the District has an easement on his property to access two cleanouts for the sewer system. Mr. Wynrib added he does not oppose the addition of his property into the sphere.

Changes from Draft to Final Report

The final report is substantively identical to the draft presented at the June meeting. Changes are limited to incorporating the preceding information regarding an existing SFWD easement within Study Area A as well as documenting earlier zoning standards for the Berryessa Pines community as requested by Commission.

C. Recommendation

As provided in the final report, it is recommended the Commission update and expand SFWD's existing sphere to include all of Study Area A to facilitate the annexation of the affected lands to the District and formalize the existing provision of water and sewer service under LAFCO law. It is not recommended the Commission add Study Area B to the sphere given – above all else – public water and/or sewer service within the affected lands does not appear needed now or within the next five years based on available information. However, given directives and adopted policies, it is recommended the Commission make a policy statement declaring any future urban intensification within Study Area B be accompanied by inclusion into SFWD's sphere given the District's prescribed role in the community. This recommended policy statement is memorialized as part of the accompanying and attached draft resolution.

Specific actions requested of the Commission include (a) formally accepting and filing the final report and (b) adopting the draft resolution updating the sphere as recommended.

D. Alternatives for Action

The following alternative actions are available to the Commission.

Alternative Action One (Recommended):

Approve by motion to (a) accept and file the final report as presented and (b) adopt the draft resolution confirming the determinative statements therein in updating SFWD's sphere as specified by members.

Alternative Action Two:

Approve by motion a continuance to a future meeting and provide direction to staff with respect to additional information requests as needed.

E. Procedures for Consideration

This item has been agendized as a noticed public hearing. The following procedures are recommended with respect to the Commission's consideration of this item:

- 1) Receive verbal report from staff;
- 2) Open the public hearing (mandatory); and
- 3) Discuss item and consider action on recommendations.

Respectfully submitted,

Keene Simonds
Executive Officer

Brendon Freeman
Analyst

Attachments:

- ~~1. Map of Study Areas~~
2. Final Report on Sphere Update
3. Draft Resolution to Update Sphere

(All attachments available on
"Staff Reports" page)



LOCAL AGENCY FORMATION COMMISSION OF NAPA COUNTY
Political Subdivision of the State of California

We Manage Government Boundaries, Evaluate Municipal Services, and Protect Agriculture

SPANISH FLAT WATER DISTRICT
SPHERE OF INFLUENCE REVIEW AND UPDATE

Final Report
August 2013



LAFCO of Napa County
Overseeing the
logical formation and development
of cities and special districts.

Commissioners

Brad Wagenknecht, Chair, County Member
Brian J. Kelly, Vice Chair, Public Member
Joan Bennett, Commissioner, City Member
Bill Dodd, Commissioner, County Member
Gregory Pitts, Commissioner, City Member
Juliana Inman, Alternate Commissioner, City Member
Mark Luce, Alternate Commissioner, County Member
Gregory Rodeno, Alternate Commissioner, Public Member

Staff / Administrative Office

Keene Simonds, Executive Officer
Jacqueline M. Gong, Counsel
Brendon Freeman, Staff Analyst
Kathy Mabry, Commission Secretary

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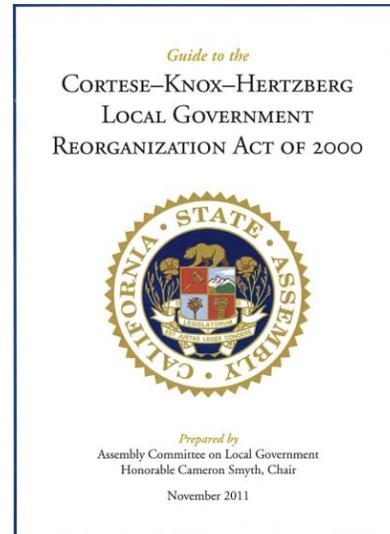
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I. INTRODUCTION

1.0 Local Agency Formation Commissions

1.1 Authority and Objectives

Local Agency Formation Commissions (LAFCOs) were established in 1963 as political subdivisions of the State of California and are currently responsible for providing regional growth management services under the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (“CKH”).¹ LAFCOs are located in all 58 counties in California and are delegated regulatory and planning powers to coordinate and oversee the logical formation and development of local governmental agencies and their municipal service areas. Towards this end, LAFCOs are commonly referred to as the Legislature’s “watchdog” for local governance issues. Underlying LAFCOs’ regulatory and planning powers is to fulfill specific objectives outlined by the California Legislature under Government Code (G.C.) Section 56301, which states:



“Among the purposes of the commission are discouraging urban sprawl, preserving open space and prime agricultural lands, efficiently providing governmental services, and encouraging the orderly formation and development of local agencies based upon local conditions and circumstances. One of the objects of the commission is to make studies and to obtain and furnish information which will contribute to the logical and reasonable development of local agencies in each county and to shape the development of local agencies so as to advantageously provide for the present and future needs of each county and its communities.”

1.2 Regulatory Responsibilities

LAFCOs’ principal regulatory responsibility involves approving or disapproving all jurisdictional changes involving the establishment, expansion, and reorganization of cities and special districts within their jurisdictions.² LAFCOs are also provided broad discretion to condition jurisdictional changes as long as they do not directly regulate land use, property development, or subdivision requirements. LAFCOs generally exercise their regulatory authority in response to applications submitted by local agencies, landowners, or registered voters. Recent amendments to CKH, however, now empower and encourage LAFCOs to initiate on their own jurisdictional changes to form, merge, and dissolve special districts consistent with current and future community needs. The following table provides a complete list of LAFCOs’ regulatory authority as of January 1, 2013.

LAFCOs’ Regulatory Authority	
<ul style="list-style-type: none"> • City Incorporations and Disincorporations • District Formations and Dissolutions • City and District Consolidations • City and District Outside Service Extensions 	<ul style="list-style-type: none"> • City and District Annexations • City and District Detachments • Merge/Establish Subsidiary Districts • District Service Activations or Divestitures

¹ Reference California Government Code Section 56000 et seq.

² CKH defines “special district” to mean any agency of the State formed pursuant to general law or special act for the local performance of governmental or proprietary functions within limited boundaries. All special districts in California are subject to LAFCO with the following exceptions: school districts; community college districts; assessment districts; improvement districts; community facilities districts; and air pollution control districts.

1.3 Planning Responsibilities

LAFCOs inform their regulatory actions through two central and interrelated planning responsibilities: (a) making sphere of influence (“sphere”) determinations and (b) preparing municipal service reviews. Sphere determinations have been a central planning function of LAFCOs since 1971 and effectively serve as the Legislature’s version of “urban growth boundaries” with regard to delineating the appropriate interface between urban and non urban uses. Municipal service reviews, in contrast, are a relatively new planning responsibility enacted in 2001 as part of CKH and are intended to inform – among other activities – sphere determinations. The Legislature mandates, notably, all sphere changes be accompanied by preceding municipal service reviews to help ensure LAFCOs are effectively aligning governmental services with current and anticipated community needs. An expanded summary of the function and role of these two planning responsibilities follows.

Sphere Determinations

LAFCOs establish, amend, and update spheres for all cities and special districts to designate the territory it independently believes represents the appropriate and probable future service area and jurisdictional boundary of the affected agency. Importantly, all jurisdictional changes, such as annexations and detachments, must be consistent with the spheres of the affected local agencies with limited exceptions.³ Further, an increasingly important role involving sphere determinations relates to their use by regional councils of governments as planning areas in allocating housing need assignments for counties and cities, which must be addressed by the agencies in their housing elements.

LAFCO must review and update as needed each local agency’s sphere every five years. In making a sphere determination, LAFCO is required to prepare written statements addressing five specific planning factors listed under G.C. Section 56425. These mandatory factors range from evaluating current and future land uses to the existence of pertinent communities of interest. The intent in preparing the written statements is to orient LAFCO in addressing the core principles underlying the sensible development of each local agency consistent with the anticipated needs of the affected community. The five mandated planning factors are summarized in the following table.

Sphere Determinations: Mandatory Written Statements

1. Present and planned land uses in the area, including agricultural and open space.
2. Present and probable need for public facilities and services in the area.
3. Present capacity of public facilities and adequacy of public services the agency provides or is authorized to provide.
4. Existence of any social or economic communities of interest in the area if the commission determines they are relevant to the agency.
5. If the city or district provides water, sewer, or fire, the present and probable need for those services of any disadvantaged unincorporated communities within the existing sphere.

³ Exceptions in which jurisdictional boundary changes do not require consistency with the affected agencies’ spheres include annexations of State correctional facilities or annexations to cities involving city owned lands used for municipal purposes.

Municipal Service Reviews

Municipal service reviews are comprehensive studies of the availability, range, and sufficiency of governmental services provided within a defined geographic area. LAFCOs generally prepare municipal service reviews to explicitly inform subsequent sphere determinations as required by the Legislature. LAFCOs also prepare municipal service reviews irrespective of making any specific sphere determinations in order to obtain and furnish information to contribute to the overall orderly development of local communities.

Municipal service reviews vary in scope and can focus on a particular agency or governmental service. LAFCOs may use the information generated from municipal service reviews to initiate other actions under their authority, such as forming, consolidating, or dissolving one or more local agencies. All municipal service reviews – irregardless of their intended purpose – culminate with LAFCOs preparing written statements addressing seven specific service factors listed under G.C. Section 56430. This includes, most notably, infrastructure needs or deficiencies, growth and population trends, and financial standing. The seven mandated service factors are summarized in the following table.

Municipal Service Reviews: Mandatory Written Statements

1. Growth and population projections for the affected area.
2. Location and characteristics of any disadvantaged unincorporated communities within or contiguous to affected spheres of influence.⁴
3. Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies.
4. Financial ability of agencies to provide services.
5. Status and opportunities for shared facilities.
6. Accountability for community service needs, including structure and operational efficiencies.
7. Matters relating to effective or efficient service delivery as required by LAFCO policy.

1.4 Mandated Composition

LAFCOs are generally governed by an eight-member board comprising three county supervisors, three city councilmembers, and two representatives of the general public.⁵ Members are divided between “regulars” and “alternates” and must exercise their independent judgment on behalf of the interests of residents, landowners, and the public as a whole. LAFCO members are subject to standard disclosure requirements and must file annual statements of economic interests. LAFCOs have sole authority in administering its legislative responsibilities and its decisions are not subject to an outside appeal process.

All LAFCOs are independent of local government with the majority employing their own staff; an increasingly smaller portion of LAFCOs, however, choose to contract with their local county government for staff support services. All LAFCOs, nevertheless, must appoint their own Executive Officers to manage agency activities and provide written recommendations on all regulatory and planning actions before the members. All LAFCOs must also appoint their own legal counsel.

⁴ This determination was added to the municipal service review process by Senate Bill 244 effective January 1, 2012. The definition of “disadvantaged unincorporated community” is defined under G.C. Section 56330.5 to mean inhabited territory that constitutes all or a portion of an area with an annual median household income that is less than 80 percent of the statewide annual median household income; the latter amount currently totaling \$57,287.

⁵ Several LAFCOs also have three members from independent special districts within their county.

1.5 Prescriptive Funding

CKH prescribes local agencies fund LAFCOs' annual operating costs. Counties are generally responsible for one-half of LAFCO's annual operating costs with the remainder proportionally allocated among cities based on a calculation of tax revenues and population.⁶ LAFCOs are also authorized to collect fees to offset local agency contributions.

2.0 LAFCO of Napa County

LAFCO of Napa County ("Commission") was first established in 1963 as a department within the County of Napa. Consistent with pre CKH provisions, the County was entirely responsible for funding the Commission's annual operating costs over the first three decades. Further, the duties of the Executive Officer were first performed by the County Administrator and later delegated to the County Planning Director beginning in 1990.

CKH's enactment in 2001 changed the Commission's funding to assign one-half of its operating costs to the County with the other one-half assigned to the Cities of American Canyon, Calistoga, Napa, St. Helena, and the Town of Yountville. CKH's enactment also facilitated a number of organizational changes highlighted by the Commission entering into a staff support services agreement with the County; an agreement allowing the Commission, among other things, to appoint its own Executive Officer. The Commission's current member roster is provided below.

Napa LAFCO's Commission Roster		
Appointing Agency	Regular Members	Alternative Members
County of Napa Supervisors	Bill Dodd Brad Wagenknecht	Mark Luce
City Selection Committee: Mayors	Joan Bennett Gregory Pitts	Juliana Inman
Commissioners: City and County	Brian J. Kelly	Gregory Rodeno

Staffing for the Commission currently consists of 2.5 full-time equivalent employees. This includes a full-time Executive Officer and Analyst along with a part-time Secretary.⁷ Legal services are provided by the County Counsel's Office. All other staffing related services, such as accounting, human resources, information technology, are provided by the County as needed and generally charged on an hourly basis. The Commission's adopted budget for 2013-2014 totals \$0.448 million with an audited unreserved/undesignated fund balance of \$0.119 million.

⁶ The funding formula for LAFCOs with special district representation provides that all three appointing authorities (county, cities, and special districts) are responsible for one-third of LAFCOs' annual operating costs.

⁷ The Commission contracts with the County for staff support services. The Executive Officer and all support personnel are County employees. The Commission, however, appoints and removes the Executive Officer on its own discretion.

II. EXECUTIVE SUMMARY

1.0 Overview

This report represents the Commission's scheduled sphere update for the Spanish Flat Water District (SFWD); the governmental entity responsible for providing water and sewer services to the Spanish Flat and Berryessa Pines communities. The underlying objective of the report is to review SFWD's existing sphere relative to current legislative directives, local policies, and member preferences in justifying whether to (a) change or (b) maintain the designation as part of the current update cycle required by the Legislature. This report supersedes the last sphere update on SFWD adopted on December 3, 2007. The report draws on information collected and analyzed in the Commission's recently completed municipal service review on the Lake Berryessa region, which includes the evaluation of availability, adequacy, and capacity of services provided by SFWD.

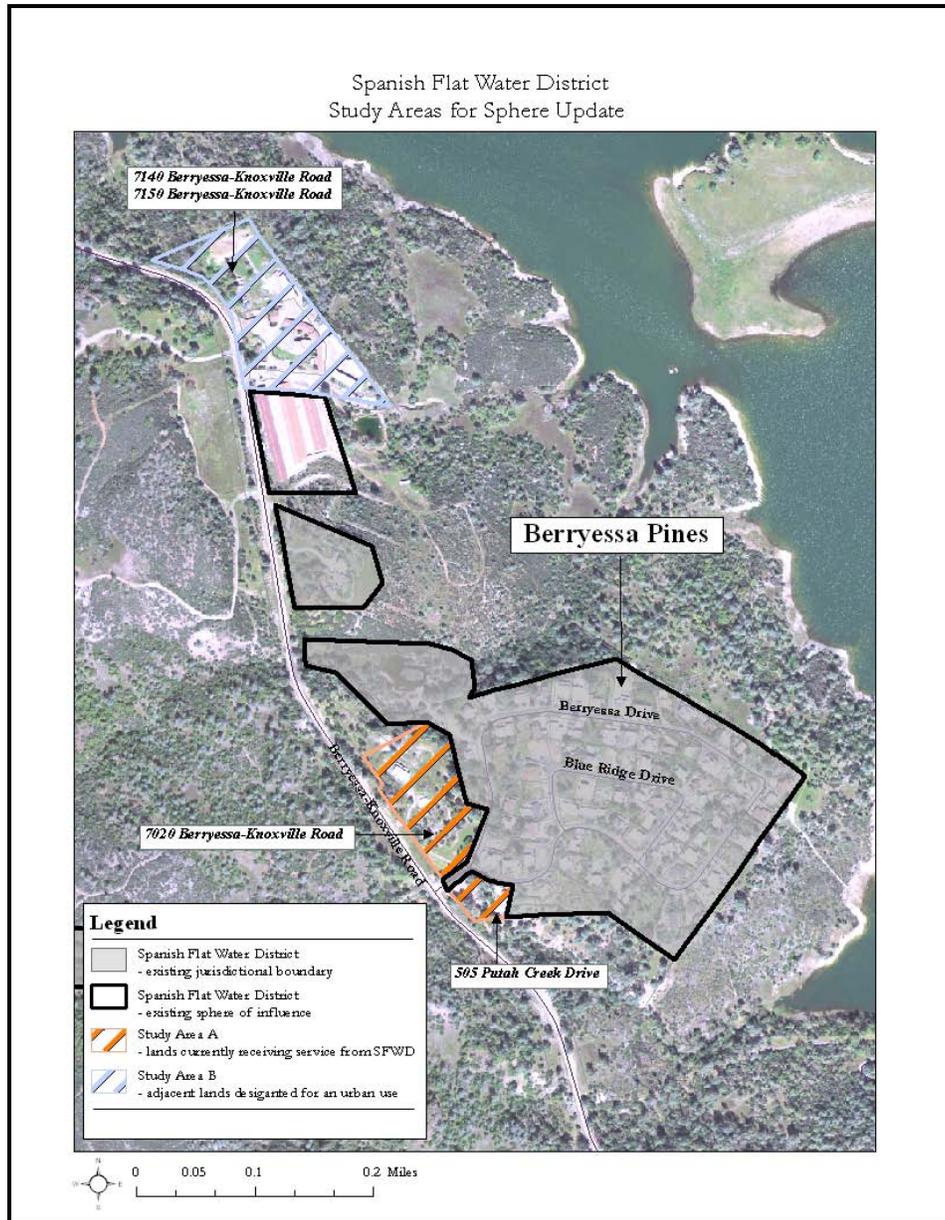
2.0 Conclusions

2.1 Role of SFWD

SFWD covers close to 1,200 jurisdictional acres and serves a critical role in supporting existing and planned development along the western Lake Berryessa shoreline legacy communities of Spanish Flat and Berryessa Pines and their estimated 404 residents by providing needed public water and sewer services. These services, pertinently, would otherwise likely be unavailable to the affected communities and their residents given the lack of alternative service providers in the region. SFWD also serves an important and expanding role as the sole governing board purposefully tasked with representing the landowners and residents in the Spanish Flat and Berryessa Pines communities. Further, and as detailed in the earlier municipal service review, SFWD has proven adept in maximizing its available resources in meeting constituent needs despite operating within relatively finite service areas that have not developed as initially planned coupled with the challenges of addressing increasing regulatory standards.

2.2 Policy Focus

This report and its analysis on potential sphere modifications for SFWD is predicated on adhering to the policy interest of the Commission to consider the District's prescribed role in providing water and sewer services in support of development in the Spanish Flat and Berryessa Pines' communities. This involves, notably, considering the communities' need for SFWD services relative to the District's ability to provide these services efficiently and in a manner consistent with sensible land uses as vetted through the adopted policies of the Commission. The report, accordingly, identifies and evaluates the addition of two distinct study areas totaling 13.2 acres of non jurisdictional lands into SFWD's sphere. Study Area "A" represents non jurisdictional lands that currently receive water and sewer from SFWD through outside service agreements. Study Area "B" represents non jurisdictional lands immediately adjacent to the existing sphere and designated for an urban type use under the County General Plan. Both study areas lie near the Berryessa Pines' service area and are depicted in the following map.



2.3 General Findings

The report concludes there is substantive merit for the Commission to add Study Area A into SFWD’s sphere as part of this scheduled update. The addition of the affected 5.3 acres is merited, in particular, given the overall consistency with the factors prescribed for consideration by the Legislature anytime the Commission makes a sphere determination. This includes – above others – assigning deference to the current need and adequacy of services SFWD is already providing to the two subject lots in the study area through earlier outside service extensions; a deference conforming to the Legislature’s increasing emphasis on the sphere’s demarking an agency’s existing and probable service area.

In contrast to the preceding analysis, the report concludes there is equal merit for the Commission to either add or continue to exclude Study Area B from SFWD's sphere based on the collective preferences of members. The principal justification to include the affected 7.9 acres applies if it is the Commission's collective preference to emphasize the connectivity between present and planned land uses as well as social and economic ties that exist with SFWD. Prominently, assigning deference to these factors in adding the study area to the sphere would follow the justification the Commission previously exercised in adding similarly situated lands to SFWD's sphere that lie immediately south of the affected lands in the early 1990s. The principal justification, conversely, to continue to exclude the study area from the sphere applies if it is the Commission's collective preference to emphasize the apparent lack of need or interest on the part of the affected landowner to establish water and/or sewer service from SFWD as of date.

2.4 Recommendation

It is recommended the Commission affirm and expand SFWD's existing sphere designation to include all of Study Area A for reasons outlined in the preceding section and further detailed in the following report. It is not recommended the Commission add Study Area B to the sphere at this time given public water and/or sewer service within the affected lands does not appear needed now or within the next five years based on available information. Nonetheless, and as part of an approving resolution for the update, it is recommended the Commission affirm its policy interest and state any future urban intensification authorized by the County of Napa within Study Area B be termed by inclusion into SFWD's sphere given the District's prescribed role in the community.

The following written statements support the preceding recommendation as required under G.C. Section 56425.

- **Present and Planned Land Uses in the Area**
The Commission determines the County of Napa's adopted land use policies appropriately provide for the present and planned residential and commercial uses characterizing the majority of the recommended sphere. These present and planned urban type uses are compatible with SFWD water and sewer services. There are no agricultural lands and limited open-space lands within the recommended sphere as defined under LAFCO law.
- **Present and Probable Need for Public Services in the Area**
The Commission determines there is a present need for SFWD's water and sewer services throughout the recommended sphere to support the existing and continued development of the Berryessa Pines and Spanish Flat communities and their estimated combined 400 plus residents. These services are also needed in anticipation and support of the expected redevelopment and opening of the former Spanish Flat Resort site.

- **Present Capacity and Adequacy of Public Services**
The Commission determines SFWD has sufficient supplies and capacities to adequately accommodate anticipated water and sewer service demands within the recommended sphere of influence in the timeframe of this update. This determination is predominately drawn on information independently collected and analyzed by the Commission as part of its recent municipal service review on the Lake Berryessa region.

- **Existence of Relevant Social or Economic Communities of Interest**
The Commission determines the affected territory located within the recommended sphere of influence has established strong social and economic interdependencies with SFWD distinct from neighboring areas and agencies. These ties are affirmed and strengthened by this update.

- **Present and Probable Need for Water, Sewer, or Fire Protection for Any Disadvantaged Unincorporated Communities in the Area**
The Commission determines no lands within the recommended sphere of influence for SFWD qualify as disadvantaged unincorporated communities under LAFCO law.

III. AGENCY PROFILE

1.0 Background

1.1 Formation Proceedings

SFWD was formed in 1963 as an independent special district governed by an elected five-member board consisting of local landowners.⁸ SFWD's formation was approved by the Commission following the filing of a petition by a prominent area landowner – Wesley Plunkett – to provide public sewer and water services in support of existing and planned development in the legacy community of Spanish Flat along the western shoreline of Lake Berryessa. Actual development within Spanish Flat at the time of SFWD's formation was limited and included six single-family residences and a 48-unit mobile-home court with a combined estimated population of 70. A small number of non-residential uses were also present in the intended service area and anchored by a retail shopping site – Village Center – that had been recently developed in conjunction with the construction of a nearby recreational resort – Spanish Flat Resort – under contract with the County of Napa as part of an initial management plan for Lake Berryessa.⁹

Spanish Flat Water District 4340 Spanish Flat Loop Road Spanish Flat, California 94558	
Date Formed:	1963
Enabling Legislation:	Water Code 34000-38501
Services Provided:	Water Sewer
Estimated Population	404

1.2 Initial Expectations

Voter confirmation of SFWD's formation coincided with the approval of separate bond measures enabling the District to purchase, improve, and expand private water and sewer systems that were previously serving Spanish Flat.¹⁰ The expansion of the utility systems, markedly, were specifically planned to accommodate the earlier approval of a 53-lot subdivision to be known as the "Woodlands."¹¹ It was also anticipated SFWD's service area would further intensify over the next two decades consistent with development expectations for the Lake Berryessa region. This included an expectation Spanish Flat would eventually include 1,000 residential units accommodating both permanent and seasonal uses with an expected fulltime resident population of approximately 2,000.

⁸ SFWD operates under the authority of California Water Code Sections 34000-38500. The law was enacted in 1951 for purpose of providing landowners an alternate method to establish, fund, and operate water, sewer, and drainage services. All non tax or fee measures within SFWD are subject only to landowner voting; a system that provides each landowner one vote for each dollar this his or her property is assigned. All tax or fee measures within SFWD are subject to register voter approval pursuant to Proposition 218.

⁹ The Spanish Flat Resort was one of the original seven concessionaire sites contracted by the County to provide public recreational and commercial services at Lake Berryessa beginning in 1959. The contracts for all seven concessionaires were later transferred to the Bureau in the mid 1970s. (Lake Berryessa is a man-made water body developed by the United States Bureau of Reclamation as part of the "Solano Project." Markedly, the Solano Project originally intended to provide Napa, Yolo, and Solano Counties with an equal share of water for agricultural and domestic uses by damming Putah Creek in the Berryessa Valley. Napa and Yolo, however, both decided against participating in the project, leaving Solano County as the sole participant and holds the majority of water rights to Lake Berryessa. The Monticello Dam was completed in 1957 and the formation of Lake Berryessa reached its operating level by 1964.)

¹⁰ SFWD also entered into an agreement with the Napa County Flood Control and Water Conservation District for an annual raw water entitlement of 200 acre-feet from Lake Berryessa. The agreement currently extends through 2024.

¹¹ The Woodlands subdivision was approved by the County Planning Commission in 1962.

1.3 Post Formation Activities

Actual new development within Spanish Flat – and similar to other communities in the region – has fallen substantially short of initial expectations. To date, the Woodlands subdivision remains the only substantive new development within Spanish Flat since SFWD’s formation in 1963. SFWD’s service area, nonetheless, has experienced moderate growth following formation as a result of two separate boundary changes. The first of the two boundary changes was approved by the Commission in 1976 and involved the annexation of the 225 acre Spanish Flat Resort for purposes of providing retail water service; sewer service for the site remained privately operated following annexation. The second of the two boundary changes was approved by the Commission in 1977 and involved the annexation of a non-contiguous 99-lot subdivision to the north of Spanish Flat known as “Berryessa Pines.” Notably, the annexation of Berryessa Pines was petitioned by the affected landowners in order for SFWD to assume water and sewer service responsibilities for a failing private utility company, which had experienced several operating problems in the preceding years leading to a moratorium on new service connections.¹² The moratorium was eventually lifted following SFWD’s annexation and construction of a new intake system to Lake Berryessa, which was financed by a voter-approved special assessment as part of a capital improvement program for Berryessa Pines.¹³



Activities within SFWD’s two service areas have remained fairly dormant since the late 1970s with two notable and relatively recent exceptions. First, SFWD recently funded several facility improvements to both its water and sewer systems in the Spanish Flat and Berryessa Pines communities. This includes funding nearly \$1.5 million to construct new water treatment plants for both service areas; funding for which were financed through State grants and low-interest loans with the latter secured by 20-year assessment districts approved by voters in 2005. Second, approximately one-fifth of the SFWD’s operating revenues were lost with the Spanish Flat Resort being closed by the Bureau as part of a new visitor-services redevelopment plan for all seven concessionaire sites operating in the region.

¹² At the time of the moratorium, only 53 of the 99 lots in Berryessa Pines had been developed with single-family residences. The subdivision has subsequently been developed to date to include 77 lots.

¹³ SFWD also annexed approximately 170 acres of non-contiguous territory near the Rancho Monticello Resort in 1965. This annexation was intended to facilitate the development a residential subdivision similar to Berryessa Pines. The site, however, remains undeveloped.

1.4 Current Operations

SFWD is currently staffed by 2.5 full-time equivalent employees divided between two fulltime facility operators and a part time office manager. At the time of the municipal service review, the operating budget for both service areas totaled \$0.31 million and produced an annual per resident cost of \$767; the latter representing the lowest ratio among the three water/sewer special districts serving the Lake Berryessa region. However, and similar to the three other special districts in the region, it was also reported at the time of the municipal service review SFWD had a negative unrestricted fund balance of (\$0.26 million) due to recent operating shortfalls paired with emergency repairs to its sewer treatment facilities from 2006.

2.0 Service Area Demographics

2.1 Current and Projected Population

It is estimated the current resident population within SFWD's two service areas totals 404 based on the number of residential units connected to the District.¹⁴ There are an additional 62 undeveloped lots remaining within SFWD; all of which could potentially accommodate one single-family residence under the County's existing land use policies. If these lots were developed, the estimated buildout resident population within the existing jurisdictional boundary would total 563.

2.2 Other Demographic Information

The following demographic information applicable to SFWD and its two service areas is drawn from the most recent survey prepared by the United States Census Bureau for the Lake Berryessa region. Notably, this data indicates SFWD residents are more likely to work outside Napa County and have on average measurably longer commute times than their countywide counterparts.

Category	SFWD Service Areas (Lake Berryessa Region)	Napa County (All Areas)
Median Household Income	\$72,500	\$68,641
Owner-Occupied Residence	69.8%	63.3%
Working Age (25-64)	56.7%	52.8%
Unemployment Rate	9.6%	8.0%
Persons Below Poverty Rate	4.0%	9.8%
Persons Working in Napa County	72.2%	76.7%
Persons Working Outside Napa County	27.8%	23.3%
Commute Work Time: > 60 minutes	16.0%	9.4%

Source: American Community Survey, 2007-2011

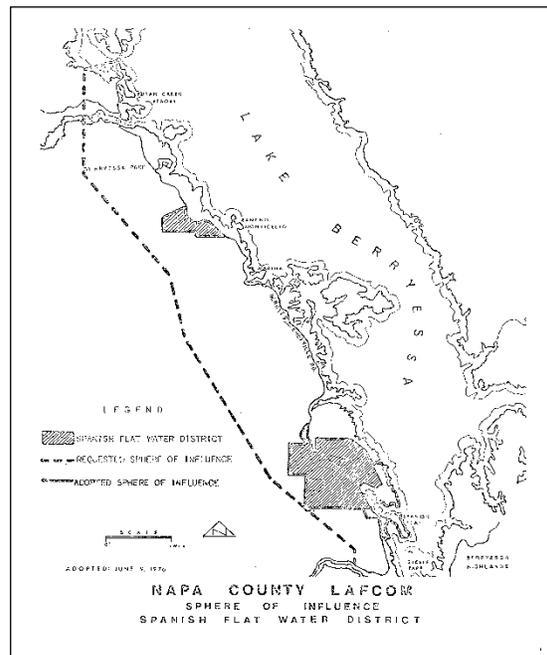
¹⁴ It is estimated Berryessa Pines and Spanish Flat service areas have 203 and 201, respectively, total residents.

3.0 Sphere of Influence

3.1 Establishment

SFWD's sphere was initially established by the Commission in June 1976 to include approximately 1,194 acres and covering the District's entire existing jurisdictional boundary along with the Spanish Flat Resort in anticipation of its near-term annexation. Notably, the approved sphere designation represented a significant reduction in size from the request submitted by SFWD to cover nearly all of the western Lake Berryessa shoreline; a request premised on the District's continued expectation at the time of pending commercial and residential growth in the area. To this end, the administrative records suggest a compromise was reached in which the Commission limited the inclusion of non-jurisdictional land within the sphere to the Spanish Flat Resort with the intention of revisiting the sphere to consider additional expansions in the near future.

Initial Sphere Designation



3.2 Amendments and Updates

The Commission has approved two applicant-requested amendments to SFWD's sphere since its establishment in 1976. The first amendment was approved in 1978 as part of the concurrent annexation of Berryessa Pines. The second amendment was approved in 1992 and involved the addition of a recreational storage facility north of Berryessa Pines along Berryessa Knoxville Road.

The Commission updated SFWD's sphere with no changes in December 2007. The update was the first comprehensive review of SFWD's sphere following its establishment in 1976 and was prompted by CKH's requirement for LAFCOs to review and update all spheres by 2008 and every five years thereafter. Pertinently, the review noted changes to the sphere may be appropriate to include nearby lands designated for urban use and/or currently used as public recreational sites. The review ultimately concluded, however, it would be appropriate to defer considering any sphere changes until further evaluation of potential reorganization options for the entire region was completed. The Commission subsequently revisited reorganization options for the region as part of a most recent municipal service review. The Commission concluded, among other items, reorganization of SFWD does not appear warranted given the District Board's effective management of its resources in meeting the current needs of its constituents.

3.3 Current Features

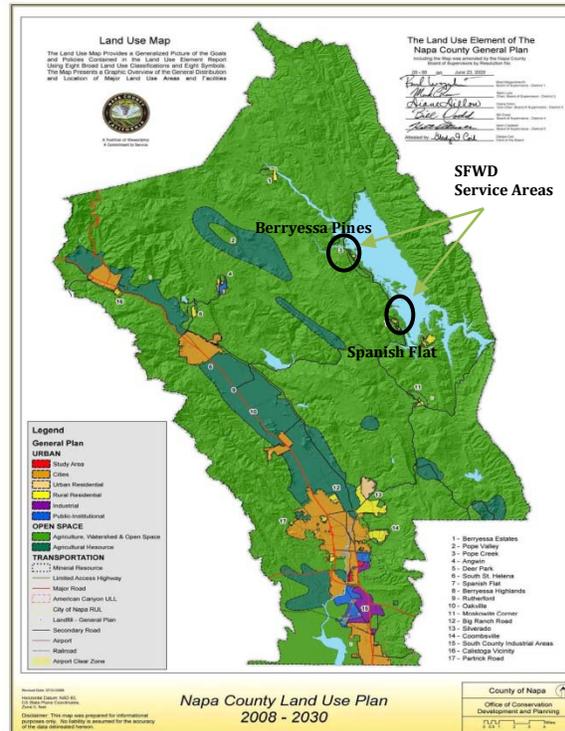
SFWD's sphere presently encompasses 2.1 square miles or 1,334 acres. This amount means there are 149 total jurisdictional acres encompassing five lots within SFWD's sphere that are eligible for annexation or outside service extensions. Furthermore, and unlike other special districts in the region, there are no jurisdictional lands within SFWD lying outside its sphere.

4.0 Planning Factors

SFWD's entire jurisdictional boundary is unincorporated and subject to the land use policies and regulations of the County with the notable exception of the 241 shoreline acres owned by the Bureau.¹⁵ SFWD's two service areas – Spanish Flat and Berryessa Pines – are both identified under the County General Plan as two of the 17 distinct unincorporated communities in Napa County. It is estimated the combined resident population within SFWD (404) accounts for only 1.5% of the overall unincorporated population (26,381). Both service areas are accessed by State Highway 128 with the closest incorporated area being St. Helena, which is 18 street miles to the west of Berryessa Pines. Both service areas lie in the St. Helena Unified School District.

4.1 Internal Land Use Designations

All lands within SFWD are divided between one of two distinct designations under the County General Plan: *Rural Residential* and *Agriculture, Watershed, and Open Space*. The *Rural Residential* designation is categorized as an “urban use” and applies to approximately one-tenth of the jurisdictional lands and includes all of the Berryessa Pines service area and the Woodlands and Village Center in the Spanish Flat service area.¹⁶ This designation is intended to predominately accommodate low density residential uses with a minimum lot density requirement of 10 acres; a threshold that effectively precludes any further land divisions based on existing lot sizes. The remaining nine-tenths of jurisdictional lands of the Spanish Flat service area lies under the *Agriculture, Watershed, and Open Space* designation and subject to a minimum lot density requirement of 160 acres.¹⁷ No further jurisdictional lands subject to this designation can be further divided based on existing lot sizes.



¹⁵ Federal and State owned lands are exempt from local land use policies and regulations.

¹⁶ Contemplated *Rural Residential* uses include single-family dwellings, day care centers, large residential care homes, existing major medical care facilities, private schools, agriculture, stables, and tourist-serving commercial and mixed uses.

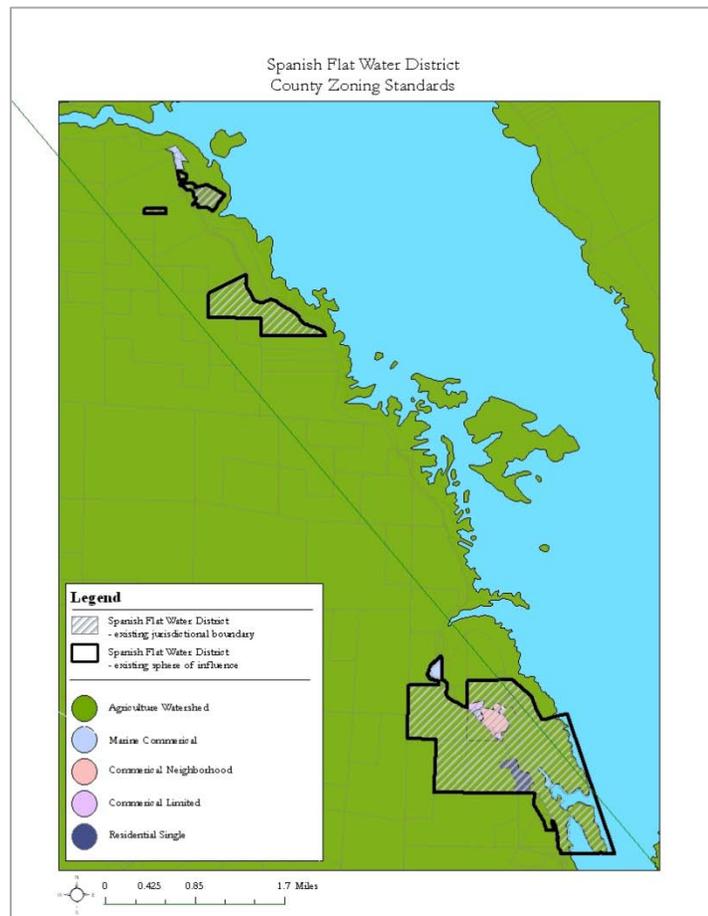
¹⁷ Contemplated *Agriculture, Watershed, and Open Space* uses include agriculture, processing of agricultural products, and single-family residences with or without detached second units.

4.2 External Land Use Designations

Nearly all lands adjacent to SFWD are designated for non-urban uses under the County General Plan as *Agriculture, Watershed, and Open Space* and subject to a 160 acre minimum lot density with two exceptions; both of which involve lands designated as *Rural Residential*. The first exception involves an approximate 13 acre site – one-third of which already lies within the sphere – located north of the Berryessa Pines service area that is presently used as a boat and recreational vehicle storage facility. The second exception involves an approximate five acre site – all of which already lies in the sphere – located north of the Spanish Flat service area and is also presently used as a boat and recreational vehicle storage facility.

4.3 Zoning Context

Nearly all lands within and adjacent to SFWD are currently zoned *Agricultural Watershed* and provide further land use prescriptions consistent with *the Agriculture Watershed and Open Space* designation. This includes affirming a 160 acre minimum lot standard. These lands were previously zoned *Water Recreation* up and until 1973, which did not specify minimum lot sizes and permissive in terms of allowing for commercial/residential subdivisions; a zoning that directly accommodated the approval and development of the Berryessa Pines and Woodlands subdivisions. The remaining lands not currently zoned *Agricultural Watershed* in and around SFWD are predominately fixed to developed lands along Spanish Flat Loop Road and assigned either as *Commercial Limited, Commercial Neighborhood, or Marine Commercial*. The majority of the lands along Spanish Flat Loop Road are also assigned an affordable housing overlay beginning in the mid 2000s. Current zoning standards are shown below.



IV. DISCUSSION

1.0 Objectives

The basic objective of this report is to identify and evaluate areas warranting consideration for inclusion or removal from SFWD's sphere as part of a scheduled update. Underlying this effort is to designate the sphere in a manner the Commission *independently* believes will facilitate the sensible and timely development of the District consistent with the objectives of the Legislature codified in CKH (emphasis added). Specific goals under this legislation include discouraging urban sprawl, preserving open-space and prime agricultural lands, and providing for the efficient extension of governmental services.

The Commission's "Policy Determinations" were comprehensively updated in 2011 and provide general prescription in fulfilling its legislative objectives paired with responding appropriately to local conditions and circumstances. The Policy Determinations highlight the Commission's commitment to avoid the premature conversion of important agricultural or open-space lands for urban uses through a series of restrictive allowances. This includes a broad determination to exclude all lands designated as agricultural or open-space from city and district spheres for purposes of accommodating urban development with limited exceptions. An additional determination states the Commission's support for Measure "P" by assigning deference to the County General Plan as it relates to determining agricultural and open-space land use designations.¹⁸

2.0 Timeframe

State law currently requires LAFCOs review and update as needed each local agency's sphere by January 1, 2008 and every five years thereafter. Accordingly, it has been the practice of the Commission to update each local agency's sphere in a manner emphasizing a probable five to ten year annexation or outside service area; actual approvals, however, are subject to separate reviews with particular emphasis on determining whether the timing of the proposed action is appropriate.¹⁹ This update's analysis is consistent with this practice.

¹⁸ Measure P – formerly Measure J – was initially enacted by Napa County voters in 1990 and prohibits the County from amending agricultural or open-space land use designations for urban uses without electorate approval through 2050. Measure P only applies to unincorporated lands designated for an agricultural or open space use prior to 2008.

¹⁹ LAFCOs are directed to consider 16 specific factors under G.C. Section 56668 anytime it reviews a proposed boundary change (i.e. annexation) for purposes of informing the appropriateness of the action. Additionally, it is Commission policy to discourage annexations to cities and districts involving undeveloped or underdeveloped lands without a known project or development plan.

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V. STUDY CATEGORIES

1.0 Criteria

This report and its analysis on potential sphere modifications for SFWD is predicated on the policy interest of the Commission to consider the District's prescribed role in providing water and sewer services in support of development in the Spanish Flat and Berryessa Pines' communities. This involves, notably, considering the communities' need for SFWD services relative to the District's ability to provide these services efficiently and in a manner consistent with sensible land uses. Information collected and analyzed in the recent municipal service review on the Lake Berryessa region is incorporated herein.

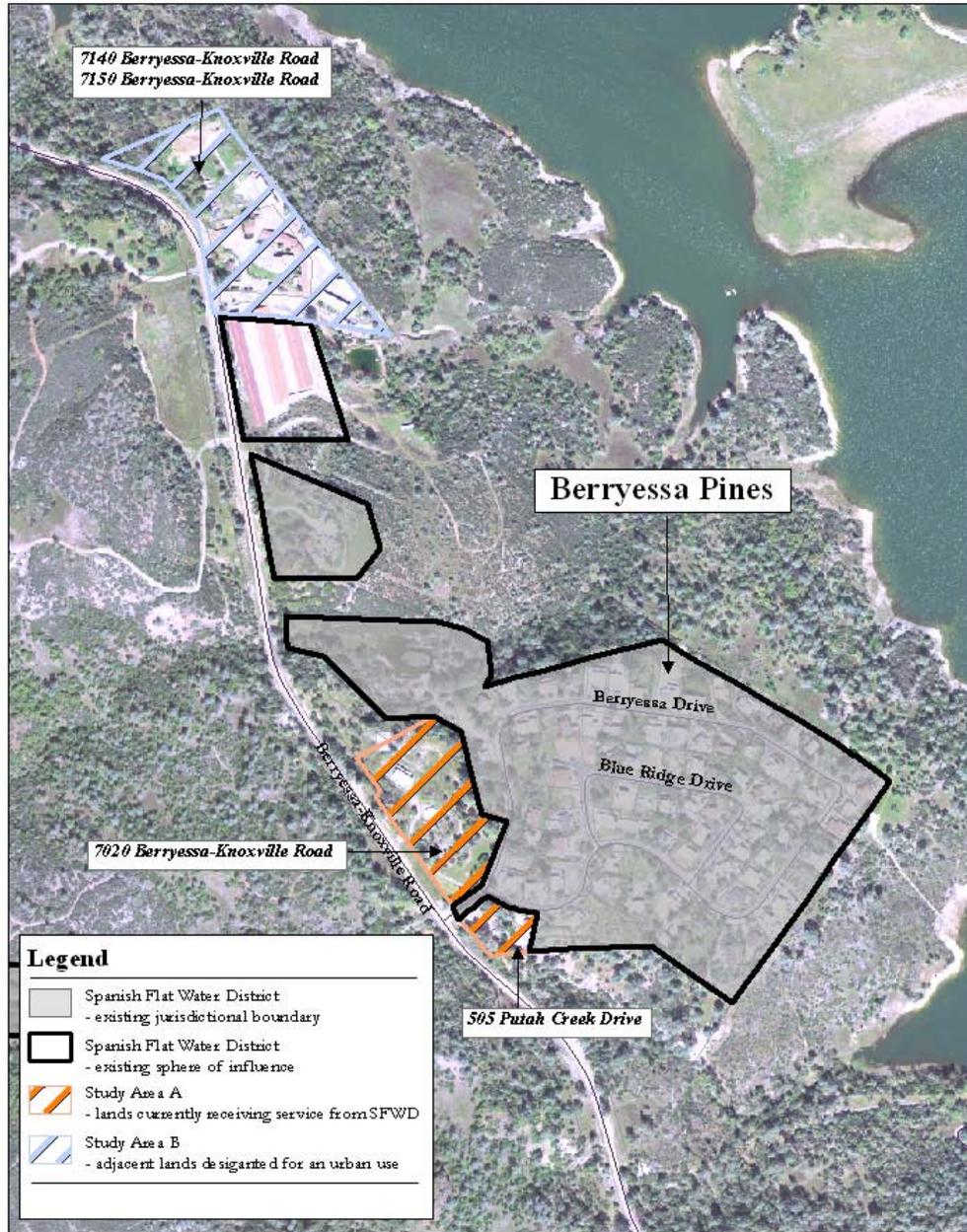
Specific criteria considerations in devising study areas are outlined below.

- Jurisdictional lands should lie within SFWD's sphere unless specific circumstances suggest exclusion may be appropriate as a means to encourage detachment proceedings.
- Non jurisdictional lands currently receiving services from SFWD should lay within the sphere unless specific circumstances suggest exclusion may be appropriate as a means to encourage service discontinuance.
- Non jurisdictional lands located outside SFWD's sphere may be considered for inclusion if services appear needed within the next five to ten years to accommodate existing or planned urban type uses.

2.0 Selection

Based on the criteria outlined in the preceding paragraph, two study areas have been selected for evaluation in this report for possible inclusion into SFWD's sphere. Study Area "A" represents non jurisdictional lands that currently receive water and sewer from SFWD through outside service agreements. Study Area "B" represents non jurisdictional lands immediately adjacent to the existing sphere and designated for an urban type use under the County General Plan. Both study areas lie near the Berryessa Pines' service area and are depicted in the following map.

Spanish Flat Water District Study Areas for Sphere Update



3.0 Evaluation Factors

The evaluation of the two study areas selected for review as part of this report are organized to focus on addressing the five factors the Commission is required to consider anytime it makes a sphere determination under CKH. These five factors are: (a) present and planned uses; (b) present and probable need for public facilities and services; (c) present adequacy and capacity of public services; (d) existence of any social or economic communities of interest; and (e) if the agency provides water, sewer, or fire protection, present and probable need for these services for any disadvantaged unincorporated communities.

Conclusions are offered for each study area relative to evaluating the preceding factors along with incorporating the policies of the Commission in administering LAFCO law in Napa County. This includes, in particular, considering the merits of any proposed changes relative to the Commission's four basic and interrelated policies with respect to determining the appropriate constitution of a special district's sphere as summarized below.

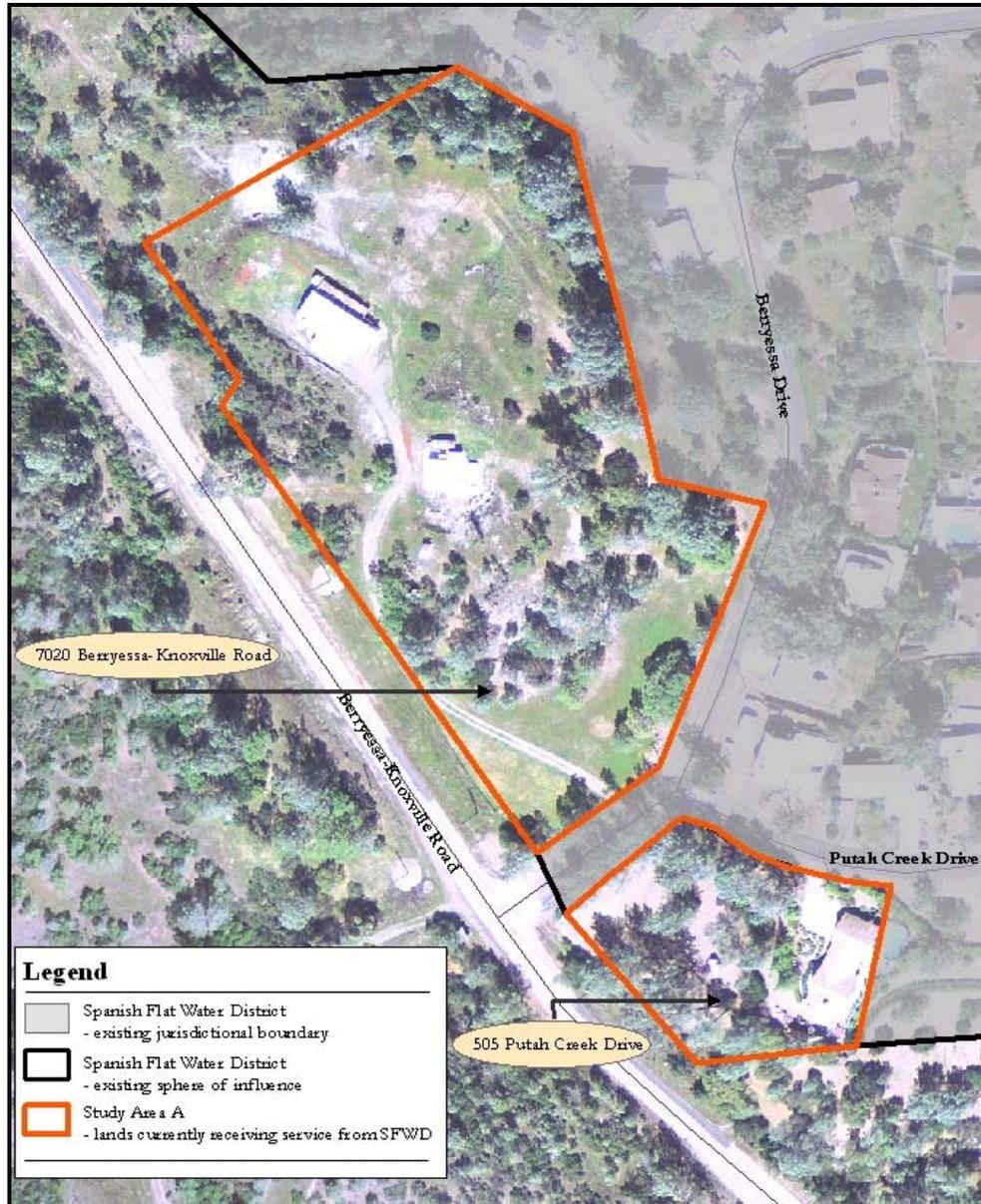
- The location of a special district's sphere shall serve to promote appropriate urban uses as independently determined by the Commission with limited exceptions.
- A special district's sphere should reflect existing and planned service capacities based on information independently analyzed by the Commission.
- Lands designated for agricultural or open-space uses shall not be included in a special district's sphere for purposes of facilitating urban development unless special and merited circumstances exist as determined by the Commission.
- A special district's sphere shall guide annexations within a five-year planning period. Inclusion of land within a sphere, however, shall not be construed to indicate automatic approval of a subsequent annexation proposal; annexations will be considered on their own merits with deference assigned to timing.

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VI. ANALYSIS

1.0 Study Area A

This study area totals 5.3 acres in size and consists of two non-contiguous and non-jurisdictional lots that have been selected for review given they currently receive domestic water and sewer services from SFWD through earlier outside service agreements.²⁰ The subject lots – which both lie immediately adjacent to the Berryessa Pines subdivision and front Berryessa-Knoxville Road – are separated from one another by an approximate 60 foot width panhandle section of SFWD as depicted in the following map.



²⁰ SFWD reports both outside service agreements associated with the study area were entered into prior to January 1, 2001 and therefore are grandfathered with respect to complying with the provisions of G.C. Section 56133.

Present and Planned Uses

The study area's two subject lots are both developed with single-family residences. The larger of the two lots is located at 7020 Berryessa-Knoxville Road and 4.2 acres in size (019-070-009). This larger lot includes an approximate 1,800 square foot residence built in 1992 along with a detached garage/granny unit. The smaller of the two lots is located at 505 Putah Creek Drive and 1.1 acres in size (019-271-042). This smaller lot includes an approximate 2,000 square foot residence built in 1987 as well as an easement for SFWD to access a cleanout for the District's sewer system located on the edge of the property line. These present uses effectively represent the maximum extent both lots can be developed under the County's existing policies given their designation and zoning assignments of *Agricultural Watershed and Open Space* and *Agriculture Watershed*, respectively; assignments that require 160 acre lot minimums.²¹ However, and distinct from the majority of similarly designated lands in the unincorporated area, the subject lots are explicitly exempt from Measure P given they were previously assigned as *Rural Residential* prior to the County General Plan Update completed in 2008.

Land Use Assignments/Policies	
County Land Use Designation	Agricultural Watershed and Open Space (Non Measure P)
County Zoning Standard	Agriculture Watershed
Minimum Lot Requirement	160 Acres

Present and Probable Need for Public Facilities and Services

The study area's two subject lots already receive water and sewer services from SFWD byway of earlier outside service agreements established near the time of their respective construction and prior to the enactment of G.C. Section 56133. These existing service connections directly support current residential uses within both subject lots. Information collected during the municipal service review and supplemented by additional analysis performed as part of this update indicates these outside service extensions were requested by the landowners as alternatives to the costs and related uncertainties tied to establishing onsite groundwater and septic systems.²²

Present Adequacy and Capacity of Public Services

A detailed review of the adequacy and capacity of SFWD's water and sewer services was performed in the Commission's recently completed municipal service review on the Lake Berryessa region. The municipal service review indicates SFWD has established adequate water supply, treatment, and storage capacities to meet existing and projected buildout demands within the Berryessa Pines' service area; the former of which includes the two subject lots given their current connectivity to both the water and sewer systems. The municipal service review also suggests SFWD's sewer collection and storage systems appear sufficient to accommodate existing and projected buildout demands within the Berryessa Pines' service area with the pertinent qualifier that specific capacity levels are not empirically documented.

²¹ Additional intensity may be allowed under County policies to allow one attached/detached second unit on the existing lot with a maximum coverage of 1,200 square feet.

²² It is reasonable to assume the average daily water demand generated within the study area is approximately 480 gallons given the current average per residential unit demand calculated for the Berryessa Pines subdivision. It is also reasonable to assume the average dry-weather daily sewer flow for the study area totals 384 gallons; an amount that equals four-fifths of the projected average day water demand.

Existence of Any Social or Economic Communities of Interest

The existing provision of SFWD water and sewer to the study area's two subject lots establishes distinct economic ties to the lands relevant to the Commission's policy objectives. Markedly, without these services, it is uncertain whether the existing single-family residences would remain inhabitable given the perceived challenges tied to developing local groundwater and septic systems due to topography and lot size restrictions. The immediate proximity to the Berryessa Pines subdivision – accentuated by the need to enter the subdivision to access both subject lots – also highlights relevant and shared social ties with SFWD.

Present and Probable Need for Water, Sewer, or Fire Protection for Any Disadvantaged Unincorporated Communities

The study area does not qualify as a disadvantaged unincorporated area under LAFCO law based on available information. No further analysis is required.

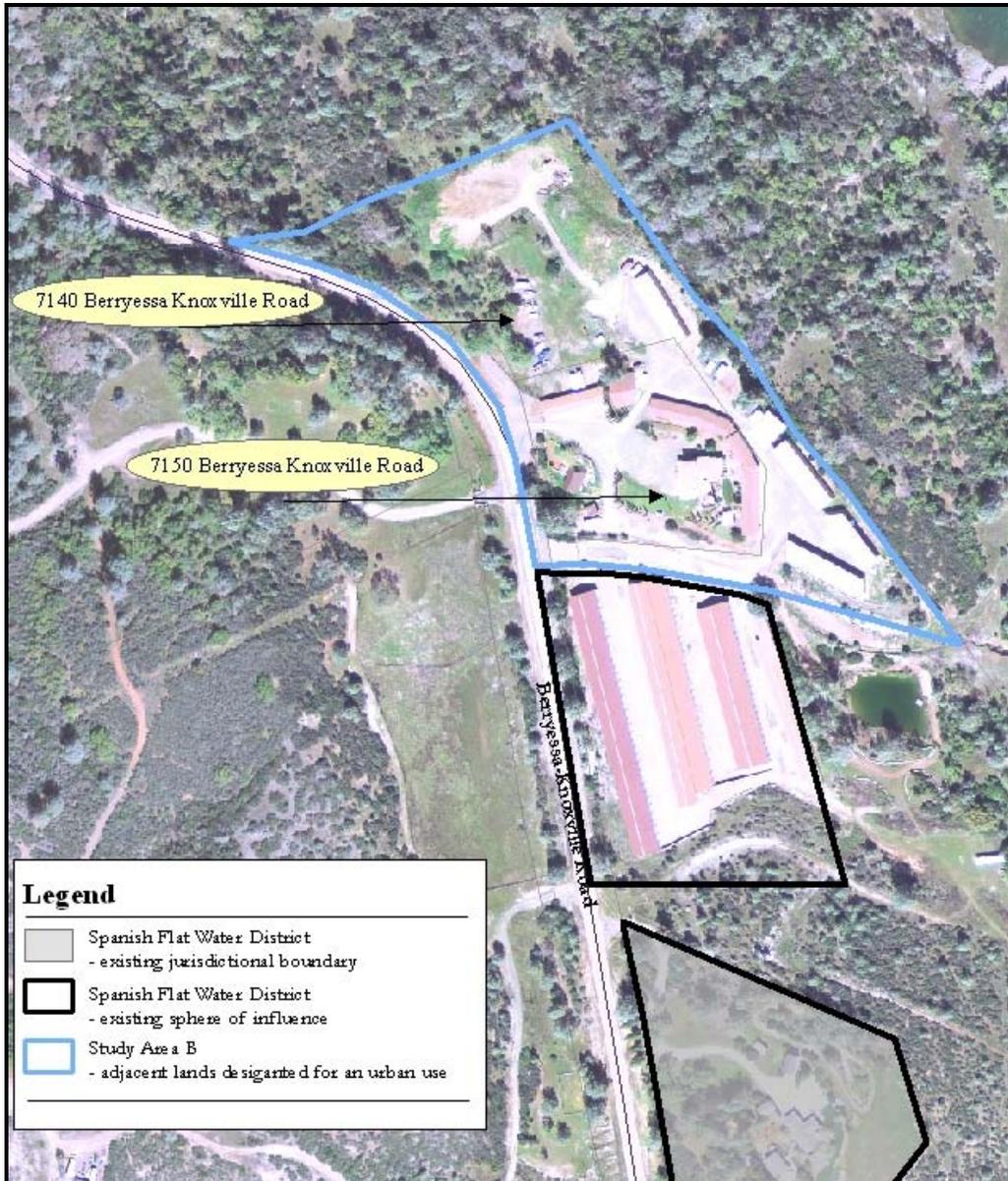
GENERAL CONCLUSIONS / STUDY AREA A

The addition of the study area to SFWD's updated sphere appears sufficiently merited given the overall consistency with the factors prescribed for consideration by the Legislature. This includes assigning deference to the need and adequacy of services currently provided to the subject lots as well as recognizing the existing economic and social ties between the lands and SFWD. Adding the subject lots, moreover, would also conform to the Legislature's increasing emphasis on the role of the sphere in demarcating an agency's existing and probable service area.

Irrespective of the preceding comments, continuing to exclude the study area from SFWD's sphere would be appropriate if it is the preference of the Commission to emphasize General Policy III/D/3. This policy statement directs the membership to exclude lands from special district spheres designated for agricultural use in facilitating urban type uses unless merited otherwise by special circumstances. Towards this end, staff believes special circumstances reasonably exist for the Commission to waive the policy and proceed with adding the study area to the sphere if it is the preference of members. This includes noting the addition of the study area would not change the baseline in which there already exist single-family residences receiving water and sewer services from SFWD byway of earlier outside service agreements. Further, and separate from the majority of the unincorporated area, the study area's agricultural designation is relatively new and not subject to the provisions of Measure P. This suggests a different and lower threshold can be reasonably considered in adding the subarea to the sphere without adversely affecting the Commission's standing commitment to protecting agricultural lands.

2.0 Study Area B

This study area totals 7.9 acres in size and involves two non-jurisdictional lots that have been selected for review given they are immediately adjacent to SFWD’s sphere and designated for an urban type use by the County. The two subject lots – one consisting of an entire property and the second consisting of a portion of a property – are contiguous and front Berryessa-Knoxville Road as depicted in the following map. The Commission previously denied a request from the affected landowner to add the subject lots to the sphere in 2002 given the larger of the two lots’ then-agricultural designation.



Present and Planned Uses

The study area's two subject lots are interchangeably used by the same landowner as part of a commercial boat and recreational vehicle storage facility (Lakeview Boat Storage). The larger of the two lots is located at 7140 Berryessa-Knoxville Road (019-280-006). The affected portion is 6.5 acres in size with the remainder of the lot to the south already located within the SFWD's sphere as part of an earlier amendment.²³ This larger lot – and specifically the portion subject to this review – includes four enclosed storage structures each approximately 1,000 square feet in size. The smaller of the two lots is located at 7150 Berryessa-Knoxville Road and 2.1 acres in size (019-280-004). This smaller lot includes approximately 6,000 square feet of enclosed storage structures along with an administrative office and detached single-family residence. These present uses conform to the County's existing policies given their designation and zoning assignments for both subject lots of *Rural Residential* and *Marine Commercial*, respectively.²⁴

Land Use Assignments/Policies	
County Land Use Designation	Rural Residential
County Zoning Standard	Marine Commercial
Minimum Lot Requirement	10 Acres

Present and Probable Need for Public Facilities and Services

The study area's two subject lots are currently dependent on private water and septic systems to support existing uses as described in the preceding section. Actual demands associated with the existing uses are projected to be modest and generally limited to the single-family residence located on the smaller of the two subject lots at 7150 Berryessa-Knoxville Road.²⁵ No information is presently available with regard to discerning whether there are any deficiencies associated with these private systems. It is reasonable to assume, nonetheless, the existing private systems are generally sufficient given the affected landowner has not sought connection to SFWD for his land immediately to the south of the subject lots despite its existing inclusion within the District sphere.

²³ The remaining portion of the larger of the two subject lots was added to SFWD's sphere by the Commission in December 1992. The Commission added this remaining portion – which is approximately 3.5 acres in size – as part of a deliberate effort to enable the landowner to seek and receive County approval to redesignate the lands to *Rural Residential* without requiring a Measure P vote for purposes of expanding the boat storage operations already established at 7150 Berryessa-Knoxville Road. (Lands designated for agricultural use under the County General Plan may be directly redesignated by the Board of Supervisors without a countywide vote so long as certain findings can be made, including inclusion of the land within the boundary or sphere of a special district that provides either water or sewer services.)

²⁴ The larger of the two subject lots at 7140 Berryessa-Knoxville Road was redesignated from *Agricultural Watershed and Open Space* to *Rural Residential* in 2002 following voter approval under Measure P. The smaller of the two lots was designated *Rural Residential* in the 1960s.

²⁵ It is reasonable to assume the average daily water demand at 7150 Berryessa-Knoxville Road is approximately 240 gallons; an amount that represents the current average per unit daily demand in the Berryessa Pines subdivision. It is also reasonable to assume the average dry-weather daily sewer flow is 192 gallons; an amount that equals four-fifths of the projected average day water demand.

Present Adequacy and Capacity of Public Services

A detailed review of the adequacy and capacity of SFWD's water and sewer services was performed in the Commission's recently completed municipal service review on the Lake Berryessa region. The municipal service review indicates SFWD has established adequate water supply, treatment, and storage capacities to meet existing and projected buildout demands within the Berryessa Pines' service area. The municipal service review also suggests SFWD's sewer collection and storage systems appear sufficient to accommodate existing and projected buildout demands within the Berryessa Pines' service area with the pertinent qualifier that specific capacity levels are not empirically documented. Given this earlier analysis, and based on projected and referenced demands, it would be reasonable to assume extending water and sewer services to the subject lots could be adequately accommodated by SFWD given existing capacities without impacts to current customers. The ability of the landowner, however, to assume the costs associated with extending the necessary infrastructure to the subject lots is uncertain at this time.

Existence of Any Social or Economic Communities of Interest

The previous action by the Commission to include adjacent land to the sphere directly associated with the two subject lots establishes social and economic ties relevant to the Commission's policy objectives. The existing inclusion of the adjacent land, notably, signals the Commission's standing interest in orienting SFWD's sphere to include and support planned urban uses within the community; the latter of which now applies to the subject lots given their recent redesignation by the County for urban type uses. It also appears reasonable to conclude the existing uses within the subject lots – boat and recreational vehicle storage – serve a social and economic need benefiting both Berryessa Pines and the region as a whole in terms of accommodating low-intensity recreation.

Present and Probable Need for Water, Sewer, or Fire Protection for Any Disadvantaged Unincorporated Communities

The study area does not qualify as a disadvantaged unincorporated area under LAFCO law based on available information. No further analysis is required.

GENERAL CONCLUSIONS / STUDY AREA B

There appears to be equal merit for the Commission to update SFWD with or without the study area depending on the membership's preferences. Adding the study area would be appropriate if it is the Commission's preference to emphasize present and planned land uses as well as social and economic ties; both of which were previously assigned deference in adding the adjacent land to the south of the study area in the early 1990s. In contrast, and drawing from the preceding analysis, it would be appropriate for the Commission to continue to exclude the study area if it is the membership's preference to emphasize the apparent lack of need or interest on the part of the affected landowner to establish water and/or sewer service from SFWD.

RESOLUTION NO. ____

**RESOLUTION OF THE
LOCAL AGENCY FORMATION COMMISSION OF NAPA COUNTY
MAKING DETERMINATIONS**

**SPANISH FLAT WATER DISTRICT
SPHERE OF INFLUENCE UPDATE 2013**

WHEREAS, the Local Agency Formation Commission of Napa County, hereinafter referred to as the “Commission”, adopted a schedule to conduct studies of the provision of municipal services in conjunction with updating the spheres of influence of the local governmental agencies whose jurisdictions are within Napa County as provided under the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000; and

WHEREAS, the Commission’s Executive Officer prepared a comprehensive review of the sphere of influence of the Spanish Flat Water District pursuant to said schedule and California Government Code Section 56425; and

WHEREAS, the Executive Officer prepared a written report of the review, including his recommendation to update the current sphere of influence designation with specified additions; and

WHEREAS, said Executive Officer’s report has been presented to the Commission in the manner provided by law; and

WHEREAS, the Commission heard and fully considered all the evidence presented at a public hearing held on August 5, 2013; and

WHEREAS, the Commission considered all the factors required under California Government Code Section 56425.

NOW, THEREFORE, THE COMMISSION DOES HEREBY RESOLVE, DETERMINE, AND ORDER as follows:

1. This sphere of influence update has been appropriately informed by the Commission’s earlier municipal service review on the Lake Berryessa region; a study that included an independent evaluation of the level and range of governmental services provided by Spanish Flat Water District and formally accepted by the Commission on April 4, 2011.
2. Spanish Flat Water District’s sphere of influence is updated with the addition of approximately 5.3 acres in the Berryessa Pines community identified in the corresponding report by the Executive Officer as Study Area A and shown in Exhibit “One.”

3. The Commission, as lead agency, finds the approved update to Spanish Flat Water District's sphere of influence is exempt from further review under the California Environmental Quality Act pursuant to Title 14 of the California Code of Regulations Section 15061(b)(3). This finding is based on the Commission determining with certainty the update will have no possibility of significantly affecting the environment given no new land use or municipal service authority is granted. This finding is based on its independent judgment and analysis. The Executive Officer is the custodian of the records upon which this determination is based and such records are located at the Commission office located at 1030 Seminary Street, Suite B, Napa, California.
4. Spanish Flat Water District provided written confirmation during the review of its sphere of influence that its services are currently limited to water and sewer. Accordingly, the Commission deems the requirement for a statement of services prescribed under Government Code Section 56425(i) complete.
5. This sphere of influence update is effective immediately and assigned the following distinctive short-term designation:

**SPANISH FLAT WATER DISTRICT
SPHERE OF INFLUENCE UPDATE 2013**

6. Pursuant to Government Code Section 56425, the Commission makes the statements of determinations in the attached Exhibit "Two."
7. The Executive Officer shall revise the official records of the Commission to reflect this update of the sphere of influence.
8. The Commission declares any future urban intensification authorized by the County of Napa within the lands identified as Study Area B in Exhibit One should be explicitly conditioned on inclusion within the sphere for purposes of facilitating either annexation or an outside service extension.
9. The next sphere of influence review and update on the Spanish Flat Water District will be prepared by the Commission by August 5, 2018 as required under the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000.

The foregoing resolution was duly and regularly adopted by the Commission at a meeting held on August 5, 2013 by the following vote:

AYES: Commissioners _____

NOES: Commissioners _____

ABSENT: Commissioners _____

ABSTAIN: Commissioners _____

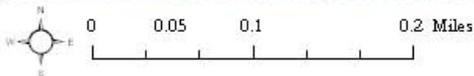
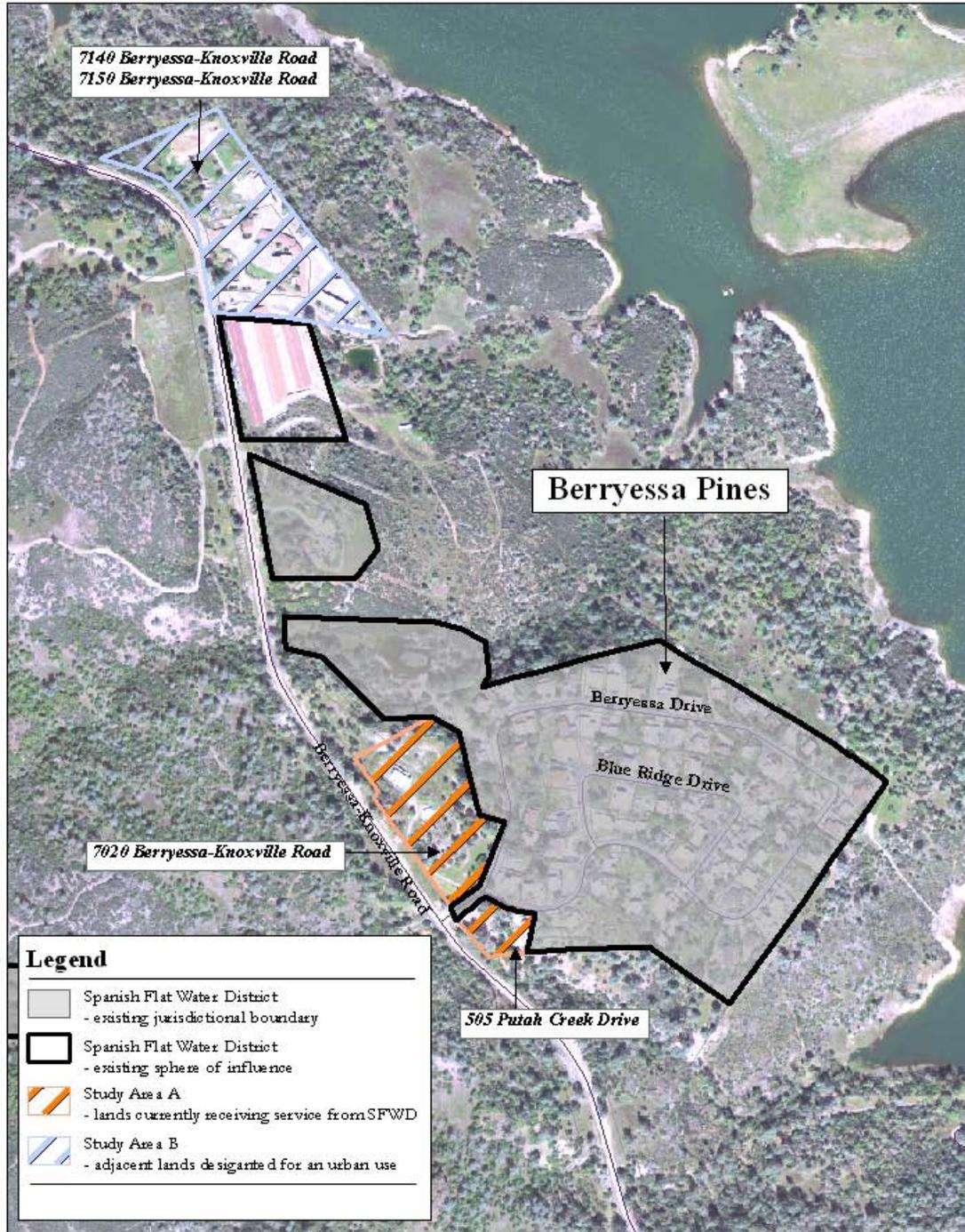
ATTEST: Keene Simonds
Executive Officer

Recorded by: _____
Kathy Mabry
Commission Secretary

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EXHIBIT ONE

Spanish Flat Water District Study Areas for Sphere Update



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EXHIBIT TWO
STATEMENT OF DETERMINATIONS

SPANISH FLAT WATER DISTRICT
SPHERE OF INFLUENCE UPDATE 2013

1. The Present and Planned Land Uses in the Area

The Commission determines the County of Napa's adopted land use policies appropriately provide for the present and planned residential and commercial uses characterizing the majority of the recommended sphere. These present and planned urban type uses are compatible with SFWD water and sewer services. There are no agricultural lands and limited open-space lands within the recommended sphere as defined under LAFCO law.

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

The Commission determines there is a present need for SFWD's water and sewer services throughout the recommended sphere to support the existing and continued development of the Berryessa Pines and Spanish Flat communities and their estimated combined 400 plus residents. These services are also needed in anticipation and support of the expected redevelopment and opening of the former Spanish Flat Resort site.

3. The Present Capacity and Adequacy of Public Services Provided by the Agency

The Commission determines SFWD has sufficient supplies and capacities to adequately accommodate anticipated water and sewer service demands within the recommended sphere of influence in the timeframe of this update. This determination is predominately drawn on information independently collected and analyzed by the Commission as part of its recent municipal service review on the Lake Berryessa region.

4. The Existence of Relevant Social or Economic Communities of Interest

The Commission determines the affected territory located within the recommended sphere of influence has established strong social and economic interdependencies with SFWD distinct from neighboring areas and agencies. These ties are affirmed and strengthened by this update.

5. If the Agency Provides Water, Sewer, or Fire Protection, the Present and Probable Need for the Services for Any Disadvantaged Unincorporated Community within the Area

The Commission determines no lands within the recommended sphere of influence for SFWD qualify as disadvantaged unincorporated communities under LAFCO law.



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

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Napa, California 94559
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Facsimile: (707) 251-1053
www.napa.lafco.ca.gov

We Manage Local Government Boundaries, Evaluate Municipal Services, and Protect Agriculture

August 5, 2013

Agenda Item No. 6b (Public Hearing)

July 29, 2013

TO: Local Agency Formation Commission

FROM: Keene Simonds, Executive Officer

SUBJECT: Ratification of an Outside Service Agreement for the Napa Sanitation District Involving 3174 Valley Green Lane (050-400-005)

The Commission will consider a recommendation to ratify an outside service agreement approved by the Chair authorizing the Napa Sanitation District to provide temporary public sewer service to an incorporated property at 3174 Valley Green Lane to address a public health threat.

Local Agency Formation Commissions (LAFCOs) are responsible under the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 to regulate the formation and development of local governmental agencies and their municipal services. This includes approving or disapproving requests from cities and special districts to provide new or extended municipal services outside their jurisdictions under California Government Code (G.C.) Section 56133. LAFCOs are authorized to condition approval for outside service agreements as long as the terms do not directly regulate land uses.

A. Background

LAFCO of Napa County (“Commission”) received a written request on June 14, 2013 from the Napa Sanitation District (NSD) to approve an outside service agreement to allow the agency to immediately extend new public sewer service to one incorporated lot located at 3174 Valley Green Lane in Browns Valley. The affected lot is 2.2 acres in size and includes a single-family residence and a detached second unit. The affected lot lies entirely within NSD’s sphere of influence.

The Executive Officer processed the request consistent with the Commission’s adopted policies and procedures. This process culminated with Chair Wagenknecht conditionally approving the outside service agreement on June 21st upon confirmation the septic system serving the affected lot was failing, creating an urgent public health threat. The Chair’s approval was conditioned on the landowner – Dale James – first submitting an application with the Commission to annex the entire lot along with making appropriate payments. These conditions were satisfied on June 26th.

Joan Bennett, Commissioner
Councilmember, City of American Canyon

Gregory Pitts, Commissioner
Councilmember, City of St. Helena

Juliana Inman, Alternate Commissioner
Councilmember, City of Napa

Brad Wagenknecht, Chair
County of Napa Supervisor, 1st District

Bill Dodd, Commissioner
County of Napa Supervisor, 4th District

Mark Luce, Alternate Commissioner
County of Napa Supervisor, 2nd District

Brian J. Kelly, Vice Chair
Representative of the General Public

Gregory Rodeno, Alternate Commissioner
Representative of the General Public

Keene Simonds
Executive Officer

The outside service agreement between NSD and landowners for sewer service to 3174 Valley Green Lane expires in one calendar year as requested by the District. The outside service agreement is intended to be succeeded through the referenced annexation of the entire affected lot. In the interim, Commission policy requires the Chair's approval be ratified by the membership at the next regular meeting as part of a public hearing to disclose the action for the general public.



B. Discussion

Agency Profile

NSD was formed in 1945 as a dependent enterprise district to provide public sewer service for the City and the surrounding unincorporated area. NSD presently provides sewer service to most of the City along with several surrounding unincorporated areas, including Silverado, Napa State Hospital, and the Napa County Airport. NSD currently serves an estimated resident service population of 81,427.¹

NSD's current operating budget is \$20.306 million. NSD anticipates collecting \$19.174 million in general revenues resulting in anticipated year-end deficit of \$1.915 million. NSD's undesignated fund balance as of the beginning of the fiscal year totaled \$15.412 million and available for use in operations or on capital. This amount is sufficient to cover nearly nine months of adopted operating expenses.

Request Purpose

The purpose of the approval request before the Commission is to formally authorize new public sewer service to an existing single-family residential lot in a manner responsive to local conditions and statutory requirements. As mentioned, the septic system serving the single-family residence and second unit failed, creating an urgent threat to public health as verified by County Environmental Management. As a temporary measure, the landowner has entered into an outside service agreement with NSD to allow immediate connection to the agency's public sewer system given annexation proceedings take a minimum of two months to process before Commission consideration and no less than 30 days thereafter to complete the required reconsideration period. Permanent public sewer service is intended to be established through a separate annexation process. An annexation application has been submitted by the landowner and is expected to be presented to the Commission in the near future. Consideration of the annexation, however, is first subject to the Commission completing the necessary environmental review as lead agency given the development potential of the affected lot.

¹ The population estimate is drawn from LAFCO's pending municipal service review on the central county region.

C. Analysis

G.C. Section 56133 requires cities and special districts to request and receive written approval from LAFCO before entering into agreements to provide new or extended services outside their jurisdictional boundaries. LAFCOs are delegated broad discretion in considering outside service extensions with the caveat of complying with two geographic requirements. First, LAFCO may only approve outside service extensions within the affected agency's sphere of influence in anticipation of a future annexation. Second, LAFCO may only approve outside service extensions beyond an agency's sphere of influence to respond to an existing or impending public health or safety threat.

Required Factors for Review

Commission policy requires it to consider three specific factors in reviewing outside service agreement approval requests. An analysis of all three factors as it relates to the outside service agreement between NSD and the landowner of the affected territory is included in Chair Wagenknecht's letter of approval, which is attached for Commission review. This analysis is incorporated into this staff report for purposes of the Commission considering the ratification of the Chair's approval.

Environmental Review

Discretionary actions by public agencies are subject to the California Environmental Quality Act (CEQA) any time an underlying activity will result in a direct or indirect physical change to the environment. A lead agency has the principal responsibility for carrying out or approving the underlying activity consistent with the provisions of CEQA. This includes determining whether the underlying activity qualifies as a "project." If the activity is determined to be a project, the lead agency must determine if an exemption applies or if additional environmental review is needed, such as preparing an initial study. A responsible agency is accountable for approving an associated aspect of the underlying activity and must rely on the lead agency's determination in making its own CEQA finding.

NSD serves as the lead agency given it is principally responsible for approving the underlying activity: extending sewer service to the affected territory. NSD has determined this activity is a project under CEQA, but qualifies for an exemption from further review under Public Resources Code Section 21080(b)(4). The statute provides categorical exemptions for "specific actions necessary to prevent or mitigate an emergency." The Commission serves as responsible agency. Staff believes NSD has made an adequate determination the underlying activity is categorically exempt from further review given it mitigates a public health threat.

D. Recommendation

Staff recommends the Commission ratify the Chair's earlier approval of the outside sewer service agreement between NSD and the landowner for 3174 Valley Green Lane. Ratification would affirm the public policy merits in expediting the extension of public sewer service to a developed residential lot within an urbanizing incorporated area to help abate a documented public health threat. Ratification would also confirm the Chair's approval conditions highlighted by the landowner agreeing to annex the affected lot to memorialize long-term service provision to the lands and its inhabitants continue.

E. Alternatives for Commission Action

Staff has identified the following alternative actions for Commission consideration.

Alternative One (Recommended):

Adopt the draft resolution identified as Attachment Four ratifying the Chair's approval of the outside service agreement.

Alternative Two:

Continue consideration of the outside service agreement approval request to the next regular meeting and provide direction to staff for any additional information.

Alternative Three:

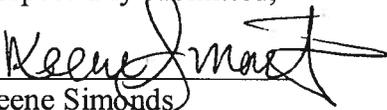
Deny ratification approval of the outside service agreement. Denial would necessitate NSD discontinue service immediately.

F. Procedures for Consideration

This item has been agendaized for public hearing as required under adopted policy. The following procedures are recommended with respect to the Commission's consideration of this item:

- 1) Receive verbal report from staff;
- 2) Open the public hearing and invite public testimony;
- 3) Close the public hearing; and
- 4) Discuss item and consider action on recommendation.

Respectfully submitted,


Keene Simonds
Executive Officer

Attachments:

- 1) NSD Application Materials
- 2) Letter from County of Napa Environmental Management
- 3) Chair Wagenknecht's Letter Approving the Outside Service Agreement
- 4) Draft Resolution Ratifying Approval While Waiving Application Fee



Dedicated to Preserving the Napa River for Generations to Come

June 13, 2013

Mr. Keene Simonds
Executive Officer
Local Agency Formation Commission of Napa County
1030 Seminary Street, Suite B
Napa, CA 94559

SUBJECT: Outside Service Agreement Application
3174 Valley Green Lane (APN 050-400-005)

Dear Mr. Simonds:

The Napa Sanitation District (District) requests conditional approval from the Local Agency Formation Commission (LAFCO) of Napa County to enter into an outside service agreement with the landowner at 3174 Valley Green Lane (050-400-005) in the City of Napa pursuant to Government Code Section 56133. The affected territory currently consists of a single-family residence with a granny unit (2 dwellings).

The purpose of the outside service agreement is to expedite the connection to the District's public sewer line given the septic system has failed and creates a threat to public health as stated in the letter from Napa County Environmental Health dated June 6, 2013.

If you have further questions, please contact Robin Gamble at (707) 258-6000 ext 531.

Sincerely,

A handwritten signature in blue ink that reads "Timothy B. Healy".

Timothy B. Healy, P.E.
General Manager/District Engineer

Attachments: Outside Service Agreement Application



LOCAL AGENCY FORMATION COMMISSION OF NAPA COUNTY

**APPLICATION
OUTSIDE SERVICE AGREEMENT**

A. Applicant Information

- 1) Agency Name: NAPA SANITATION DISTRICT
- 2) Contact Person and Title: ROBIN GAMBLE, JUNIOR ENGINEER
- 3) Contact Information: (707) 258-6000 Telephone X531 rgamble@napasan.com E-Mail
- 4) Mailing Address: 1515 SORCER FERRY RD, NAPA, CA 94558
Address City, State, Zip Code

B. Type of Outside Service Agreement

- 1) New Extended
- 2) Water Sewer Other: _____

C. Location of Territory to be Served
(attach additional sheets if necessary)

- 1) Assessor Parcel Number: 050-400-005-000
Size: 2.23 Current Use: RESIDENTIAL
- 2) Assessor Parcel Number: _____
Size: _____ Current Use: _____
- 3) Assessor Parcel Number: _____
Size: _____ Current Use: _____

D. Service Information

- 1) Describe how the agency would provide the proposed new or extended service to the subject territory. Please identify any necessary infrastructure or facility improvements and associated funding requirements necessary to provide service to the subject territory.

THE PROPERTY OWNER/ APPLICANT WILL BE REQUIRED TO INSTALL THE PRIVATE SANITARY SEWER LATERAL & PAY ASSOCIATED FEES TO SERVE THE PROPERTY

- 2) If the proposed new or extended service involves water or sewer, identify the anticipated demand in terms of use (i.e., gallons) associated with serving the subject territory.

THE DISTRICT ASSUMES 210 GALS. WILL BE DISCHARGED PER DWELLING UNIT

- 3) Does the agency have sufficient capacities to provide the proposed new or extended service to the subject territory without adversely effecting existing service levels?

YES, THE PROPERTY OWNER/APPLICANT ALSO SUBMITTED A HYDRAULIC ANALYSIS TO EVALUATE CAPACITY IN THE SEWER MAIN.

- 4) What services, if any, are currently provided to the subject territory?

NSD DOES NOT PROVIDE SERVICE TO THIS PROPERTY AT THIS TIME HOWEVER THE PROPERTY IS WITHIN THE DISTRICT'S SPHERE OF INFLUENCE

E. Additional Information

- 1) Identify the subject territory's land use designation and zoning standard along with the minimum parcel density requirements.

GENERAL PLAN (CITY OF NAPA) - SFR 42
ALLOWS FOR UP TO 4 SFR PER ACRE

- 2) Are there any proposed or approved, but not yet built, development projects involving the subject territory?

Yes No

If yes, describe the proposed projects or the approved permits/land use entitlements.

- 3) The Commission's action regarding this request by the agency to provide new or extended services outside its jurisdictional boundary is subject to the requirements of the California Environmental Quality Act (CEQA). Has the agency conducted any CEQA reviews for any projects associated with this application?

Yes No

If yes, please provide copies of the environmental documentation, including the Notice of Exemption or Notice of Determination as well as proof of payment of applicable California Department of Fish & Game fees.

- 4) Is the subject territory located within the agency's sphere of influence?

Yes No

If no, please identify whether there is an existing or impending threat to public health and safety or to the residents in support of the application.

ATTACHMENT TWO



A Tradition of Stewardship
A Commitment to Service

June 6, 2013

Planning, Building & Environmental Services

1195 Third Street, Suite 210
Napa, CA 94559
www.countyofnapa.org

Hillary Gitelman
Director

Brendon Freeman
Local Agency Formation Commission of Napa County
1030 Seminary Street, Suite B
Napa, California 94559

Subject: Failed Sewage Disposal System at 3174 Valley Green Lane. Emergency Connection to Napa Sanitation District Recommended.

Dear Mr Freeman,

This letter is to advise you that we have received an inspection report from a license sewage contractor confirming the sewage disposal system servicing the residence located at 3174 Valley Green Lane, Napa is in failure. Both the septic tank and the disposal field are no longer functioning. A failing sewage disposal system causes untreated sewage to surface onto the ground or back up into the house creating a threat to public health. As this conditions has been confirmed by a contractors inspections, this office would recommend the property be granted an emergency connection to the Napa Sanitation District to resolve the public health threat.

If you have any questions or need additional information, please feel free to contact me at 707-253-4471 Monday through Thursday.

Regards,

A handwritten signature in black ink, appearing to read "Sheldon Sapoznik".

Sheldon Sapoznik, REHS
Environmental Health Supervisor



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

1030 Seminary Street, Suite B
Napa, California 94559
Telephone: (707) 259-8645
Facsimile: (707) 251-1053
www.napa.lafco.ca.gov

We Manage Local Government Boundaries, Evaluate Municipal Services, and Protect Agriculture

June 21, 2013

Mr. Tim Healy, General Manager
Napa Sanitation District
1515 Soscol Ferry Road
Napa, California 94558

SUBJECT: Outside Sewer Service Extension Involving 3174 Valley Green Lane

Mr. Healy:

The Local Agency Formation Commission (LAFCO) of Napa County is in receipt of Napa Sanitation District's (NSD) request to approve an emergency outside sewer service extension between NSD and the landowner of 3174 Valley Green Lane (050-400-005); an incorporated property located within the District's sphere of influence. As noted in the associated application materials, the affected territory includes a single-family residence currently dependent on an onsite septic system to hold and discharge sewage. Notably, the County of Napa's Environmental Management Department has determined the septic system is failing and poses a threat to public health (confirmation attached).

Consistent with adopted policies, the LAFCO Executive Officer has reviewed the request relative to the following factors and attests to the succeeding statements:

- **The ability of the applicant to extend the subject service to the affected land.**

NSD's application materials provide reasonable assurances it has sufficient capacities and controls to effectively extend public sewer service to the affected territory within the short-term without adversely impacting current customers.

- **The application's consistency with the policies and general plans of all affected local agencies.**

The extension of public sewer service to the affected territory is consistent with LAFCO's adopted sphere of influence for NSD, which was most recently updated in 2006, and compatible with the urban land use assignments applied to the land by the City of Napa.

Joan Bennett, Commissioner
Councilmember, City of American Canyon

Brad Wagenknecht, Chair
County of Napa Supervisor, 1st District

Brian J. Kelly, Vice Chair
Representative of the General Public

Gregory Pitts, Commissioner
Councilmember, City of St. Helena

Bill Dodd, Commissioner
County of Napa Supervisor, 4th District

Gregory Rodeno, Alternate Commissioner
Representative of the General Public

Juliana Inman, Alternate Commissioner
Councilmember, City of Napa

Mark Luce, Alternate Commissioner
County of Napa Supervisor, 2nd District

Keene Simonds
Executive Officer

- **The application's effect on growth and development within and adjacent to the affected territory.**

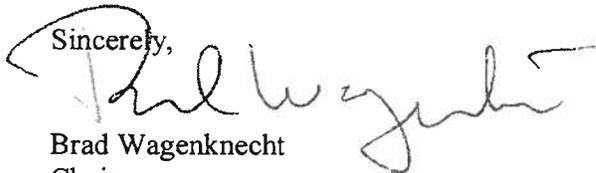
The affected land comprises one residential lot currently developed with a single-family residence. Approval should be conditioned to serving only the existing residence; any new or extended development within the affected territory would require separate approval.

Upon consideration of the preceding factors, and as authorized under LAFCO policies, I hereby conditionally authorize NSD to enter into an outside service agreement with the affected landowner – Dale James – for purposes of abating the referenced threat to public health and safety. This authorization extends for one calendar year beginning on the date of service commencement and is specific to only serving existing structures at 3174 Valley Green Lane; any new development or related land use intensification would necessitate a separate LAFCO approval. Additionally, this approval is made with the explicit expectation the outside sewer extension serve as a short-term remedy and ultimately give way to the preferred long-term solution, annexation. A listing of all approval conditions are outlined below.

- Receipt of an application fee in the amount of \$2,832 to cover staff and materials associated with processing the outside sewer service extension involving 3174 Valley Green Lane.
- Receipt of a completed application from the landowner to annex 3174 Valley Green Lane to NSD. This includes filing an application fee in the amount of \$3,540; an amount that reflects a 50% fee reduction based on an applicable policy amendment the Commission adopted on June 3, 2013.

LAFCO Executive Officer Keene Simonds will contact you once all referenced conditions have been satisfied. In the interim, if you have any questions, please contact Mr. Simonds at (707) 259-8645 or by e-mail at ksimonds@napa.lafco.ca.gov.

Sincerely,



Brad Wagenknecht
Chair

Attachment: as stated

cc: Commissioners
Dale James, Landowner
Robin Gamble, Napa Sanitation District
Larry Florin, County of Napa
Rick Tooker, City of Napa

**RESOLUTION OF THE
LOCAL AGENCY FORMATION COMMISSION OF NAPA COUNTY
MAKING DETERMINATIONS**

**RATIFICATION OF AN OUTSIDE SEWER SERVICE AGREEMENT REQUEST APPROVAL FOR
THE NAPA SANITATION DISTRICT INVOLVING 3174 VALLEY GREEN LANE**

WHEREAS, the Local Agency Formation Commission of Napa County, hereinafter referred to as the “Commission,” administers California Government Code Section 56000 et. seq., known as the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000; and

WHEREAS, the Commission is responsible for authorizing cities and special districts to enter into outside service agreements in accordance with California Government Code Section 56133; and

WHEREAS, the Commission received an application from the Napa Sanitation District requesting the approval of an outside sewer service agreement involving incorporated territory located at 3174 Valley Green Lane, identified by the County of Napa Assessor’s Office as 050-400-005, hereinafter referred to as the “proposal”; and

WHEREAS, Commission policy allows the Chair to approve an outside service agreement approval to address an urgent public health threat subject to later ratification by the Commission; and

WHEREAS, the Chair conditionally approved the proposal on June 21, 2013 given documentation showing the septic system serving the affected territory had failed, creating a public health threat; and

WHEREAS, the Chair’s condition of approval for the outside service agreement proposal required the subject landowner to file a separate proposal with the Commission seeking annexation of the affected territory to the Napa Sanitation District; and

WHEREAS, the Chair’s condition of approval for the outside service agreement proposal was satisfied on June 26, 2013; and

WHEREAS, the Executive Officer prepared and presented a written report on the outside service agreement proposal to the Commission in the manner provided by law and adopted policy for purposes of considering ratification of the Chair’s approval; and

WHEREAS, the Commission heard and fully considered all the evidence presented on the outside service agreement proposal at a public hearing held on August 5, 2013.

NOW, THEREFORE, THE COMMISSION DOES HEREBY RESOLVE, DETERMINE, AND ORDER as follows:

1. In accordance with the applicable provisions of the California Environmental Quality Act (CEQA), the Commission certifies it has considered the determination by the Napa Sanitation District, lead agency under CEQA, that the proposal is statutorily exempt from further review under Public Resources Code Section 21080(b)(4), which exempts “specific actions necessary to prevent or mitigate an emergency.” Based on its own independent analysis, the Commission finds the Napa Sanitation District has made an adequate determination that the underlying activity is exempt from further review given it mitigates a public health threat. The records upon which these findings are made are located at the Commission’s administrative office located at 1030 Seminary Street, Suite B, Napa, California 94559.
2. The Commission ratifies the Chair’s outside service agreement proposal approval.

The foregoing resolution was duly and regularly adopted by the Commission at a regular meeting held on August 5, 2013, by the following vote:

AYES: Commissioners _____

NOES: Commissioners _____

ABSTAIN: Commissioners _____

ABSENT: Commissioners _____

ATTEST: Keene Simonds
 Executive Officer

Recorded by: _____
 Kathy Mabry
 Commission Secretary



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

1030 Seminary Street, Suite B
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We Manage Local Government Boundaries, Evaluate Municipal Services, and Protect Agriculture

August 5, 2013
Agenda Item No. 8a (Discussion)

July 30, 2013

TO: Local Agency Formation Commission

FROM: Keene Simonds, Executive Officer
Brendon Freeman, Analyst

**SUBJECT: Municipal Service Review on the Central County Region:
Draft Section on City of Napa**

The Commission will review a draft section of its scheduled municipal service review on the central county region specific to the City of Napa. The draft section examines the availability and adequacy of municipal services provided by Napa relative to the Commission's mandates to facilitate orderly growth and development and will serve as the source document to inform a pending sphere of influence update. The draft section is being presented for discussion and feedback in anticipation of preparing a final version for future action.

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 ("CKH") directs Local Agency Formation Commissions (LAFCOs) to prepare municipal service reviews every five years to inform their other planning and regulatory activities. This includes, most notably, preparing and updating all local agencies' spheres of influence as needed. Municipal service reviews vary in scope and can focus on a particular agency, service, or geographic region as defined by LAFCOs. 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 that include addressing infrastructure needs or deficiencies, growth and population trends, and financial standing consistent with California Government Code (G.C.) Section 56430.

Joan Bennett, Commissioner
Councilmember, City of American Canyon

Gregory Pitts, Commissioner
Councilmember, City of St. Helena

Juliana Inman, Alternate Commissioner
Councilmember, City of Napa

Brad Wagenknecht, Chair
County of Napa Supervisor, 1st District

Bill Dodd, Commissioner
County of Napa Supervisor, 4th District

Mark Luce, Alternate Commissioner
County of Napa Supervisor, 2nd District

Brian J. Kelly, Vice Chair
Representative of the General Public

Gregory Rodeno, Alternate Commissioner
Representative of the General Public

Keene Simonds
Executive Officer

A. Discussion

Central County Region Study

Consistent with LAFCO of Napa County's ("Commission") adopted study schedule, staff has initiated work on a municipal service review focusing on the central county region; an area defined by the Executive Officer to encompass all lands extending south to Soscol Ridge, west to Congress Valley, north to Oak Knoll, and east to Silverado. The principal objective of the municipal service review is to develop and expand the Commission's knowledge and understanding of the current and planned provision of municipal services provided within the region relative to present and projected needs throughout the county. This includes, in particular, evaluating the availability and adequacy of municipal services provided – directly or indirectly – by the four principal local service providers operating in the central county region subject to Commission oversight. These agencies include: (a) City of Napa; (b) Napa Sanitation District; (c) Congress Valley Water District; and (d) Silverado Community Services District. The Commission will use the municipal service review to inform its decision-making as it relates to performing future individual sphere updates for each of the affected agencies as well as evaluating future jurisdictional changes throughout the county.

Preparation of Central County Region Study

It was staff's original intention to prepare a complete draft report on the municipal service review – including a regional overview paired with individual profiles on all four affected agencies – for Commission and public review. However, and in consultation with the affected agencies, staff has revised its initial intentions to prepare and present the report in two distinct and sequential phases. The first phase involves preparing the municipal service review section specific to Napa. The second phase involves preparing the municipal service review sections specific to Napa Sanitation District, Congress Valley Water District, and Silverado Community Services District. The underlying purpose in phasing the municipal service review as referenced is to enable the Commission to focus its attention first on the service and governance issues tied to Napa given its subsequent sphere of influence update will presumably help inform the updates of the other three regional agencies included in the study. This referenced phasing also accommodates an anticipated joint request from the County and Napa to add the Napa Pipe site to the City's sphere of influence by or near the new calendar year.

Draft Section on Napa

Consistent with the preceding comments, the first phase of the municipal service review is attached to this agenda report and represents the draft section on Napa. The draft section is divided into eight distinct sections – overview, formation and development, adopted jurisdictional boundary, sphere of influence, demographics, organizational structure, municipal services, and financial standing – and culminating with determinative statements addressing all of the factors required for consideration under CKH. The draft section is being presented to the Commission for their initial review and feedback before a formal public review period commences and a final document is presented for action as early as the next regular meeting.

B. Analysis/Summary

With regards to central issues identified the draft section, information independently collected and analyzed indicates Napa's municipal services appear effectively managed and largely responsive to meeting current and projected community needs. Specific areas of interest to the Commission relative to its mandates and interests are memorialized in the determinations section and include the following pertinent conclusions.

- Napa has experienced a moderate growth rate of 5.3% over the last 10 years and producing an overall population of 77,881. It is reasonable to assume this recent rate will continue going forward and raise Napa's population to 81,771 by 2023; an amount that falls nearly 10% below the 90,000 amount contemplated in the Napa General Plan by 2020.
- Napa's housing supply has exceeded demand over the last 10 years based on the one-third increase in its vacancy rate from 7.8% to 10.7%. This escalating vacancy rate, nonetheless, remains relatively low compared to similarly sized cities in the greater region and suggests Napa has a reasonable balance in its housing supply and demand.
- Development activity in Napa is steadily rising as measured by the one-fifth increase in applications filed with the Planning Division over the last five years. This increase in activity suggests Napa will need to revisit its earlier decision to decrease staffing within its Planning and Building Divisions to appropriately accommodate and guide development going forward.
- Napa's existing water supplies appear collectively reliable in meeting the City's current and projected demands under normal and multiple dry year conditions, but insufficient during critical single dry year conditions with the current annual deficit estimated at 158 acre-feet or 51.5 million gallons.

- Napa requires the addition of 20 acre-feet or 6.5 million gallons of potable storage capacity to independently meet current and projected maximum day demands in its service area to protect against pressure losses and service interruptions during high usage periods.
- Public safety service provision appears adequately provided based on response times and other quantifiable measurements detailed in the draft section. Notable exceptions involve fire and emergency medical responses where service demands in the outer Browns Valley area are approaching and – depending on traffic demands – exceeding the five minute standard adopted by the City Council.
- Napa has finished the last fiscal year in relatively good financial standing as measured by its high liquidity and capital ratios. These ratios provide assurances Napa has sufficient resources to meet short- and near-term financial obligations and highlighted by net assets exceeding long-term liabilities by over seven-to-one.
- Napa has reduced its structural budget deficit over the last five years by 90% as evident by reducing its operating margin from (12.8%) in 2008 to (1.4%) in 2012.
- There is an existing governance disconnect between Napa and its historical water service area given the latter extends significantly beyond the City’s sphere of influence. The Commission should consider options to reconcile this existing disconnect relative to local conditions as part of a future sphere of influence review either in the pending or subsequent update cycle.

C. Commission Review

Commissioners are encouraged to discuss and provide feedback on the draft section prepared on Napa. Specific feedback is respectfully requested as it relates to areas of additional analysis. Unless otherwise directed, staff will initiate a 30-day public comment period on the Napa section with the expectation of returning with a complete and final section for approval by the Commission as early as its next regular meeting.

Attachment:

~~1) Draft Napa Section:
Central County Region Study~~

(All attachments available on
"Staff Reports" page)



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

1030 Seminary Street, Suite B
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We Manage Local Government Boundaries, Evaluate Municipal Services, and Protect Agriculture

August 5, 2013

Agenda Item No. 8b (Discussion)

July 29, 2013

TO: Local Agency Formation Commission

FROM: Keene Simonds, Executive Officer

SUBJECT: Legislative Report

The Commission will receive a status report on the first year of the 2013-2014 session of the California Legislature as it relates to items directly or indirectly effecting Local Agency Formation Commissions. The report also updates the Commission on potential changes to the section of law involving outside municipal service extensions. The report is being presented for discussion with possible direction for staff with regard to issuing comments on specific items of interest.

Local Agency Formation Commissions (LAFCOs) are political subdivisions of the State of California tasked with providing regional growth management services in all 58 counties. LAFCOs' duties and powers have increasingly expanded since their creation in 1963 as more than 200 bills have been subsequently enacted and resulting in two distinct responsibilities: regulating the physical development of cities and special districts and informing such decisions through mandated planning activities.

A. Background

The California Association of LAFCOs or "CALAFCO" was established in 1971 to assist all 58 commissions in fulfilling their prescribed regulatory and planning duties. This includes serving as an advocacy resource in proposing and/or reviewing new legislation and facilitated through an appointed 16-member Legislative Committee. The Committee meets on a regular basis to review, discuss, and offer recommendations to the CALAFCO Board of Directors with regard to new legislation that would have either a direct impact on LAFCO law or 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. LAFCO of Napa County ("Commission") currently has two appointed representatives on the Committee: Juliana Inman and Keene Simonds.

Joan Bennett, Commissioner
Councilmember, City of American Canyon

Gregory Pitts, Commissioner
Councilmember, City of St. Helena

Juliana Inman, Alternate Commissioner
Councilmember, City of Napa

Brad Wagenknecht, Chair
County of Napa Supervisor, 1st District

Bill Dodd, Commissioner
County of Napa Supervisor, 4th District

Mark Luce, Alternate Commissioner
County of Napa Supervisor, 2nd District

Brian J. Kelly, Vice Chair
Representative of the General Public

Gregory Rodeno, Alternate Commissioner
Representative of the General Public

Keene Simonds
Executive Officer

B. Discussion and Analysis

Current Legislative Items

The Committee held a conference call on July 26, 2013 to update and discuss legislative interests for the first year of the 2013-2014 session. As of date, there are 20 bills the Committee is currently tracking that propose either direct or indirect impacts on LAFCOs; the latter representing the largest category and predominately tied to several bills introduced this session as part of the Governor's coordinated effort to reform the California Environmental Quality Act. However, in terms of the remaining tracked bills, staff believes only one would have substantive impact on the Commission given local conditions if enacted. A summary of this lone bill of local interest is summarized below.

- **Assembly Bill 743 (Logue) Island Annexation Proceedings**
This legislation is sponsored by CALAFCO and would make substantive amendments to the existing statute governing expedited island annexation proceedings; proceedings that presently allow LAFCOs to waive protest for proposals filed by cities to annex entire or substantially surrounded county islands so long as certain conditions are satisfied. These amendments are highlighted by eliminating the statute's approaching sunset date of January 1, 2014. This bill has been returned to the Assembly to incorporate a friendly amendment from Senator Wolk to reference disadvantaged unincorporated communities. The Commission is already on record in supporting the legislation in concert with the agency's efforts to establish a local island annexation program. The City of Napa has also filed a letter of support at the Commission's request. CALAFCO anticipates the legislation will be passed without any substantive objections or amendments and take effect on January 1, 2014.

Pending Legislative Items

The CALAFCO Board met on July 12th in Sacramento and revisited its preferences in either moving forward or changing direction with respect to its earlier action to approve amendments involving Government Code Section 56133; the statute requiring agencies to receive written approval from LAFCOs before providing new or extended municipal services outside their jurisdictional boundaries and spheres of influence.¹ As members will recall, these previously approved amendments were initially requested by the Commission in 2009 and in response to reviewing a request from the City of Napa referred to as the "Gutterson" project. The previously approved amendments, accordingly, were predicated on expanding LAFCOs' authority to approve requests beyond spheres of influence without making a health or safety determination if certain safeguard findings could be made at noticed public hearings.² CALAFCO, however,

¹ Effective date is January 1, 2001.

² As proposed, the required safeguard findings included in the initial amendments involve determining the extension is (a) adequately contemplated in a municipal service review, (b) will not result in adverse impacts on agricultural or open space resources, and (c) consistent with locally adopted policies.

began to reconsider its previous approval after several LAFCOs expressed concern and eventually leading to a lengthy Board meeting on the topic on February 8th in Irvine. The Board received approximately three hours of testimony and decided to create a new subcommittee to determine if further edits could bridge the interests of both proponents and opponents. The subcommittee ultimately agreed by a majority vote to revised amendments that specifically curb approvals involving lands beyond spheres of influence to only developed lands or undeveloped lands in which services were previously established. The Board approved the revised amendments 15 to 1 with Commission Inman casting the lone no vote at the July 12th meeting.

A copy of the revised amendments approved by CALAFCO is attached for Commission review. Also attached is a comment letter prepared by staff and filed with CALAFCO prior to taking action on July 12th addressing the key policy implications tied to the revised amendments. It is currently expected the Board will seek an author for the revised amendments with the goal of introducing legislation in the 2014-2015 session.

C. 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:

- 1) CALAFCO Legislative Policies
- 2) Revised Amendments to Government Code Section 56133
- 3) Comment Letter to CALAFCO on Government Code Section 56133



CALAFCO 2012 Legislative Policies

Adopted by the Board of Directors on 10 February 2012

1. LAFCo Purpose and Authority

- 1.1. Support legislation which enhances LAFCo authority and powers to carry out the legislative findings and authority in Government Code §56000 et. seq.
- 1.2. Support authority for each LAFCo to establish local policies to apply Government Code §56000 et. seq. based on local needs and conditions, and oppose any limitations to that authority.
- 1.3. Oppose additional LAFCo responsibilities which require expansion of current local funding sources. Oppose unrelated responsibilities which dilute LAFCo ability to meet its primary mission.
- 1.4. Support alignment of responsibilities and authority of LAFCo and regional agencies which may have overlapping responsibilities in orderly growth, preservation, and service delivery, and oppose legislation or policies which create conflicts or hamper those responsibilities.
- 1.5. Oppose grants of special status to any individual agency or proposal to circumvent the LAFCo process.
- 1.6. Support individual commissioner responsibility that allows each commissioner to independently vote his or her conscience on issues affecting his or her own jurisdiction.

2. LAFCo Organization

- 2.1. Support the independence of LAFCo from local agencies.
- 2.2. Oppose the re-composition of any or all LAFCos without respect to the existing balance of powers that has evolved within each commission or the creation of special seats on a LAFCo.

- 2.3. Support representation of special districts on all LAFCos in counties with independent districts and oppose removal of special districts from any LAFCo.
- 2.4. Support communication and collaborative decision-making among neighboring LAFCos when growth pressures and multicounty agencies extend beyond a LAFCo's boundaries.

3. Agricultural and Open Space Protection

- 3.1. Support legislation which clarifies LAFCo authority to identify, encourage and insure the preservation of agricultural and open space lands.
- 3.2. Encourage a consistent definition of agricultural and open space lands.
- 3.3. Support policies which encourage cities, counties and special districts to direct development away from prime agricultural lands.
- 3.4. Support policies and tools which protect prime agricultural and open space lands.
- 3.5. Support the continuance of the Williamson Act and restore program funding through State subvention payments.

4. Orderly Growth

- 4.1. Support the recognition and use of spheres of influence as the management tool to provide better planning of growth and development, and to preserve agricultural, and open space lands.
- 4.2. Support adoption of LAFCo spheres of influence by other agencies involved in determining and developing long-term growth and infrastructure plans.
- 4.3. Support orderly boundaries of local agencies and the elimination of

islands within the boundaries of agencies.

- 4.4. Support communication between cities, counties, and special districts through a collaborative process that resolves service, housing, land use, and fiscal issues prior to application to LAFCo.
- 4.5. Support cooperation between counties and cities on decisions related to development within the city's designated sphere of influence.

5. Service Delivery and Local Agency Effectiveness

- 5.1. Support the use of LAFCo resources to prepare and review Regional Transportation Plans and other growth plans to ensure reliable services, orderly growth, sustainable communities, and conformity with LAFCo's legislative mandates.
- 5.2. Support LAFCo authority and tools which provide communities with local governance and efficient service delivery options, including the authority to impose conditions that assure a proposal's conformity with LAFCo's legislative mandates.
- 5.3. Support the creation or reorganization of local governments in a deliberative, open process which will fairly evaluate the proposed agency's long-term financial viability, governance structure and ability to efficiently deliver proposed services.
- 5.4. Support the availability of tools for LAFCo to insure equitable distribution of revenues to local government agencies consistent with their service delivery responsibilities.
- 5.5. Support collaborative efforts among agencies and LAFCOs that encourage opportunities for sharing of services, staff and facilities to provide more efficient and cost effective services. Support proposals which provide LAFCo with additional tools to encourage shared services.

2012 Legislative Priorities

Primary Issues

Viability of Local Governments	Support legislation that maintains or enhances LAFCo's ability to review and act to assure the efficient and sustainable delivery of local services and the financial viability of agencies providing those services to meet current and future needs. Support legislation which provides LAFCo and local communities with options for local governance and service delivery, including incorporation as a city or formation as a special district. Support efforts which provide tools to local agencies to address fiscal challenges and maintain services.
Authority of LAFCo	Support legislation that maintains or enhances LAFCo's authority to condition proposals to address any or all financial, growth, service delivery, and agricultural and open space preservation issues.
Agriculture and Open Space Protection	Preservation of prime agriculture and open space lands that maintain the quality of life in California. Support policies that recognize LAFCo's ability to protect and mitigate the loss of prime agricultural and open space lands, and that encourage other agencies to coordinate with local LAFCOs on land preservation and orderly growth.
Water Availability	Promote adequate water supplies and infrastructure planning for current and planned growth. Support policies that assist LAFCo in obtaining accurate and reliable water supply information to evaluate current and cumulative water demands for service expansions and boundary changes including impacts of expanding private and mutual water company service areas on orderly growth.

Issues of Interest

- Housing** Provision of territory and services to support affordable housing and the consistency of regional land use plans with local LAFCo policies.
- Transportation** Effects of Regional Transportation Plans and expansion of transportation systems on future urban growth and service delivery needs, and the ability of local agencies to provide those services.
- Flood Control** The ability and effectiveness of local agencies to maintain and improve levees and the public safety of territory proposed for annexation to urban areas which is at risk for flooding. Support legislation that includes security of the delta and assessment of agency viability in decisions involving new funds for levee repair.
- Adequate Municipal Services in Inhabited Territory** Expedited processes for inhabited annexations should be consistent with LAFCo law and be fiscally viable. Funding sources should be identified for extension of municipal services to disadvantaged unincorporated communities, including option for annexation of contiguous disadvantaged unincorporated communities.

Proposed Amendments to G.C. Section 56133

(Approved by the CALAFCO Board on April 29, 2011 and reapproved by the Legislative Committee on December 7, 2012) As approved by the CALAFCO Board of Directors on July 12, 2013.

(a) A city or district may provide new or extended services by contract or agreement outside its jurisdictional ~~boundaries~~ boundary only if it first requests and receives written approval from the commission ~~in the affected county~~. The commission may delegate approval of requests made pursuant to subdivisions (b) and (c)(1) below to the Executive Officer.

(b) The commission may authorize a city or district to provide new or extended services outside its jurisdictional ~~boundaries~~ boundary but within its sphere of influence in anticipation of a later change of organization.

(c) If consistent with adopted commission policy, ~~t~~The commission may authorize a city or district to provide new or extended services outside its jurisdictional ~~boundaries~~ boundary and outside its sphere of influence only under any one of the following circumstances:

(1) To respond to an existing or impending threat to the public health or safety of the residents of the affected territory if both of the following requirements are met:

(1) (A) The entity applying for ~~the contract~~ approval has provided the commission with documentation of a threat to the health and safety of the public or the affected residents.

(2) (B) The commission has notified any alternate service provider, including any water corporation as defined in Section 241 of the Public Utilities Code, or sewer system corporation as defined in Section 230.6 of the Public Utilities Code, that has filed a map and a statement of its service capabilities with the commission.

(2) To serve existing development where the Commission can make the determination set forth in (5) below:

(3) To serve territory, developed and/or undeveloped, that has been in the established service area of an existing provider, public or private, that has historically provided such service to at least part of the territory and the Commission finds that:

(A) the provider is no longer capable of providing the service or

(B) the provider made the commitment to provide the service to the territory prior to January 1, 1994.

(4) To support existing or planned uses within incorporated territory, following a noticed public hearing before the Commission, provided that written evidence of support is presented to the Commission from the city in which the territory to receive extraterritorial services lies.

(2) (5) Such service extensions under (2) and (3) above may only be approved by the Commission after ~~To support existing or planned uses involving public or private properties, subject to approval at a noticed public hearing and the Commission adoption that includes~~ of all of the following determinations:

(A) The extension of service or service deficiency was identified and evaluated in a municipal service review prepared by the commission pursuant to section 56430.

(B) The effect of the extension of service would not result in adverse impacts on premature conversions of open space or agricultural lands or ~~result in adverse growth inducing impacts.~~

(C) A later change ~~or of organization involving the subject property territory~~ and the affected agency is not feasible or desirable based on this division and the adopted policies of the commission.

(d) The executive officer, within 30 days of receipt of a request for approval by a city or district ~~of a contract~~ to extend services outside its jurisdictional boundary, shall determine whether the request is complete and acceptable for filing or whether the request is incomplete. If a request is determined not to be complete, the executive officer shall immediately transmit that determination to the requester, specifying those parts of the request that are incomplete and the manner in which they can be made complete. When the request is deemed complete, the executive officer shall place the request on the agenda of the next commission meeting for which adequate notice can be given but not more than 90 days from the date that the request is deemed complete, unless the commission has delegated approval of ~~those~~ requests made under this section to the executive officer. The commission or executive officer shall approve, disapprove, or approve with conditions the ~~contract for~~ extended services. If ~~the contract is~~ the extended services are disapproved or approved with conditions, the applicant may request reconsideration, citing the reasons for reconsideration.

(e) This section does not apply to ~~contracts or agreements solely involving~~ two or more public agencies where the commission determines the public service to be provided is an alternative to, or substitute for, public services already being provided by an existing public service provider and where the level of service to be provided is consistent with the level of service contemplated by the existing service provider.

(f) This section does not apply to ~~contracts for~~ the transfer of nonpotable or nontreated water.

(g) This section does not apply to ~~contracts or agreements solely involving~~ the provision of surplus water to agricultural lands and facilities, including, but not limited to, incidental residential structures, for projects that serve conservation purposes or that directly support agricultural industries. However, prior to extending surplus water

service to any project that will support or induce development, the city or district shall first request and receive written approval from the commission in the affected county.

(h) This section does not apply to an extended service that a city or district was providing on or before January 1, 2001.

(i) This section does not apply to a local publicly owned electric utility, as defined by Section 9604 of the Public Utilities Code, providing electric services that do not involve the acquisition, construction, or installation of electric distribution facilities by the local publicly owned electric utility, outside of the utility's jurisdictional boundaries.

(j) The application of this section rests solely within the jurisdiction of the commission in the county in which the extension of the service is proposed.



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

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We Manage Local Government Boundaries, Evaluate Municipal Services, and Protect Agriculture

July 10, 2013

Delivered by Electronic Mail

Ms. Pamela Miller, Executive Director
 California Association of Local Agency Formation Commissions
 1215 K Street, Suite 1650
 Sacramento, California 95814
pmiller@calafco.org

SUBJECT: Proposed Amendments to Government Code Section 56133

Ms. Miller:

On behalf of the Local Agency Formation Commission (LAFCO) of Napa County, and based on membership comments provided at our last regular meeting, we respectfully offer the following comments with regard to the CALAFCO's Board's consideration on the above-referenced item scheduled for its July 12, 2013 meeting in Sacramento.

- Napa LAFCO supports the proposed amendments to Section 56133 adopted by the Legislative Committee and Board in separate actions in 2011. Commissioners believe these previously adopted amendments represent a measured approach in providing LAFCOs more discretion in authorizing new or extended municipal services beyond spheres of influence when public health or safety threat findings cannot be reasonably made in order to address local conditions.
- Napa LAFCO appreciates the work of the Board's subcommittee tasked with identifying alternative amendments to Section 56133 to help reconcile differences communicated at its February 8, 2013 meeting in Irvine. As referenced in your agenda report, the subcommittee has agreed by a majority vote to alternative amendments for Board consideration. Markedly, the key distinction between the two sets of amendments now before the Board as viewed by Commissioners is as follows:
 - The "2011 Version" establishes a new allowance for LAFCOs to authorize services beyond spheres of influence to either developed or undeveloped territories if certain safeguard findings are made at public hearings.
 - The "2013 Version" limits the referenced allowance involving undeveloped territories by curbing approval to instances in which services had been previously established to the affected lands.

Joan Bennett, Commissioner
 Councilmember, City of American Canyon

Gregory Pitts, Commissioner
 Councilmember, City of St. Helena

Juliana Inman, Alternate Commissioner
 Councilmember, City of Napa

Brad Wagenknecht, Chair
 County of Napa Supervisor, 1st District

Bill Dodd, Commissioner
 County of Napa Supervisor, 4th District

Mark Luce, Alternate Commissioner
 County of Napa Supervisor, 2nd District

Brian J. Kelly, Vice Chair
 Representative of the General Public

Gregory Rodeno, Alternate Commissioner
 Representative of the General Public

Keene Simonds
 Executive Officer

July 10, 2013

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- Napa LAFCO's favors the 2011 Amendments given it reduces pressure on commissions to expand spheres of influence – which statutorily implies annexations are forthcoming – in unincorporated areas to accommodate needed and locally acceptable service provision. Commissioners believe this existing pressure represents the greater and proven threat in inducing leap-frog development and/or proliferation of special districts compared to the proposed allowance to allow commissions to exercise discretion in authorizing new services beyond spheres.
- Napa LAFCO concedes the 2011 Amendments are not likely to generate undivided support as this time among all LAFCOs; a precept the Board has previously suggested was needed before sponsoring the legislation.
- Napa LAFCO recognizes the valuable contributions made in the underlying discussion over the last several years by opponents of the 2011 Amendments and hope additional dialogue can continue on this important topic as an extension to any actions the Board chooses to take on July 12th.

In addition to the preceding comments, Napa LAFCO extends its sincere gratitude to you for your good and impartial handling of this item. We recognize you inherited this relatively contentious item from the start of your service to the Board, and you have done so admirably.

Respectfully and on behalf of the Commission,



Keene Simonds
Executive Officer

ksimonds@napa.lafco.ca.gov

cc: Napa Commissioners
Lou Ann Texeria, CALAFCO Executive Officer
Clark Alsop, CALAFCO Counsel