

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

KATE McKENNA, AICP
Executive Officer

Sherwood Darington (<i>Chair</i>)	<i>Public Member</i>	Matt Gourley	<i>Public Member, Alternate</i>
Bruce Delgado (<i>Vice Chair</i>)	<i>City Member</i>	Maria Orozco	<i>City Member, Alternate</i>
Fernando Armenta	<i>County Member, Alternate</i>	Simón Salinas	<i>County Member</i>
Louis R. Calcagno	<i>County Member</i>	Steve Snodgrass	<i>Special District Member, Alternate</i>
Don Champion, Ph.D.	<i>Special District Member</i>	Graig R. Stephens	<i>Special District Member</i>
Dennis Donohue	<i>City Member</i>		

AGENDA
LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

Monday, May 21, 2012
4:00 p.m.

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

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

- 1. Call Meeting To Order**
- 2. Roll Call**
- 3. Pledge of Allegiance**

- 4. Minutes** **ACTION**
- a. Adopt Draft Minutes of April 23, 2012 Regular LAFCO Meeting.
- 5. Public Comments**
- Anyone may address the Commission briefly concerning items not already on the agenda. Please fill out a Speaker Request Form available on the rostrum.
- 6. Commissioner Announcements** **INFORMATION**
- Commissioners may ask a question for clarification about an item not on the agenda, make a brief announcement, or report on their activities.
- 7. Consent Items** **ACTION**
- a. Approve the Register of Checks Paid in April 2012.
- b. Accept List of Anticipated Future Agenda Items.
- c. Receive Report on Legislative Activities of the California Association of Local Agency Formation Commissions (CALAFCO).
- d. Receive Report on CALAFCO 2012 Annual Conference.
- 8. Public Hearing** **ACTION**
- a. Consider Adoption of Municipal Service Review and Affirmation of the Currently Adopted Sphere of Influence of the Soledad Community Health Care District.
- 9. Closed Session**
- a. Public Employee Annual Performance Evaluation pursuant to Gov. Code section 54957. Position: LAFCO Executive Officer.
- 10. Consider Extension of Executive Officer Employment Agreement** **ACTION**
- 11. Selection of Chair and Chair Pro Tempore** **ACTION**
- a. Select the Chair and Chair Pro Tempore for a One-Year Period Ending in May 2013.

12. Adjournment To The Next Meeting

Regular LAFCO Meeting – Monday, June 25, 2012 at 4:00 p.m.

Alternative Formats: If requested, the agenda will be made available in alternative formats to persons with a disability, as required by Section 202 of the Americans with Disabilities Act of 1990 (42 USC 12132) and the federal rules and regulations adopted in implementation thereof.

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KATE McKENNA, AICP
Executive Officer

DATE: May 21, 2012
TO: Chair and Members of the Formation Commission
FROM: Kate McKenna, AICP, Executive Officer
SUBJECT: **LAFCO CHECK REGISTER – APRIL 2012**

SUMMARY OF RECOMMENDATION:

It is recommended that the Commission approve the check register.

EXECUTIVE OFFICER'S REPORT:

Attached is the list of LAFCO checks written in April 2012.

Respectfully Submitted,



Kate McKenna, AICP
Executive Officer

Attachments:
April 2012 Warrant Register

LAFCO
 LOCAL AGENCY FORMATION COMMISSION
 OF MONTEREY COUNTY
 WARRANT REGISTER
 FOR APRIL 2012

DATE	CHK#	NAME	DESCRIPTION	CHECK AMOUNT	DEPOSIT AMOUNT	ACCOUNT BALANCE
Beginning Balance 4/1/2012						
04/02/2012	EFT	CalPers Health	April 2012 Health Insurance	1,683.79		199,448.16
04/11/2012	3984	AT&T Mobility	Telephone Expense 2/22/12-3/21/12	175.33		199,272.83
04/11/2012	3985	Copymat	Outside Printing	570.30		198,702.53
04/11/2012	3986	County of Monterey,RMA-Dept Public Works	Express Mail Charges Jan 2012	117.66		198,584.87
04/11/2012	3987	Peninsula Messenger Service	3/20/12 Package Delivery to Soledad	75.00		198,509.87
04/11/2012	3988	Pitney Bowes	Supplies	107.13		198,402.74
04/11/2012	3989	Rabobank Visa Card	AT&T Data Plan/ Office Supplies	135.57		198,267.17
04/11/2012	3990	Spherion	Temp Help:Christoffersen, Donna 3/19/12-4/1/12	2,400.00		195,867.17
04/11/2012	3991	The Salinas Californian	Legal Notices for Period 2/27/12-3/25/12	577.50		195,289.67
04/11/2012	3992	Tri-County Business Systems	Copy Machine Rental 5/11/12-6/10/12	285.15		195,004.52
04/11/2012	3993	United Group Insurance Trust	April 2012 Dental \$321.41; Vision\$35.22	356.63		194,647.89
04/11/2012	3994	The Special Districts Assc. of Mo. Co.	Special Dist Meeting 4/17/12	25.00		194,622.89
04/12/2012		QuickBooks Payroll Service	For Payroll Period Ending 4/6/12 Paid 4/13/12	6,525.11		188,097.78
04/13/2012	EFT	CalPers 457 Program	457 Deferred Compensation Contribution	1,574.98		186,522.80
04/13/2012	EFT	CalPers Retirement	CalPers Retirement Contribution	1,733.27		184,789.53
04/13/2012	EFT	EDD	State Payroll Tax Deposit	798.76		183,990.77
04/13/2012	EFT	EFTPS	Federal Payroll Tax Deposit	2,069.88		181,920.89
04/13/2012	EFT	EDD	State Payroll Tax Deposit (Qtr 1 SUI&ETT)	546.00		181,374.89
04/13/2012	3982	Kathryn M. McKenna	For Payroll Period Ending 4/6/12 Paid 4/13/12	0.00		181,374.89
04/13/2012	3983	Thomas A. McCue	For Payroll Period Ending 4/6/12 Paid 4/13/12	0.00		181,374.89
04/15/2012	3997	Bruce Lindsey	VOID: Monthly Rent	0.00		181,374.89
04/25/2012	EFT	CalPers Health	May 2012 Health Insurance	1,683.79		179,691.10
04/25/2012	3998	AT&T	Telephone Service from 3/12/12-4/11/12	145.27		179,545.83
04/25/2012	3999	Hayashi & Wayland, LLP	Accounting Services #72520	3,000.00		176,545.83
04/25/2012	4001	Office of County Counsel - Co of Monterey	Legal Services through March 2012	564.69		175,981.14
04/25/2012	4002	Principal Life	May 2012 Benefits:LTD,ADD,STD,Life #H49369-1	302.92		175,678.22
04/25/2012	4003	Spherion	Temp Help:Christoffersen, Donna 4/2/12-4/15/12	2,400.00		173,278.22
04/25/2012	4004	The Monterey County Herald	3/1/12-3/31/12 Legal Notices	904.77		172,373.45

LAFCO
 LOCAL AGENCY FORMATION COMMISSION
 OF MONTEREY COUNTY
 WARRANT REGISTER
 FOR APRIL 2012

DATE	CHK#	NAME	DESCRIPTION	CHECK AMOUNT	DEPOSIT AMOUNT	ACCOUNT BALANCE
04/25/2012	4005	United Group Insurance Trust	May 2012 Dental \$321.41; Vision \$35.22	356.63		172,016.82
04/25/2012	4006	Bruce Lindsey	Monthly Rent	2,027.66		169,989.16
04/26/2012		QuickBooks Payroll Service	For Payroll Period Ending 4/20/12 Paid 4/27/12	6,050.89		163,938.27
04/27/2012	EFT	CalPers 457 Program	457 CalPers Retirement Contribution	1,574.98		162,363.29
04/27/2012	EFT	CalPers Retirement	CalPers Retirement Contribution	1,733.27		160,630.02
04/27/2012	EFT	EDD	State Payroll Tax Deposit	710.65		159,919.37
04/27/2012	EFT	EFTPS	Federal Payroll Tax Deposit	1,836.12		158,083.25
04/27/2012	3995	Kathryn M. McKenna	For Payroll Period Ending 4/20/12 Paid 4/27/12	0.00		158,083.25
04/27/2012	3996	Thomas A. McCue	For Payroll Period Ending 4/20/12 Paid 4/27/12	0.00		158,083.25

\$ 43,048.70 \$ -

Ending Balance 4/30/2012

\$ 158,083.25

4. Carmel Area Wastewater District – Sphere of Influence Amendment and Annexation of the Cappo property within the Carmel Highlands.
5. Marina Coast Water District – Sphere of Influence Amendment and Annexation of Portions of the Former Fort Ord to Provide Water and Wastewater Services.
6. Seaside County Sanitation District – Sphere of Influence Amendment to Include Portions of the Former Fort Ord to Provide Wastewater Services.
7. City of Soledad – Out-of-Area Service Agreement to Provide Sewer Services to Camphora Housing Development.
8. City of Gonzales – Comprehensive Sphere of Influence Amendment.
9. City of Marina – Annexation of Portions of the former Fort Ord that are in the City’s Sphere of Influence.
10. Municipal Service Review and Sphere of Influence Update for Salinas Valley Memorial Healthcare System (Initiated by LAFCO).
11. Municipal Service Review and Sphere of Influence Update for Monterey Regional Waste Management District (Initiated by LAFCO).
12. City of Soledad – Sphere of Influence Amendment and Annexation of Miravale IIB Subdivision.
13. Soledad Community Health Care District – Comprehensive Sphere of Influence Amendment and Annexation.
14. South Monterey County Fire Protection District – Sphere of Influence Amendment and Annexation.
15. Fort Ord Reuse Authority – Initiate Dissolution Proceedings (Tentative schedule based on current sunset provision of FORA’s enabling legislation: initiate in Fall 2012, conclude in 2014).
16. Moss Landing County Sanitation District – Possible change from dependent to independent status.
17. County Service Area 15 (Serra Village/Toro Park) – Possible reorganization of government structure and services.

Respectfully Submitted,



Kate McKenna, AICP
Executive Officer

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KATE McKENNA, AICP
Executive Officer

DATE: May 21, 2012
TO: Chair and Members of the Formation Commission
FROM: Kate McKenna, AICP, Executive Officer
SUBJECT: **LEGISLATIVE ACTIVITIES OF THE CALIFORNIA ASSOCIATION OF LOCAL AGENCY
FORMATION COMMISSIONS (CALAFCO)**

SUMMARY OF RECOMMENDATION:

This report is for information only; no action is required at this time.

EXECUTIVE OFFICER'S REPORT:

This report provides information about pending State legislation.

CAFAFCO Priority Legislation

CALAFCO is currently monitoring 28 bills. In April, I reported on five priority bills. Following is an update on priority bills that are still alive:

- **AB 2238 (Perea) Public Water Systems: Drinking Water.**

CALAFCO Position: Oppose.

This bill is intended to improve water and wastewater services to disadvantaged unincorporated communities. It would require LAFCO to conduct a reorganization study with every water and wastewater Municipal Service Review. This would add significant and unfunded research responsibilities while doing little to improve actual services. Discussions are underway to remove the MSR requirements. The bill was scheduled to be heard by the Assembly Appropriations Committee on May 16.

- **AB 2624 (Smyth) Sustainable Communities.**
CALAFCO Position: Support.
 The Strategic Growth Council awards planning grants to government agencies in support of sustainable communities. This bill would make LAFCO an eligible agency to apply for these grants.
- **AB 2698 (Committee on Local Government) The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000.**
CALAFCO Position: Support.
 This bill is the annual CALAFCO-sponsored omnibus bill for non-controversial, clean-up legislation. It contains a rewrite of the protest provisions and waiver of notice and hearings language.
- **SB 1566 (Negrete McLeod) Vehicle License Fees: Allocation.**
CALAFCO Position: Support.
 SB 1566 would reinstate the allocation of motor vehicle license fees for recent and future incorporations and inhabited annexations. This funding was removed by SB 89 as part of the 2011 State budget.

Health Care District Legislation

In addition to the CALAFCO priority bills, several pieces of proposed legislation would affect health care districts. **AB 2418 (Gordon and Dickinson) – Health Care District Expenses** would require health care districts to spend at least 95% of tax revenues on community health care benefits. The bill would also create a new role for LAFCO in defining what items constitute “current community health care benefits.” CALAFCO maintains a “Watch” position on this bill.

Assembly Member Alejo has introduced two bills relating to health care districts. **AB 2115** would require that a health care district employing an administrator enter into a written employment contract with the administrator. **AB 2180** would limit the ability of a health care district to provide certain types of compensation to an officer or employee, including severance and retirement payments, unless the district makes these same options available to all officers and employees.

Respectfully Submitted,



Kate McKenna, AICP
 Executive Officer

On June 21, the Program Planning Committee will meet at the Monterey Hyatt for a lunch meeting and site tour. At least two of the Monterey LAFCO Host Committee representatives will attend this meeting. All other meetings of the Program Planning Committee will be by phone through September.

Now that the conference organization is in place, and others are taking the lead in developing the program, my efforts will turn in coming weeks to specific host responsibilities: keynote speakers, luncheon speakers, winetasting reception, a mobile workshop, pre-and post-conference special events, meal planning, etc. I will continue to confer with our Host Committee on these matters, and will keep our full Commission informed of progress and opportunities to participate. I will participate in all meetings of the Program Planning Committee to ensure a high level of coordination. Local Host Committee members will be invited to take part in the Program Planning Committee meetings on an as available basis.

Respectfully Submitted,

A handwritten signature in black ink that reads "Kate McKenna". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Kate McKenna, AICP
Executive Officer

Attachments (2)

2012 CALAFCO Conference
Program Planning Committee
Kick-Off Meeting

Thursday, May 17, 2012

9:30 a.m. – 11:00 a.m.

Conference Call #: 1-800-326-0013 Conference ID Code: 1273787

Conference Chair – John Leopold, CALAFCO Board of Directors (Santa Cruz, County)

Conference Vice Chair – Louis Cunningham, CALAFCO Board of Directors (Ventura, Public)

Conference Committee Member – Juliana Inman, CALAFCO Board of Directors (Napa, City)

Local Host Committee - Monterey LAFCO Vice Chair Bruce Delgado (City), Commissioner Louis Calcagno (County) and Commissioner Simón Salinas (County)

1. Program Planning Committee Structure
2. Review Program and Evaluations of 2011 Conference
3. Conference Structure – Facility, Pre-and Post-Events, Mobile Workshop, General and Breakout Sessions, Meals
4. Keynote Speaker & Luncheon Speaker
5. Call for Presentations
6. Proposed Topics for General Sessions and Breakout Sessions (see attached)
7. Conference Theme
8. Schedule of Future Meetings:
 - a. Thursday, June 21, 10:00 a.m. to 2:00 p.m., Lunch Meeting and Site Tour, Monterey Hyatt
 - b. Conference Calls

2012 CALAFCO Session Proposals Formally Submitted as of May 16, 2012:

- ✓ “At the Crossroads: Are LAFCOs Ready to Embrace a New Protocol in Water Metrics for the 21st Century?” – Submitted by Robert Shibatani, CEO & Principal Hydrologist, The Shibatani Group.
- ✓ “Shared Services 2.0 – The Next Generation of Shared Services” - Submitted by Christine Crawford, Yolo LAFCo.
- ✓ “California Water Plan Update 2013, Opportunities for Coordination on Water, Land Use Issues and Regional Planning” – Submitted by Lewis Moeller, Strategic Planning Section, CA Department of Water Resources.
- ✓ “Moving the Dial: Using the Best Message Strategy for LAFCO Projects” – Submitted by Joyce Crosthwaite, OC LAFCo.
- ✓ “Conditioning Spheres of Influence the New Future??” – Submitted by David Church, SLO LAFCo
- ✓ “Municipal Service Reviews: Where have we been, and where are we going?” – Submitted by Keene Simonds, Napa LAFCo, and Paul Novak, LA LAFCo
- ✓ “LAFCO 201: Strategic Planning – Could it Work for You?” – Submitted by Mona Palacios, Alameda LAFCo

Annual Pre-Conference Session:

- ✓ LAFCO 101 – David Church, SLO LAFCo

Other Session Proposals – Awaiting the Submission of Formal Presentations:

- Integrating Sustainable Communities Strategy Application Processes – Nancy Miller, Sacramento LAFCo General Counsel
- Agricultural/Farmland Preservation – Ed Thompson, American Farmland Trust
- “Regionalization of Fire Districts – Update to the Stanislaus Experience “ – Dale Skiles, Salida Fire Protection District

Other Suggested Topic Ideas –

- Federal Projects – High Speed Rail, Implications for LAFCo’s – Session Coordinator Needed
- Invite Dr. Manuel Pastor who has co-authored “Regions that Work – How Cities and Suburbs Can Grow Together”, or Case Study of Watsonville with City Manager Carlos Palacios, or session with Latino Perspective(s) – Pat McCormick, Santa Cruz LAFCo.

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KATE McKENNA, AICP
Executive Officer

DATE: May 21, 2012
TO: Chair and Members of the Formation Commission
FROM: Kate McKenna, AICP, LAFCO Executive Officer
SUBJECT: **2012 MUNICIPAL SERVICE REVIEW AND SPHERE OF INFLUENCE UPDATE FOR THE SOLEDAD COMMUNITY HEALTH CARE DISTRICT**

SUMMARY OF RECOMMENDATIONS:

It is recommended that the Commission:

1. Receive report from the Executive Officer;
2. Open and close the period for public comments;
3. Discuss and consider the Public Review Draft *2012 Municipal Service Review and Sphere of Influence Update for the Soledad Community Health Care District* (Attachment 2), and
4. Consider and adopt a resolution (Attachment 1):
 - a) Finding that the action is exempt from provisions of the California Environmental Quality Act (CEQA) as “information collection” under Section 15306 of the State CEQA Guidelines and based on the determination that this action does not have the potential for causing a significant effect on the environment (Section 15061(b)(3));
 - b) Adopting the 2012 Municipal Service Review, and
 - c) Affirming the currently adopted Sphere of Influence of the Soledad Community Health Care District.

EXECUTIVE OFFICER'S REPORT:

State law requires LAFCO to periodically review and update the services and Spheres of Influence of all cities and districts. In accordance with the Commission's adopted work program, the LAFCO staff have prepared a study of the Soledad Community Health Care District.

Service Review

The Soledad Community Health Care District is one of only two public health care districts in Monterey County. It serves the southern Salinas Valley, an area and population recognized by the federal government as having limited access to personal health services and a shortage of health professionals. The District was formed in 1948, and today operates two medical facilities that provide comprehensive community based health care services. The Soledad Medical Clinic is the primary medical clinic in the Soledad area, providing over 27,000 face-to-face encounters a year. The Eden Valley Care Center provides over 18,000 skilled nursing days a year to its residents. While services are provided to all residents inside and outside the District, both facilities provide essential care to low-income individuals and families. Demand exceeds the available space, and the District plans to expand its facilities and services to meet the identified needs.

As described in the enclosed report, the District operates in a financially responsible manner, complies with legal requirements for accountability and transparency, maintains a viable governance structure, and engages in many community and health care organization activities and partnerships.

Sphere of Influence Review and Update

About 28,000 people live within the District's boundaries, including the City of Soledad and the surrounding rural area. Boundaries of the Soledad Community Health Care District have not changed since 1948, and the District's Sphere of Influence is the same as its boundaries. No change is needed or recommended at this time, but may be proposed in the future. The District is considering a Sphere and boundary expansion to better reflect its actual service area.

California Environmental Quality Act (CEQA) Compliance

Municipal service reviews are Categorical Exempt from the provisions of CEQA as "information collection" under Section 15306 of the State CEQA Guidelines. The recommended Sphere update qualifies for the general rule exemption from environmental review, CEQA Regulation Section 15061(b)(3), based on the determination that this action does not have the potential for causing a significant effect on the environment.

Agency Comments and Public Notice

An administrative draft of this report was reviewed with the Soledad Community Health Care District. All technical corrections and updates are reflected in the public hearing draft. Notice of the public hearing was posted in the Salinas Californian. Notice was also posted on the LAFCO website, at the County Government Center, and at the LAFCO office. Notice of the hearing and availability of this report were distributed to a broad list of interested parties.

ALTERNATIVE ACTIONS:

In lieu of the recommended actions, the Commission may direct changes to the attached draft resolution and/or report. Among the possible alternative actions, the Commission may initiate proceedings to amend the District's Sphere of Influence, if the hearing shows cause for such action. Any major changes to the report would require that this agenda item be continued for further coordination and environmental review.

Respectfully Submitted,

A handwritten signature in black ink that reads "Kate McKenna". The signature is written in a cursive, flowing style.

Kate McKenna, AICP
Executive Officer

Attachments:

1. Draft Resolution Adopting the *2012 Municipal Service Review and Sphere of Influence Update for the Soledad Community Health Care District*.
2. Public Review Draft - *2012 Municipal Service Review and Sphere of Influence Update for the Soledad Community Health Care District*.

Attachment 1

THE LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

RESOLUTION NO. 12-XX

**RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY
ADOPTING THE 2012 MUNICIPAL SERVICE REVIEW AND SPHERE OF INFLUENCE UPDATE
FOR THE SOLEDAD COMMUNITY HEALTH CARE DISTRICT**

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

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

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

WHEREAS, the Formation Commission has met and consulted with the Soledad Community Health Care District and received written information regarding current and expected growth boundaries, the location and characteristics of disadvantaged unincorporated communities, planned and present capacity of public facilities, adequacy of public services, financial ability to provide services, opportunities for shared facilities and services, government structure, and operational efficiencies; and

WHEREAS, the information gathered provides the basis upon which the Formation Commission plans to update the Sphere of Influence of the Soledad Community Health Care District; and

WHEREAS, prior to updating the Sphere of Influence of the Soledad Community Health Care District, the Formation Commission heard from interested parties, considered the proposal and the report of the Executive Officer and considered the factors determined by the Formation Commission to be relevant to this proposal, including, but not limited to, factors specified in Government Code sections 56425(e) and 56430(a), and the Formation Commission's policies; and

WHEREAS, the Formation Commission set May 21, 2012 as the hearing date to consider the *2012 Municipal Service Review and Sphere of Influence Update for the Soledad Community Health Care District* and gave the required notice of hearing; and

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

WHEREAS, the Executive Officer has prepared a report, including recommendations thereon, and has furnished a copy of this report to each person entitled to a copy or interested in receiving a copy.

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

Section 1. Acting as Lead Agency pursuant to California Environmental Quality Act (CEQA) Guidelines, the Formation Commission finds that the Municipal Service Review under consideration is Categorically Exempt from the provisions of CEQA as “Information Collection” under Section 15306. The Formation Commission also finds that the Sphere of Influence update qualifies for the general rule exemption from environmental review, CEQA Guidelines section 15061(b)(3), based on the determination that this action does not have the potential for causing a significant effect on the environment.

Section 2. In updating the Sphere of Influence of the Soledad Community Health Care District, the Formation Commission has conducted a review of the services provided by this district. This review was conducted in accord with Government Code section 56430. The analysis, conclusions and recommendations in this review were prepared with information provided by, and in consultation with, the District. Data sources are available for review in the office of the Formation Commission.

Section 3. In preparing a Municipal Services Review, the Formation Commission has considered a written statement of its determinations in accord with Government Code section 56430(a). These determinations, which are contained in the report, are made with respect to each of the following seven areas:

- a. Growth and Population Projections for the Affected Area.
- b. The Location and Characteristics of any Disadvantaged Unincorporated Communities Within or Contiguous to the Sphere of Influence.
- c. Present and Planned Capacity of Public Facilities, Adequacy of Public Services, and Infrastructure Needs or Deficiencies including Needs or Deficiencies Related to Sewers, Municipal and Industrial Water, and Structural Fire Protection in any Disadvantaged, Unincorporated Communities Within or Contiguous to the Sphere of Influence.
- d. Financial Ability of Agencies to Provide Services.
- e. Status of, and Opportunities for, Shared Facilities.

- f. Accountability for Community Service Needs, Including Governmental Structure and Operational Efficiencies.
- g. Any Other Matter Related to Effective or Efficient Service Delivery, as Required by Commission Policy.

Section 4. In updating the Sphere of Influence of the Soledad Community Health Care District, the Formation Commission has considered a written statement of its determinations, in accord with Section 56425(e) of the Government Code. These determinations, which are contained in the report, are made with respect to each of the following four areas

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

Section 5. The Formation Commission has considered, as a part of its deliberations, all oral presentations and written communications received prior to the close of the public hearing.

Section 6. In accordance with Government Code section 56430, the Formation Commission hereby adopts the *2012 Municipal Service Review and Sphere of Influence Update for the Soledad Community Health Care District*.

Section 7. In accordance with Government Code section 56425(g), the Formation Commission affirms the currently adopted Sphere of Influence of the Soledad Community Health Care District, as shown in Exhibit A.

UPON MOTION OF Commissioner _____, seconded by Commissioner _____, the foregoing resolution is adopted this 21st day of May, 2012 by the following vote:

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

 Sherwood Darington, Chair
 Local Agency Formation Commission of Monterey County

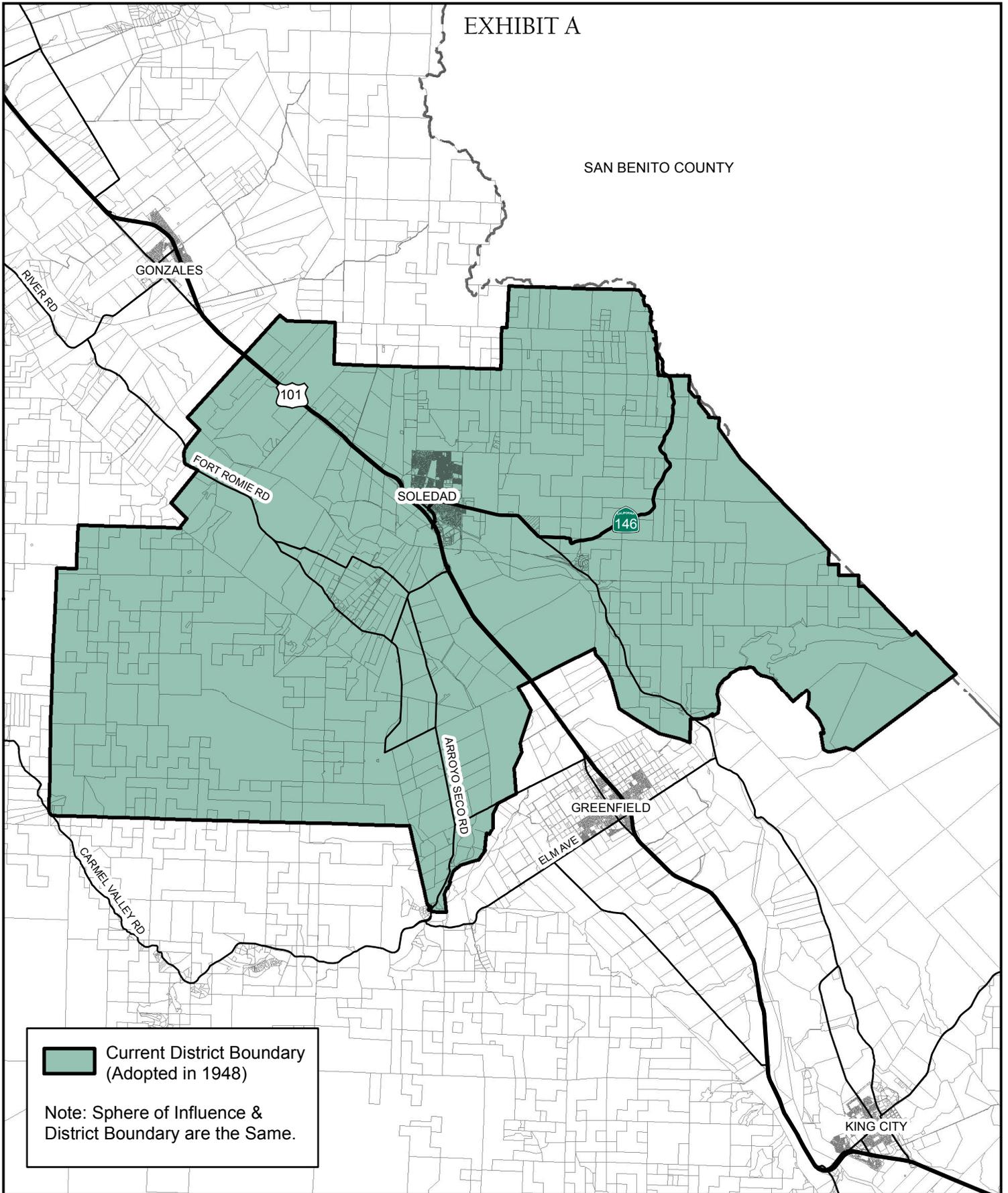
ATTEST: I certify that the within instrument is a true and complete copy of the original resolution of said Commission on file within this office.

Witness my hand this ____ day of May, 2012

By: _____
Kate McKenna, AICP, Executive Officer

EXHIBIT A

SAN BENITO COUNTY



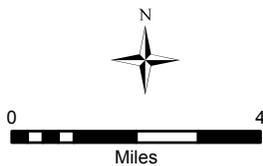
 Current District Boundary
(Adopted in 1948)

Note: Sphere of Influence &
District Boundary are the Same.

LAFCO of Monterey County
LOCAL AGENCY FORMATION COMMISSION

P.O. Box 1369
Salinas, CA 93902
Telephone (831) 754-5838

132 W. Gabilan St., Suite 102
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FAX (831) 754-5831



HEALTH CARE DISTRICTS

**SOLEDAD COMMUNITY
HEALTH CARE DISTRICT**

2012 Municipal Service Review Draft
Map Produced on: 5/8/2012

Public Review Draft

2012 Municipal Service Review
and Sphere of Influence Update:

Soledad Community
Health Care District

May 21, 2012

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**2012 MUNICIPAL SERVICE REVIEW
AND SPHERE OF INFLUENCE UPDATE
FOR THE SOLEDAD COMMUNITY HEALTH CARE DISTRICT**

Soledad Community Health Care District – At A Glance	
Formation Date	March 1, 1948
Legal Authority	The Local Health Care District Law (California Health & Safety Code, section 32000, et seq.)
Board of Directors	Five members, elected at large to four year terms. If the number of candidates equals the number of eligible seats, or if there are no candidates, the Board of Supervisors shall make these appointments pursuant to Elections Code section 10515.
District Area	177 square miles (approx.)
Population	28,000 (approx.) within District boundaries; the District has estimated that over 50,000 people in the area use the District’s services.
Agency Duties	The District operates a 59-bed skilled nursing facility and a rural health clinic.
Budget (FY 2011-12)	\$8,473,470: Revenues derived primarily from patient service revenues (95%) and property taxes and assessments (5%)
Mission Statement	To anticipate and provide services to meet the health care needs of the people we serve.
Vision Statement	To provide comprehensive community based health care to meet your family’s needs now and in the future.
Chief Executive Officer	Steven Pritt (stevenpritt@hotmail.com)
Contact Information	612 Main Street, Soledad, CA 93930 831-678-2462
Website	www.soledadhealth.com

SUMMARY & RECOMMENDATIONS

This Municipal Service Review and Sphere of Influence Update provides information about the services and boundaries of the Soledad Community Health Care District. The report is for use by the Local Agency Formation Commission in conducting a statutorily required review and update process. The Cortese-Knox-Hertzberg Act requires that the Commission conduct periodic reviews and updates of Spheres of Influence of all cities and districts in Monterey County (Government Code section 56425). It also requires LAFCO to conduct a service review of municipal services before adopting Sphere updates (Government Code section 56430).

The Soledad Community Health Care District is one of only two public health care districts in Monterey County. It serves the South County, an area and population with limited access to personal health services, and with a shortage of health professionals. In 1948, the District was formed as the Soledad Community Hospital District, following State passage of the Local Hospital District Law. While the District originally limited its services to the provision of ambulances, the District today operates two medical facilities that provide comprehensive community based health care services.

The Soledad Medical Clinic is a 4,400 square foot rural health clinic that opened in 1989. This facility is the primary medical clinic in the Soledad area, providing over 27,000 face-to-face encounters a year. The Eden Valley Care Center is a 59-bed skilled nursing facility that opened in 1993. This highly-rated care center provides over 18,000 skilled nursing days a year to its residents. While services are provided to all residents inside and outside the District, the Medical Clinic and skilled nursing facility provide essential care to low-income individuals and families. Demand exceeds the available space, and the District plans to expand its facilities and services to meet the identified needs.

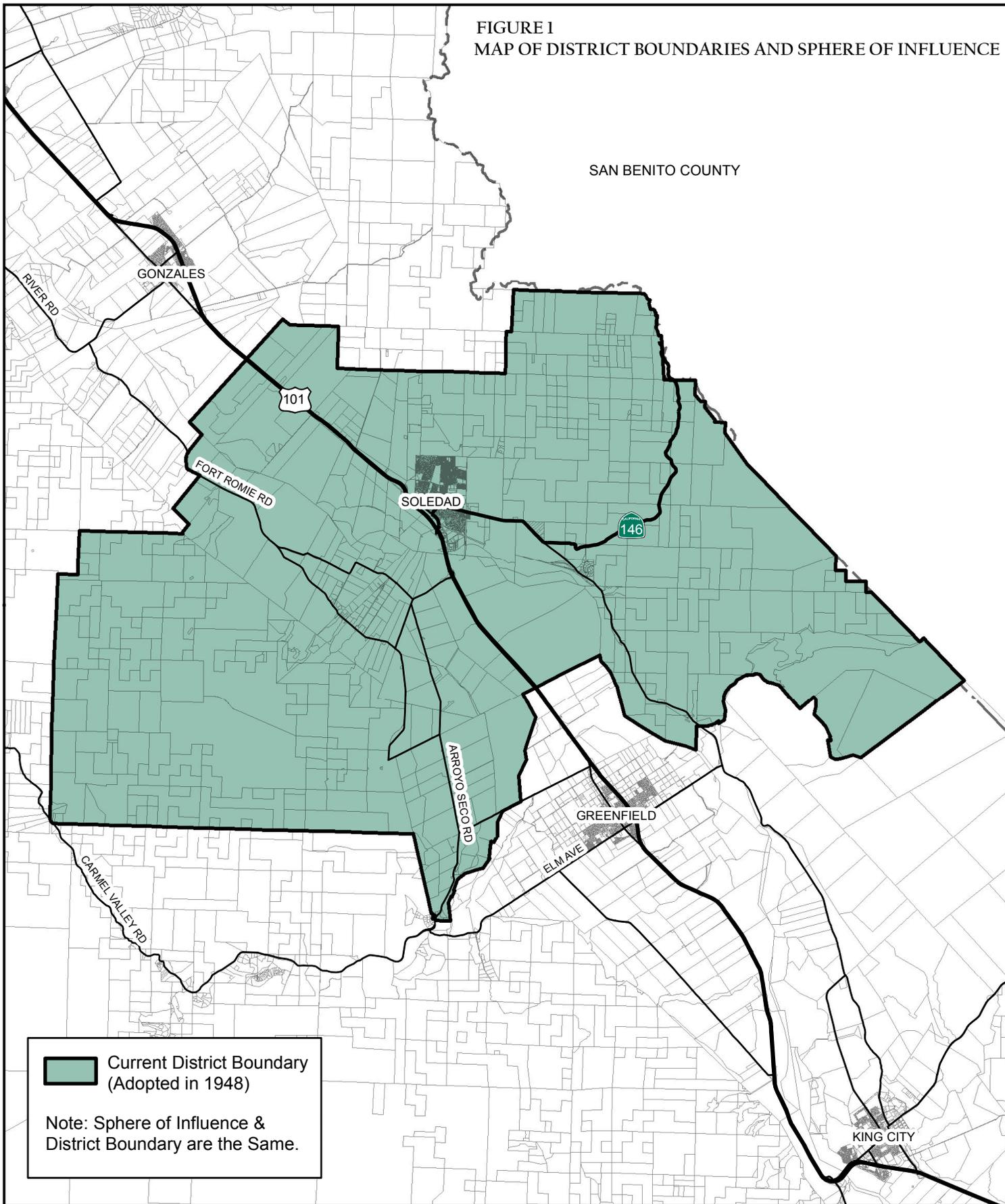
The District is governed by a five-member elected Board of Directors, complies with legal requirements for public transparency and accountability, and engages in many community activities and partnerships. A website informs the public of District activities, including agendas of Board meetings. It is recommended that additional information, including the District's mission statement, strategic plan, budget, and audits, be placed on the website to further inform the public. The District operates in a financially responsible manner. Policies, procedures and practices include regular audits and oversight of revenue and expenses by the Chief Executive Officer and Board of Directors.

In the current fiscal year, the Soledad Community Health Care District's adopted budget is approximately \$8.5 million. Patient service revenues provide about 95% of overall revenues, with Medicare and Medi-Cal reimbursements making up about three-fourths of that amount. The remaining five percent of revenue is primarily from property taxes and assessments. District revenues exceeded expenses for two of the last three fiscal years, enabling the District to slightly increase its unrestricted net assets during that period. As of June 30, 2011, the District's net assets stood at \$1.3 million, with unrestricted net assets of \$525,000. This fiscal year, revenues are running behind expenditures, reducing the unrestricted net assets. The District is preparing for the future by investing in medical facility upgrades, an electronic medical records and billing system and by seeking designation as a Federally Qualified Health Center. This designation will improve cash flow and help support planned expansions of facilities and services.

Boundaries of the Soledad Community Health Care District (Figure 1) have not changed since 1948. The District's Sphere of Influence is the same as its boundaries. The LAFCO Executive Officer has reviewed the Sphere of Influence and boundaries in consultation with the District, and found that no change is needed at this time but may be proposed in the future. The District is considering a Sphere and boundary expansion to better reflect its actual service area.

Based on the determinations presented on pages 15 through 18, the Executive Officer recommends that the Commission adopt this Municipal Service Review and affirm the currently adopted Sphere of Influence of the Soledad Community Health Care District.

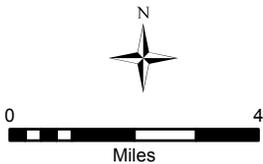
FIGURE 1
MAP OF DISTRICT BOUNDARIES AND SPHERE OF INFLUENCE



LAFCO of Monterey County
LOCAL AGENCY FORMATION COMMISSION

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HEALTH CARE DISTRICTS

**SOLEDAD COMMUNITY
HEALTH CARE DISTRICT**

2012 Municipal Service Review Draft
Map Produced on: 5/8/2012

HOW THIS REPORT IS ORGANIZED

Information in this report complies with the Commission's statutory requirements, and is also intended to support the District's mission.

The report presents a brief history of the Soledad Community Health Care District, and the authority given to health care districts by the State. It describes the District's two facilities, their services, and needs and plans for expansion. It reviews the District's governance, community partnerships, and finances. The report explores future challenges facing the District, and the status of the Sphere of Influence and boundaries. It concludes with recommended determinations as required by law, and with acknowledgements and source references.

DISTRICT HISTORY

The Soledad Community Hospital District started in 1948, at a time when other hospital districts were also forming throughout California. The State Legislature enabled and encouraged hospital districts by passing the Local Hospital District Law in 1945. The original intent of this legislation was to provide rural and other under-served areas with tax revenues for the construction and operation of community hospitals. In the early decades, the Soledad Community Hospital District limited its services to providing ambulances within the Soledad area. As the years passed, it became apparent that developing a hospital was not feasible. Because the community still experienced an unmet need for medical care, District Directors worked to establish a medical clinic and a skilled nursing facility.

In 1994, the State Legislature approved a change in the name of hospital districts to "health care districts." This name change reflected efforts to provide health care services outside of the acute hospital setting. As a result, the Soledad Community Hospital District changed its name to the "Soledad Community Health Care District." Now the Local Health Care District Law allows health care districts to establish and operate a wide variety of health facilities and services. Districts can provide outpatient services; retirement programs; chemical dependency programs; ambulance service; diagnostic and testing facilities; health education programs, and wellness and prevention programs. Unique to health care districts, services and facilities can be provided from any site inside or outside the district for the benefit of the district and people served by the district.

Today, the Soledad Community Health Care District is one of only two health care districts in Monterey County. The other district is the Salinas Valley Memorial Healthcare System, which currently owns and operates one of the County's four acute hospitals. It does not operate a skilled nursing facility or a community medical clinic. Recognizing that health care is a critical need in the Soledad area, the federal government has designated the Soledad area as a Medically Under-Served Area with a Medically Under-Served Population. These designations identify areas and populations that have limited access to personal health services. Medically Under-Served Populations may include groups of persons who face economic, cultural or linguistic barriers to health care.

SOLEDAD MEDICAL CLINIC

Introduction

In 1989, the Soledad Medical Clinic opened as an outpatient, family-practice, rural health clinic. The facility is a community clinic that serves a primarily low-income population, with a large population of immigrants who are largely Spanish-speaking. Medicare and Medi-Cal funds pay for the majority of the District's services. The District also serves patients through a variety of publically-funded programs including the Healthy Families insurance program, the Comprehensive Perinatal Services Program (CPSP), and the Child Health and Disability Program (CHDP). The Clinic receives financial assistance through the California Wellness Foundation to allow people without adequate financial resources to receive one medical visit each year.

The Clinic's medical professionals specialize in family practice, women's health and podiatry. The medical team currently includes two Medical Doctors, one Doctor of Podiatry Medicine, one Doctor of Osteopathic Medicine, and four Physician Assistants. All but one of these professionals, as well as all nurses and technicians, are fluent in both Spanish and English. Services provided by the Clinic include digital x-rays, ultrasound, and a multitude of laboratory tests.

One of the Clinic's most popular programs is a Foundation-supported well-baby clinic, which annually provides nutritional, educational, practical and emotional support to approximately 500 new mothers. Participants completing the program receive an array of functional gifts to lessen the financial strain of parenthood. These gifts include strollers, car seats, and baby clothes.

Vital Role in the Community

The Soledad Medical Clinic is the primary source of medical care in the Soledad area. The District's Fiscal Year 2010-2011 audit stated that there were 27,831 rural health care visits within the year. As the Clinic is open five days a week, from Monday through Friday, the Clinic sees an average of 106 patients per day. A large number of patients also receive care on a walk-in basis, which is a service not available at many local medical facilities.

Location of a full-service clinic in Soledad is essential to people living and working in the area. In addition to being a Medically-Underserved Area with a Medically-Underserved Population, the federal government has identified the Soledad area as a "Health Professional Shortage Area" (HPSA). The nearest acute hospitals are in Salinas and King City, approximately 25 miles away. Many of the Clinic's patients lack regular access to a car, and public transportation is limited. District staff report that many patients walk to the Clinic for service.

Within the HPSA designation, the Clinic has been designated as a "Rural Health Clinic." This designation provides the Clinic with payment on a preferential cost-related basis for outpatient physician and certain non-physician services. The Clinic plans to apply for the more rigorous designation of "Federally Qualified Health Center," or FQHC. FQHCs are

community-based organizations that provide comprehensive primary and preventative care, including health, oral, and mental health/substance abuse services to all ages, regardless of their ability to pay or health insurance status. This designation would replace the current Rural Health Clinic designation and would open the door to additional federal funds. In order to meet the standards of this designation, the District is developing dental and mental health programs and it is designing a sliding scale fee schedule.

Upgrades and Improvements

The District regularly upgrades its medical facilities. The District recently installed a new \$200,000 digital x-ray system. Digital x-rays have the advantage of being quicker to process and read. The Clinic is able to electronically send images to the Salinas Radiology Group where results are available in a matter of hours. The District was able to pay for approximately 80% of the cost of this upgrade through grant funds. In the last fiscal year, the Clinic also installed a new refrigeration unit for vaccine storage and a new high-density chart storage room.

The District is initiating an electronic medical records project. The Salinas Valley Memorial Healthcare System will be the host site for the District's electronic files. The implementation of this program is being hastened by federal financial incentives and federal requirements that the program be in place by 2015. Electronic medical records improve the accessibility of records and assist in the accuracy and thoroughness of medical billings. The new system will also allow the District to get a head start on transitioning to ICD-10-CM/PCS¹, the medical procedure and billing code that is being implemented nationwide by October 2013.

Expansion Plans

There is more demand for services at the Soledad Medical Clinic than space to provide services. For this reason, the District has long range plans for expansion. The Clinic currently contains approximately 4,400 square feet and eight treatment rooms. The District proposes the addition of 5,000 square feet that would more than double the number of treatment rooms to 19. This expansion is estimated to cost approximately \$2.5 million. City land use approvals are required before this addition can be constructed. This proposal will also require the availability of outside funding.

EDEN VALLEY CARE CENTER

Introduction

In 1993, the Eden Valley Care Center opened adjacent to the Soledad Medical Clinic. Eden Valley is a 59-bed skilled nursing facility. A skilled nursing facility, or "nursing home," is a health care facility that provides services to residents whose basic need is for care on an extended basis. The average age of Eden Valley residents is 79 years. Eden Valley is licensed and regulated as a medical facility by the California Department of Public Health. It is

¹ The International Classification of Diseases, 10th Edition, Clinical Modification/Procedure Coding System.

dually licensed to accept both Medicare and Medi-Cal reimbursements, and the vast majority of care provided at Eden Valley is paid for through these government programs. Inpatient care includes physician, skilled nursing, dietary, and pharmaceutical services. Eden Valley provides structured programs of physical, speech, and occupational therapy. When needed, Eden Valley can also provide residents and their families with access to hospice services through the Visiting Nurses Association.

The audit for the fiscal year ending June 30, 2011 states that Eden Valley provided 18,442 skilled nursing days in that year, and had provided 18,660 skilled nursing days in the previous fiscal year. This 86% occupancy rate approximates the statewide average for skilled nursing facilities.

Rating and Amenities

Of the 14 nursing homes within Monterey County listed on the “Medicare.gov”² website, only Eden Valley is publically-owned. The Medicare website calculates an overall rating of facilities based on health inspections, nursing home staffing, and quality measures. The highest rating given in Monterey County is four stars. Eden Valley is one of the four nursing homes receiving this highest rating, along with one facility in Salinas and two in Pacific Grove. Only one other nursing home is located in the southern Salinas Valley: a twelve-bed skilled nursing extended care unit within Mee Memorial Hospital in King City.

Eden Valley contains many amenities. “Rosie’s Garden” is a gathering place with shaded alcoves, a fountain, flowers, and shrubs. The Garden serves to connect the Soledad community with Eden Valley residents. The Soledad community uses Rosie’s Garden as a gathering spot for nursing class graduations, events of the Soledad-Mission Chamber of Commerce, the Soledad Unified School District, and the City of Soledad. Other amenities include a 1950s-style soda shop, a full service beauty shop, a spacious atrium, and a fireside room which serves as a living and meeting room for residents.

Expansion Plans

The Eden Valley Care Center frequently turns away people seeking extended care due to a lack of available beds. In addition, the nursing staff has also found a need for additional services for people with dementia. For these reasons, the District plans to expand Eden Valley’s facilities and services. Eden Valley now contains approximately 23,000 square feet and 58 beds; the planned expansion would add an additional 9,800 square feet. This expansion will accommodate an additional 16 beds and add a 21-bed memory care unit for people with Alzheimer’s disease and other forms of dementia. City land use approvals are required before this addition can be constructed. This proposal will also require the availability of outside funding.

² “Nursing Home Compare”: <http://www.medicare.gov/NHCompare>

GOVERNANCE & COMMUNITY PARTNERSHIPS

Governance

The Soledad Community Health Care District is governed by a five-member Board of Directors. The community elects Directors, on an “at-large” basis, to staggered four year terms. District officials reach out to the community to ensure that qualified candidates are available to fill Board vacancies. These efforts have kept the Board at full strength, although there is seldom more than one candidate for a seat when an opening occurs.

To provide an overall guide for the District’s actions, the Board considers and approves a mission statement, vision statement, core values, and a strategic plan on an annual or biennial basis. The strategic plan lists the District’s strengths, weaknesses, opportunities, threats, accomplishments, positive and negative external factors, and goals. The Board is also initiating a community needs assessment to better know what programs and services to implement.

The District holds Board meetings at 4:00 p.m. on the last Thursday of each month, except for July and December. The meetings are held in the Conference Room of the Eden Valley Care Center, which is an accessible location as required by the Americans with Disabilities Act. Directors receive no compensation or mileage reimbursements for attending Board meetings. District funds are available to reimburse Directors for attendance at a workshop or event on behalf of the District, although Directors infrequently seek reimbursement.

Transparency and Accountability

The District conscientiously ensures compliance with all State requirements for transparency and public accountability. District personnel post agendas of upcoming meetings outside the District Office and on the District’s website in accordance with the requirements of the Brown Act. Each Board meeting has a time on the agenda reserved for public comments. The Board limits closed session discussions to issues allowed by State law. Directors receive ethics training and submit the required Statements of Economic Interests. District audits are regularly and professionally completed.

The District’s website informs the community of the services of the Soledad Medical Clinic and the Eden Valley Care Center. This website also lists the names of District Directors and their terms, the annual schedule of meetings, and agendas of upcoming meetings. The District’s website is available in both English and Spanish to provide information to virtually all District residents and patients. It is recommended that additional information, including the District’s mission statement, strategic plan, budget, and audits, be put on the website to further inform the public of the District’s operations.

Community Partnerships

The Soledad Community Health Care District believes that it can best fulfill its health care mission by being active in the local community. The District reaches out to all members of the Soledad community, but has a particularly strong relationship with the local school

and community college district. High school and college students who are training to be nurses, nursing assistants, medical assistants, and pharmacy technicians receive hands-on training at both the Clinic and the skilled nursing facility. The Eden Valley kitchen provides job training opportunities for high school food service students. The Clinic also provides low cost exams for student athletes, and makes doctors available for varsity and junior varsity high school football games.

The Clinic is working with Salud Para La Gente, a nonprofit Federally Qualified Health Center, to set up “school based health centers.” The first Salinas Valley center is in Greenfield. The Soledad Medical Clinic will begin providing medical care for Greenfield students, while Salud Para La Gente will provide dental care. The District is negotiating an agreement to initiate a second program, at Soledad High School, in the Fall of 2012. Additionally, the District is working with the Soledad School District and Monterey County Area Grantmakers to implement a program to reduce childhood obesity.

The Soledad Community Health Care District has a well-established relationship with the three acute hospitals in the Salinas Valley and beyond. Doctors at the Soledad Medical Clinic have privileges at area hospitals. The District also makes approximately 175 referrals a month to Salinas Valley Memorial Hospital, Natividad Medical Center, and Mee Memorial Hospital. The Soledad Medical Clinic provides externships and mentoring for students training to become physician assistants at Stanford University’s Primary Care Associate Program. The District provides clinical rotations for medical residents through Natividad Medical Center’s Residency Program. This program gives medical residents experience in primary care at the Soledad Medical Clinic and in long-term care at Eden Valley. The Soledad Medical Clinic is also partnering with the Salinas Valley Memorial Healthcare System in the implementation of its electronic medical records system.

The District is a member of the Association of California Healthcare Districts and takes advantage of the networking and educational opportunities of this organization.

FINANCES

Preface

Major nationwide changes in the delivery of medical services are anticipated within the next few years. While the exact direction of these changes is unclear, they will have profound impacts on health care providers such as the Soledad Community Health Care District. The District is working to position itself to benefit from this change. The District is implementing an electronic medical records system that will allow it to maximize billings. The District is also beginning the process to be recognized as a Federally Qualified Health Center. This designation would allow the District to take advantage of available federal grants and preferential Medicare and Medi-Cal rates.

As outlined in this section, the Soledad Community Health Care District operates in a financially responsible manner. Annual operating revenues and expenses were approximately \$7 to 8 million a year for each of the last three years. Although the District experienced a loss in Fiscal Year 2009-10, total revenues exceeded total expenditures over the three-year period.

Operating Revenues and Expenses

The Soledad Community Health Care District relies on property taxes and assessments, grants, and contributions as well as operating revenues to pay for District expenses. While operating expenditures have exceeded operating revenues in each of the last three years, non-operating revenues have been sufficient to allow a positive cash flow in two of these years. Table 1 provides basic revenue and expense information for the last three fiscal years, and for the current fiscal year to date.

Table 1 Soledad Community Health Care District: Statement of Revenues & Expenses Fiscal Year To Date Ending March 31, 2012, and Fiscal Years Ending June 30, 2011, 2010 and 2009					
	a.	b.	c.	d.	e.
	Operating Revenues	Operating Expenses	Operating Income (Loss) (a-b)	Non-Operating Revenues	District Income (Loss) (c+d)
Year To Date 3/31/2012	\$5,971,023	\$6,492,923	(\$521,900)	\$347,277	(\$174,623)
Year Ending 6/30/2011	\$7,885,721	\$7,945,238	(\$59,517)	\$341,165	\$281,648
Year Ending 6/30/2010	\$6,628,276	\$7,507,938	(\$879,662)	\$516,219	(\$363,443)
Year Ending 6/30/2009	\$6,979,942	\$7,073,557	(\$93,615)	\$206,237	\$112,622

Source: Audited Financial Statements: Soledad Community Health Care District, for the year ending June 30, 2009 (Hayashi & Wayland), and for the year ending June 30, 2011 (TCA Partners, LLP); Statement of Revenues, Expenses, and Changes in Net Assets (through March 31, 2012) presented to the District Board of Directors by the Chief Executive Officer on April 26, 2012.

In the fiscal year ending June 30, 2011, the District received \$7,885,721 in total operating revenues. This was a significant increase from the previous fiscal year's total operating revenues of \$6,628,276. A large part of the increase in Fiscal Year 2010-2011 total operating revenues resulted from a decrease in deductions from revenue. Deductions from revenue include contractual allowances, charity care, and provisions for bad debt. The District computes contractual allowances based on the difference between gross charges and the contractual reimbursement rates for third party programs including Medicare, Medi-Cal, and Blue Cross. In Fiscal Year 2010-2011, deductions from gross patient charges were 22.5% compared to 31.7% for the prior year.

The District sets rates based on its costs and standardly accepted rates in the area. The District charges all patients equally based on the established pricing structure. The District then discounts these rates as required by agreements with Medicare, Medi-Cal and private insurers. The reimbursement amounts depend on the specific services contained in the billings. Approximately 75% of the District's gross patient revenues come from Medicare and Medi-Cal; 25% comes from individuals and private insurance providers. Approximately 65 to 70% of the patient service revenue, after contractual adjustments, comes from the Eden Valley Care Center with the remainder coming from the Soledad Medical Clinic.

The District's financial health depends on billing accurately to maximize revenues. The District is installing an electronic medical records program which will assist in fully itemizing the services provided by the District. Designation of the Clinic as a Federally Qualified Health Center, which is sought by the District, would also increase contractually-allowed payments.

Table 2: Soledad Community Health Care District: Operating Expenses Fiscal Year To Date Ending March 31, 2012, and Fiscal Years Ending June 30, 2011 and 2010						
	Year To Date 3/31/12		Year Ending 6/30/11		Year Ending 6/30/10	
	Amount	%	Amount	%	Amount	%
OPERATING EXPENSES						
Salaries and Wages	\$3,417,440	52.6%	\$4,048,360	51.0%	\$3,911,513	52.1%
Employee Benefits	\$539,976	8.3%	\$755,529	9.5%	\$754,449	10.0%
Professional and Other Fees	\$703,301	10.8%	\$1,223,151	15.4%	\$1,115,890	14.9%
Supplies	\$653,727	10.1%	\$927,205	11.7%	\$705,315	9.4%
Purchased Services	\$525,857	8.1%	\$187,319	2.4%	\$225,244	3.0%
Utilities and Phone	\$139,106	2.1%	\$171,925	2.2%	\$179,120	2.4%
Rent and Leases	\$24,370	0.4%	\$14,353	0.2%	\$10,541	0.1%
Insurance	\$140,489	2.2%	\$208,365	2.6%	\$191,488	2.6%
Depreciation and Amortization	\$221,948	3.4%	\$283,302	3.6%	\$279,150	3.7%
Other Operating Expenses	\$126,709	2.0%	\$125,729	1.6%	\$135,228	1.8%
TOTAL OPERATING EXPENSES	\$6,492,923	100.0%	\$7,945,238	100.0%	\$7,507,938	100.0%

Source: Audited Financial Statements: Soledad Community Health Care District, June 30, 2011, TCA Partners, LLP, Certified Public Accountants, Statement of Revenues, Expenses and Changes in Net Assets; Statement of Revenues, Expenses, and Changes in Net Assets (through March 31, 2012) presented to the District Board of Directors by the Chief Executive Officer on April 26, 2012.

As shown in Table 2, the District had \$7,945,238 in operating expenses in the fiscal year ending June 30, 2011. The major cost components are Salaries and Wages (51.0%), Employee Benefits (9.5%), Professional and Other Fees (15.4%), and Supplies (11.7%). Operating expenses increased approximately six percent from the prior fiscal year, primarily due to a \$137,000 increase in salaries and benefits and a \$329,000 increase in professional fees and supplies.

Taxes, Grants, and Contributions

The District annually receives approximately \$400,000 in taxes and assessments, as shown in Table 3. This amount is almost equally divided between the District's share of the County's one-percent tax rate, and revenues from a separate voter-approved levy. The District exclusively uses tax revenues to pay for general district operations and to meet required debt service agreements.

**Table 3:
Soledad Community Health Care Dist.: Non-Operating Revenues & Expenses
Year To Date Ending March 31, 2012,
and Fiscal Years Ending June 30, 2011 and 2010**

	Year To Date 3/31/12	Year Ending 6/30/11	Year Ending 6/30/10
NON-OPERATING REVENUES (EXPENSES)			
District Tax Revenues	\$324,074	\$399,326	\$408,303
Investment Income	\$1,490	\$3,784	\$4,681
Interest Expense	(\$38,076)	(\$78,220)	(\$84,861)
Grants and Contributions	\$59,789	\$16,275	\$188,096
TOTAL NON-OPERATING REVENUES	\$347,277	\$341,165	\$516,219

Source: Audited Financial Statements: Soledad Community Health Care District, June 30, 2011, TCA Partners, LLP, Certified Public Accountants, Statement of Revenues, Expenses and Changes in Net Assets.

In addition to tax proceeds, the District receives grants and public contributions. The amount of contributions and grants varies significantly from one year to the next. In the fiscal year ending June 30, 2010, the District received \$188,096 in contributions and grants, although the amount dropped to \$16,275 in the fiscal year ending June 30, 2011. In the first nine months of the current fiscal year, the amount of contributions and grants reached \$59,789. In April 2012, the District's Chief Executive Officer reported that four grants had been received or committed and ten grants were pending.

The Soledad Community Health Care District Foundation is a nonprofit corporation established for the benefit of the District and the area's health care needs. The Foundation donated \$10,820 to the District in Fiscal Year 2010-11 and \$185,917 over the previous year. Foundation assets stood at \$355,270 at the end of June 2011. The District funnels all of its grants through the Foundation.

Assets and Liabilities

Total assets of the Soledad Community Health Care District stood at almost \$4.0 million at the end of the June 2011. Approximately \$2.0 million of these assets were in the form of capital assets, net of accumulated depreciation. Capital assets include the value of the District's land, structures, and equipment. \$1.8 million in assets were classified as current assets, which included \$595,506 in cash and cash equivalents, \$172,673 in assets limited as to use available for current debt service, and \$863,517 in patient accounts receivable, net of allowances.

The audit for the fiscal year ending June 30, 2011 listed almost \$2.7 million in total liabilities. This includes \$1,390,000 in long-term bond debt and \$440,000 in accrued payroll and related liabilities. With current liabilities of \$1.3 million, the District maintained a "current ratio" of 1.37. The audit disclosed that sufficient cash and cash equivalents are maintained to pay all short-term liabilities. The District does not maintain specific "reserve" funds, but effectively uses its unrestricted net assets as a reserve. The District has no ongoing retirement liabilities, as

these costs are paid when they are incurred. The District has no retiree medical insurance liabilities.

As shown in Table 4, the District had almost \$1.3 million in total net assets. \$525,351 of these assets was considered unrestricted. The audit for the fiscal year ending June 30, 2011 stated that as of that date, the District’s operating and Board designated cash and investments totaled \$596,000. This equals 28 days of operating expenses. The District does not have a policy on the optimal amount of unrestricted cash and cash equivalents to be maintained as “reserve” funds. Unofficially, District officials have stated that 60 days of operating expenses would be optimal.

Table 4: Soledad Community Health Care District: Summary of Assets & Liabilities March 31, 2012, June 30, 2011, and June 30, 2010			
	3/31/12	6/30/11	6/30/10
TOTAL ASSETS	\$3,508,863	\$3,979,653	\$4,070,893
TOTAL LIABILITIES	\$2,386,836	\$2,683,003	\$3,055,891
NET ASSETS			
Invested in Capital Assets, Net of Debt	409,958	436,501	372,385
Restricted for Debt Service	341,348	334,798	349,351
Unrestricted	370,721	525,351	293,266
Total Net Assets	\$1,122,027	\$1,296,650	\$1,015,002

Source: Audited Financial Statements, Soledad Community Health Care District for the year ending June 30, 2011 (TCA Partners, LLP); the Statement of Revenues, Expenses, and Changes in Net Assets (through March 31, 2012) presented to the District Board of Directors by the Chief Executive Officer on April 26, 2012. Data prior to June 2010 was not included in this table due to the incompatibility of data presented in audits prepared prior to that date.

Fiscal Year 2011-12 Budget and Recent Financial Activities

The District Board of Directors has adopted a balanced budget for Fiscal Year 2011-2012 with anticipated revenues and expenses each totaling \$8,473,470. The District’s Fiscal Year 2011-2012 budget is based on a conservative increase in patient volume and an increasing gap between reimbursement rates and costs.

The Chief Executive Officer presents a finance report to District Directors at each monthly meeting. In April 2012, the Board received a balance sheet and statement of Revenues, Expenses, and Changes in Net Assets current through March 31, 2012. This report indicates that operating revenues for the fiscal year to date were \$5,971,023 while operating expenses were \$6,492,923. This year-to-date operating loss of \$521,900 is reduced to just under \$175,000 after considering District tax revenues, grants, and contributions. Unrestricted net assets correspondingly fell to \$370,721 as of March 31.

The District has stated that the current inequity between revenues and expenditures is the result of several factors. Primarily, the implementation of an electronic medical records and billing system has been a cost to the District, and the time required to implement it has reduced revenues. In the long run, this change is designed to increase long term revenues. In addition,

current revenues are low due to a change in the requirements for submitting medical billings³. This has created a short term reimbursement backlog.

In early May, 2012, the District reinstated a \$250,000 line of credit with Rabobank. This line of credit could be used, if needed, to cover short term cash flow shortages.

FUTURE CHALLENGES

As previously outlined in this report, major changes to the nation's health care system are anticipated in the next few years, although the exact nature of these changes is unknown. The Soledad Community Health Care District is readying itself for change by implementing an electronic medical records system and seeking designation as a Federally Qualified Health Center.

The District is also facing the following challenges:

- In recent years, the District has experienced an increase in the number of uninsured patients seeking assistance. This increase necessitates a larger write-off of costs than required by insured patients;
- The government-based providers and private insurance companies are not raising their reimbursement rates in relation to increases in costs;
- The District needs to compete with the State Prison System for nurses and other medical professionals. The existence of two large prisons within the District's boundaries has a tendency to drive up medical personnel costs, and
- Although it should not affect the Soledad Community Health Care District, concerns about health care districts have been expressed this year in the California Legislature and in the press. There have been calls for restricting the expenditures of health care districts and for reorganizing them. These concerns have centered on districts that no longer operate hospitals or other medical facilities. Concerns have not been expressed about districts such as the Soledad Community Health Care District that actively operate skilled nursing and other medical facilities.

SPHERE OF INFLUENCE & DISTRICT BOUNDARIES

Boundaries of the Soledad Community Health Care District and its Sphere of Influence, as shown in Figure 1, are the same. The District's boundaries include the City of Soledad and the surrounding rural area. When originally formed in 1948, these boundaries were identical to those of the Soledad Union and Mission Union Grammar School Districts. The District's boundaries have not changed since its formation.

³ Health Insurance Portability and Accountability Act, 5010 Healthcare Transaction Standard.

Along its northern boundary, the District abuts the Salinas Valley Memorial Healthcare System, which is the only other health care district in Monterey County. It currently owns and operates one of the County's four acute hospitals. It does not operate a skilled nursing facility or a community medical clinic.

The Sphere of Influence and boundaries of a health care district are different from the Sphere and boundaries of most special districts. Unlike most districts, the Soledad Community Health Care District does not limit its services to District residents. State law authorizes health care districts to provide services from facilities located inside or outside the district for the benefit of the district and people served by the district.

The Soledad Community Health Care District is considering a future expansion of its Sphere of Influence and boundaries to more closely reflect its service area.

In reviewing any future proposal for an expansion of the District's Sphere of Influence or boundaries, LAFCO may consider which areas primarily benefit from District services. If the Sphere of Influence is expanded and these areas are annexed to the District, residents could then be represented on the District's Board of Directors. Property owners within this expanded area would also contribute to the District services through property assessments. If the Commission were to approve an annexation, this action would be subject to protest proceedings. Sufficient protests could terminate the action or require a public vote.

MUNICIPAL SERVICE REVIEW DETERMINATIONS⁴

Based on the recommended determinations in this section, and the information in this report, the Executive Officer recommends that the Commission adopt the Municipal Service Review for the Soledad Community Health Care District.

I. Growth and Population Projections for the Affected Area

The boundaries of the Soledad Community Health Care District include the City of Soledad and the surrounding rural area. People from outside of these boundaries also receive services from the District. The District estimates that a large number of patients come from Gonzales, nine miles to the north, and Greenfield, nine miles to the south.

Most of the District's population lives within the City of Soledad. The 2010 U. S. Census lists the City of Soledad's population at 25,738, an 11.8% increase over the 2000 population of 23,015. The Association of Monterey Bay Area Governments projects that the population will grow to 31,823 by 2020 and 40,371 by 2035. This projected percentage increase is higher than both the countywide growth rate and the rate for other Salinas Valley cities. An estimated 10,000 of the City's residents live in one of the two prisons operated by the State Department of Corrections. The District does not provide services within the prisons.

⁴ Municipal Service Review determinations required per Government Code section 56430(a).

Approximately 2,000 District residents live outside of the City limits. The population of the rural area is unlikely to grow substantially, except through annexation to the City.

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

Most households served by the District, and located within its boundaries, have a median household income below 80% of the statewide median. This income level meets the definition of economically “disadvantaged.” According to the California Department of Water Resources,⁵ much of the City of Soledad and the rural areas in the southern part of the District meet this definition. Other rural areas meeting this income threshold are south of the District boundaries around the cities of Greenfield and King City, and the unincorporated community of San Lucas. Portions of the cities of Greenfield and King City also meet these criteria.

The Soledad Community Health Care District provides medical services to all people whether they live within the District boundaries or not. The District serves residents of disadvantaged unincorporated communities and all requesting assistance.

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

The District is currently unable to serve all patients seeking assistance. For this reason, the District plans to expand the Clinic to service more patients and to add mammography, dental and mental health services. The District also plans to expand the capacity of the Eden Valley Care Center, by adding 37 beds, including a memory care unit for residents with dementia.

4. Financial Ability of Agency to Provide Services

The District has the financial ability to provide services to the Soledad community. The Finances Section of this report outlines the current financial state and financial abilities of the District.

5. Status of, and Opportunities for, Shared Facilities

As described in this report, the Soledad Community Health Care District partners with an array of local organizations and health care providers. The District shares its facilities with the Soledad community for a wide variety of community events and celebrations. The District is working with Salud Para La Gente, a nonprofit Federally Qualified Health Center, to provide medical and dental services within area schools. The District uses its facilities as a training ground for community college and high school students working to enter the

⁵ http://www.water.ca.gov/irwm/integregio_resourceslinks.cfm: Map 3: DACs - Madera County to Riverside County (14 Counties) - Beta 1.0. This information is based on block group data from the 2010 U. S. Census.

medical and food service fields. Natividad Medical Center medical residents and Stanford University physician assistant students are mentored at the Soledad Medical Clinic and Eden Valley Care Center. The District is working cooperatively with area medical facilities and physicians to secure the continued designation of the area as a Health Professional Shortage Area. The District has a close relationship with area hospitals: Clinic physicians have privileges at these hospitals and the District regularly refers patients to these facilities for acute medical needs.

The District continues to explore ways to increase its use of shared facilities and services without reducing the quality of care.

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

District residents elect the Directors of the Soledad Community Health Care District. While the District has been able to maintain a full Board, contested elections for the at-large seats are a rarity.

The District maintains an informative bilingual website and meets the requirements of State law for transparency, accountability, and ethics as outlined in the Governance and Community Involvement Section of this report.

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

LAFCO has reviewed its local policies and there are no other pertinent matters.

SPHERE OF INFLUENCE DETERMINATIONS⁶

Based on the recommended determinations in this section, and the information in this report, the Executive Officer recommends that the Commission affirm the currently adopted Sphere of Influence of the Soledad Community Health Care District.

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

The District Sphere of Influence and boundaries encompass approximately 177 square miles. While most of the District's population resides within the City of Soledad, the City covers less than five square miles. Excluding vacant land, residential uses cover 58% of the City. Commercial and industrial uses constitute of six and eleven percent, respectively, of the available land.

The City's 2005 General Plan anticipates development that would more than double the City's area. However, since the General Plan's adoption, the rate of growth within the

⁶ Sphere of Influence determinations required per Government Code section 56425(e).

Salinas Valley has slowed considerably. Only small portions of the expansion areas proposed in the General Plan are today within the City's adopted Sphere of Influence.

Productive prime farmland surrounds the City. While the District's rural areas contain residential pockets, County land use policies and Williamson Act restrictions limit their development potential. Little urban growth is anticipated in the unincorporated portion of the District, except in areas that first annex to the City.

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

The operations of the Soledad Community Health Care District demonstrate the area's need for a medical clinic and skilled nursing facility. The District is currently unable to serve all patients seeking assistance, and the U. S. Department of Health and Human Services has designated the Soledad area as a Health Professional Shortage Area. The District plans to expand its facilities and services to meet this need, as outlined in this report.

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

The District is unable to serve all who seek assistance at the Soledad Medical Clinic and Eden Valley Care Center. Providing service to a larger number of people will require an expansion of these facilities. The District is planning for expansion, as outlined in this report.

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

The entire Salinas Valley shares a common agricultural heritage and economy. Four small cities and a number of smaller unincorporated communities with high concentrations of lower income households are located south of the City of Salinas. In addition to the City of Soledad, this includes the cities of Gonzales, Greenfield, and King City, and the unincorporated communities of Chualar, San Lucas, and San Ardo. Although there is a community of interest within these Salinas Valley communities, additional information is needed to determine if an expansion of the Soledad Community Health Care District would be beneficial. Chualar and Gonzales are currently within the boundaries of the Salinas Valley Memorial Healthcare System. King City is the home of Mee Memorial Hospital, the only acute hospital in the Salinas Valley south of the City of Salinas. Clinica de Salud del Valle de Salinas, a nonprofit Federally Qualified Health Center, operates clinics in Salinas, Soledad, Greenfield and King City.

SOURCES & ACKNOWLEDGEMENTS

The information contained in this Municipal Service Review and Sphere of Influence Update has been obtained from many sources. District Officials met to discuss services and boundaries, answered our questions, provided audits, budgets, strategic plans, Board agenda packets, and other documents. LAFCO received most of the information in this report through the verbal and

written information provided by these officials. Additional information on District activities was found on the District's website.

The Association of California Healthcare Districts (<http://www.achd.org>) was the source of information on public health care districts in California. Land use, demographic, and other background information on the Soledad area was taken from LAFCO's 2010 Municipal Service Review of the City of Soledad. Demographic data was updated with information from the 2010 U. S. Census. Data on nursing homes in the County, and their ratings, was taken from the Medicare website (<http://www.medicare.gov>). Information regarding the national health programs and designations was derived from the U. S. Department of Health and Human Services, and in particular, the Centers for Medicare and Medicaid Services (<http://www.CMS.gov>).

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

KATE McKENNA, AICP
Executive Officer

DATE: May 21, 2012
TO: Chair and Members of the Formation Commission
FROM: Kate McKenna, AICP, Executive Officer
SUBJECT: **EXTENSION OF EXECUTIVE OFFICER EMPLOYMENT AGREEMENT**

SUMMARY OF RECOMMENDATION:

Consider extension of employment agreement.

EXECUTIVE OFFICER'S REPORT:

On April 23, the Commission conducted an annual performance evaluation of the Executive Officer and rated the overall performance as exceptional.

As the final step in the evaluation process, the Commission may consider action to extend the Executive Officer's employment agreement. The current agreement will expire on June 30 and is attached for reference. The Commission may act upon an agreement extension with or without other changes in terms, or provide direction and continue the matter to June 25.

Respectfully Submitted,



Kate McKenna, AICP
Executive Officer

Attachment (1)

EMPLOYMENT AGREEMENT

This Agreement is made and entered into by and between the LOCAL AGENCY FORMATION COMMISSION of Monterey County, a local agency organized and operated pursuant to California Government Code Sections 56000, et seq. ("LAFCO") and Kathryn McKenna, an individual (hereinafter referred to as "Ms. McKenna").

RECITALS

A. LAFCO is an administrative body created pursuant to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (the "Act") to establish procedures for changes in boundaries and organization of cities and special districts.

B. Pursuant to Section 56380 of the Act, LAFCO is required to make its own provision for personnel, quarters, equipment and supplies, including the employment of the Executive Officer (Section 56384.) Pursuant to Section 56384, LAFCO has appointed and hereby continues Kathryn McKenna in the position of LAFCO Executive Officer and Kathryn McKenna hereby accepts the continuation of her appointment on the terms and conditions herein.

Accordingly, the parties agree as follows:

1. **LAFCO Employment.** At all times during the term of this Agreement, Ms. McKenna shall remain an employee of LAFCO and be subject to LAFCO employee policies and procedures. LAFCO shall determine and pay all compensation, payroll taxes, fringe benefits, disability insurance, worker's compensation insurance and any other benefits conferred upon the Executive Officer, in accordance with the terms and conditions herein. Nothing in this Agreement shall prevent or prohibit LAFCO from extending any benefit to the Executive Officer that is within LAFCO's adopted budget.

2. **Duties and Authority.** Ms. McKenna shall do and perform all acts necessary or advisable to manage and conduct the business of LAFCO.

3. **Term.** This Agreement shall commence on July 1, 2007 (the "effective date") and unless earlier terminated or extended pursuant to the terms hereof, shall expire on June 30, 2010. Ms. McKenna's continued service as LAFCO's Executive Officer shall be at the sole discretion of LAFCO, in accordance with Section 6 of this Agreement.

4. **Compensation.** As consideration for all services to be rendered by Ms. McKenna pursuant hereto, LAFCO shall compensate Ms. McKenna as follows:

A. LAFCO shall pay to Ms. McKenna a basic salary of One Hundred and Fifty Thousand Dollars (\$150,000) for the period July 1, 2007 - June 30, 2008, payable in equal bi-monthly installments. Said compensation shall be paid in accordance with LAFCO's payroll practice as established from time-to time. LAFCO is authorized to deduct from Ms. McKenna's compensation those amounts required by Federal and State law and those amounts authorized by Ms. McKenna for payment of costs of any benefits; and

B. The Commission shall conduct an annual performance evaluation after which adjustments to the basic salary in the form of Cost of Living Adjustments (COLA) may be granted provided that the annual evaluation is satisfactory.

5. **Benefits.** While this Agreement is in effect, LAFCO shall be responsible for providing benefits of employment normally provided to LAFCO staff, including holidays, professional leave, miscellaneous annual leave, educational assistance, professional organization membership, health insurance, flexible benefit plan, life insurance, CalPERS retirement plan contribution, deferred compensation program, disability plan, and such other benefits as would normally accrue to LAFCO staff, whether set forth herein or not.

6. **Vehicle Allowance.** Ms. McKenna shall receive \$400 per month as a vehicle allowance. Ms. McKenna is expected to use her personal vehicle for LAFCO business according to adopted LAFCO policies.

7. **Termination.**

- A. Ms McKenna shall serve as Executive Officer at the sole will and pleasure of LAFCO, which means that at any time, with or without cause, and without notice or hearing, LAFCO may remove her from the position of Executive Officer, in accordance LAFCO policy as it becomes effective.
- B. Ms. McKenna shall serve LAFCO as a first line manager receiving policy direction from the Commission. Ms. McKenna shall serve at the sole will and pleasure of the LAFCO with respect to any and all LAFCO matters including, but not limited to, employee policies and procedures, the hiring, supervision and discipline of LAFCO personnel, and all other LAFCO business including the hiring of contractors. Ms. McKenna is advised and acknowledges that she has no termination rights. Except as expressly provided herein, and as a condition of appointment, Ms. McKenna knowingly, willingly and voluntarily gives up, waives, and disclaims any and all rights she may have, express or implied, to any notice and/or hearing either before or after termination, and/or to any continued employment with the LAFCO after termination or removal from the position of Executive Officer by LAFCO.
- C. In the event that Ms. McKenna is removed from the position of Executive Officer by LAFCO and terminated without cause from LAFCO employment during the term of this Agreement, LAFCO shall pay Ms. McKenna as severance compensation an amount equal to six (6) months of Ms. McKenna's existing salary at the time of such termination.
- D. In the event that Ms. McKenna is removed from the position of Executive Officer by LAFCO and terminated with cause from LAFCO employment during the term of this Agreement, LAFCO shall not pay any severance compensation to Ms. McKenna. For purposes of the Agreement, "cause" shall be the occurrence of one or more of the following events:
 - i. In the event Ms. McKenna shall fail or refuse to comply with the policies, standards, and regulations of LAFCO from time-to-time established; or
 - ii. In the event Ms. McKenna shall be guilty of fraud, dishonesty or other acts of misconduct in the rendering of services on behalf of LAFCO; or
 - iii. In the event Ms. McKenna shall fail or refuse to faithfully or diligently perform the provisions of this Agreement; or
 - iv. In the event Ms. McKenna acts in any way that has a direct, substantial and adverse effect on LAFCO's business or reputation.

8. **Entire Agreement.** This Agreement is intended both as the final expression of agreement of the parties with respect to the included terms and conditions, and as a complete and exclusive statement of the terms and conditions of the agreement between the parties. Each party to this Agreement acknowledges that no representations, inducements or promises, oral, or written, whether contained in any promotional material job classifications, or elsewhere, have been made by any party or by any person acting on behalf of any party which is not embodied herein, and that no other agreement, statement or promise not contained in this Agreement shall be valid or binding.

9. **Modifications.** No amendments or changes to this Agreement may be made, except by a writing expressly authorized and signed by LAFCO.

10. **Severability.** Should any term of this Agreement be found by a court of competent jurisdiction to be unenforceable, the unenforceable term shall be deemed severable and shall not affect the validity of the rest of the Agreement.

11. **Waiver.** The waiver by any party of a breach of any provision of the Agreement shall not operate or be construed as a waiver of any subsequent breach.

12. **Acknowledgement and Consent.** Ms. McKenna has read this Agreement, understands its terms and has had an adequate opportunity to review it and consult with personal advisers, including her attorney. By signing below, Ms. McKenna acknowledges that she understands and agrees to each of the terms mentioned above.

13. **Retroactivity.** This Agreement is retroactive to July 1, 2007.

/S/ Signature on File

KATHRYN MCKENNA

Date

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

/S/ Signature on File
By: _____

Name: Vince DiMaggio

Title: Chair

Date

Approved as to form:

/S/ Signature on File
By: _____

Name: Efren Iglesia

Title: LAFCO Counsel

Date

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

**AMENDMENT NO. 1
TO EMPLOYMENT AGREEMENT**

This Amendment No. 1 to Employment Agreement is made and entered into between the Local Agency Formation Commission of Monterey County, a state-mandated agency of the State of California (hereinafter "LAFCO") and Kathryn McKenna, an individual (hereinafter "Ms. McKenna").

WHEREAS, LAFCO and Ms. McKenna have heretofore entered into an Employment Agreement executed on July 23, 2007 for the period July 1, 2007 through June 30, 2010, to provide Executive Officer services; and

WHEREAS, LAFCO and Ms. McKenna desire to extend the agreement end date;
NOW, THEREFORE, in consideration of the mutual covenants and conditions contained herein and in the Employment Agreement, the parties agree to amend Section 3 of the Employment Agreement as follows:

3. TERM OF AGREEMENT. This Agreement shall commence on July 1, 2007 (the "effective date") and unless earlier terminated or extended pursuant to the terms hereof, shall expire on June 30, 2011.

Subject to the foregoing amendment, all other terms and conditions of the Employment Agreement shall remain in full force and effect. If there is any conflict or inconsistency between provisions of this Amendment No. 1 and the Employment Agreement, the provisions of this Amendment No. 1 shall control in all respects.

IN WITNESS WHEREOF, LAFCO and Ms. McKenna have executed this Amendment as of the last date opposite the respective signatures below.

LAFCO of Monterey County

Kate McKenna, AICP

Approved as to Form, LAFCO General Counsel

By: _____

Date: _____

By: _____

Date: _____

Approved as to Content, LAFCO Chair

By: _____

Date: _____

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

AMENDMENT NO. 2
TO EMPLOYMENT AGREEMENT

This Amendment No. 2 to Employment Agreement is made and entered into between the Local Agency Formation Commission of Monterey County, a state-mandated agency of the State of California (hereinafter "LAFCO") and Kathryn McKenna, an individual (hereinafter "Ms. McKenna").

WHEREAS, LAFCO and Ms. McKenna heretofore entered into an initial Employment Agreement executed in May, 2004 for the period June 1, 2004 through June 30, 2007 to provide Executive Officer services; and

WHEREAS, LAFCO and Ms. McKenna heretofore entered into a subsequent Employment Agreement executed on July 23, 2007 for the period July 1, 2007 through June 30, 2010, to provide Executive Officer services; and

WHEREAS, the term of the subsequent agreement was extended to June 30, 2011 by Amendment No. 1, as approved in February 2010; and

WHEREAS, LAFCO and Ms. McKenna desire to again extend the agreement end date;

NOW, THEREFORE, in consideration of the mutual covenants and conditions contained herein and in the Employment Agreement, the parties agree to amend Section 3 of the July 23, 2007 Employment Agreement as follows:

3. TERM OF AGREEMENT. This Agreement shall commence on July 1, 2007 (the "effective date") and unless earlier terminated or extended pursuant to the terms hereof, shall expire on June 30, 2012.

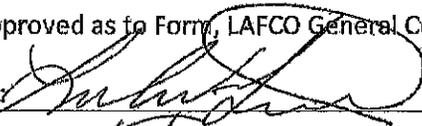
Subject to the foregoing amendment, all other terms and conditions of the Employment Agreement shall remain in full force and effect. If there is any conflict or inconsistency between provisions of this Amendment No. 2 and the Employment Agreement, the provisions of this Amendment No. 2 shall control in all respects.

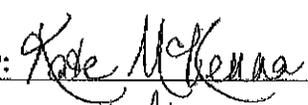
IN WITNESS WHEREOF, LAFCO and Ms. McKenna have executed this Amendment as of the last date opposite the respective signatures below.

LAFCO of Monterey County

Kate McKenna, AICP

Approved as to Form, LAFCO General Counsel

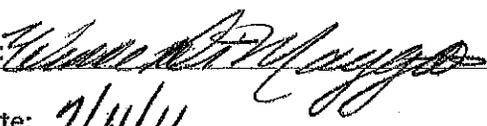
By: 

By: 

Date: 7/6/11

Date: 7/8/2011

Approved as to Content, LAFCO Chair

By: 

Date: 7/11/11

THE LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

RESOLUTION NO. 08-02

**RULES AND REGULATIONS FOR THE ORDERLY AND FAIR
CONDUCT OF HEARINGS OF THE LOCAL AGENCY FORMATION COMMISSION
OF MONTEREY COUNTY**

...

Section 10. CHAIR AND CHAIR PRO TEMPORE. At its first meeting in the month of May, the Commission shall by majority vote, select from its regular members one to serve as Chair and one to serve as Chair Pro Tempore of the Commission until the following May. Any Chair or Chair Pro Tempore selected under the provisions of this section shall continue to act as Chair or Chair Pro Tempore until the selection of their successors.

- a. Beginning in May 2008, the positions of Chair and Chair Pro Tempore will be rotated among Commissioners according to the following schedule, and then repeated:

	<u>Chair</u>	<u>Chair Pro Tempore</u>
Year 1	City Member	County Member
Year 2	County Member	Special District Member
Year 3	Special District Member	Public Member
Year 4	Public Member	City Member

...