

**2014
Commissioners**

Chair
Steve Snodgrass
Special District Member

Vice Chair
Sherwood Darington
Public Member

Fernando Armenta
County Member, Alternate

Louis R. Calcagno
County Member

Matt Gourley
Public Member, Alternate

Joe Gunter
Alternate, City Member

Maria Orozco
City Member

Warren E. Poitras
*Special District Member,
Alternate*

Ralph Rubio
City Member

Simón Salinas
County Member

Graig R. Stephens
Special District Member

Staff

Kate McKenna, AICP
Executive Officer

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

P. O. Box 1369
Salinas, CA 93902

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

www.monterey.lafco.ca.gov

AGENDA

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

Monday, December 1, 2014
4:00 p.m.

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

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

Roll Call

Call to Order

Pledge of Allegiance

Public Comments

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

Special Business

1. Resolution of Appreciation for Supervisor/Commissioner Louis R. Calcagno, upon his Retirement from Elected Office, for Distinguished Public Service and Leadership.
Recommended Actions: Adopt Resolution and receive presentation by Chair Snodgrass.
2. Certificate of Recognition for Henry M. Gowin, Principal Aide to Supervisor/Commissioner Louis R. Calcagno, for his Service to the County of Monterey and the Local Agency Formation Commission.
Recommended Actions: Receive presentation by Chair Snodgrass.
3. Presentation of 2014 Achievement Awards for "Outstanding LAFCO Professional" and "Distinguished Service" to LAFCO Executive Officer Kate McKenna, AICP, from the Board of Directors of the California Association of Local Agency Formation Commissions.
Recommended Action: Receive presentation by Ms. Pamela Miller, Executive Director, California Association of Local Agency Formation Commissions.

4. Staff Introductions.
Recommended Action: Receive information.

Consent Agenda

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

5. Approve Draft Minutes from the September 22, 2014 LAFCO Regular Meeting.
Recommended Action: Approve minutes.
6. Accept Draft Meeting Notes of Budget and Finance Committee Meeting of November 7, 2014.
Recommended Action: Accept meeting notes.
7. Approve Warrant Register for the Month of October 2014.
Recommended Action: Approve register.
8. Adopt a Schedule of Regular LAFCO Meetings for 2015.
Recommended Action: Adopt schedule.
9. Approve Budget Amendment No. 1 to the Adopted Annual Budget for Fiscal Year 2014-2015 to Transfer \$5,000 from Line Item 7245 (General Legal Services) to Line Item 7230 (Temporary Help Services – Clerical).
Recommended Action: Adopt resolution.

New Business

10. Consider Audit Report for Fiscal Year Ending June 30 2014.
Recommended Action: Receive presentation by Ms. Karen Campbell, CPA, Bianchi, Kasavan and Pope, LLP, and approve the Audit Report.
11. Consider Financial Statements for Period Ending June 30, 2014.
Recommended Action: Receive presentation by Mr. Mike Briley, CPA, Managing Partner, Hayashi Wayland Accounting and Consulting, LLP, and approve the Financial Statements.
12. Consider Financial Statements for Period Ending September 30, 2014.
Recommended Action: Receive presentation by Mr. Mike Briley, and approve the Financial Statements.
13. Consider Report and Presentation on Activities of the California Association of Local Agency Formation Commissions.
Recommended Actions:
 - (a) Receive a report from the Executive Officer;
 - (b) Receive an informational presentation from Ms. Pamela Miller, CALAFCO Executive Director;
 - (c) Approve a comment letter regarding a CALAFCO legislative proposal relating to LAFCO oversight of Joint Powers Authorities; and
 - (d) Provide any direction as deemed appropriate.
14. Consider Mid-Year Review and Amendment of the Adopted Annual Work Program for FY 2014-2015.
Recommended Action: Adopt resolution.

Public Hearing

15. Public Hearing to Consider a Proposal from the Santa Lucia Community Services District to Activate the District's Latent Power to Provide Broadband Communication Services. (LAFCO File No. 14-04).

Recommended Actions: Conduct a Public Hearing and Adopt a Resolution:

- (a) Considering the finding made by the Santa Lucia Community Services District that the proposal is exempt from environmental review pursuant to Sections 15303 and 15304 of the California Environmental Quality Act (CEQA) Guidelines;
- (b) Activating the District's latent power to provide broadband communication services; and
- (c) Authorizing the Executive Officer to hold Conducting Authority ("Protest") Proceedings on Thursday, January 8, 2015 at 4:00 p.m. in the LAFCO Office.

Executive Officer Reports

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

Commissioner Comments

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

Correspondence

16. Letter from J. Eric Tynan, General Manager, Castroville Community Services District to LAFCO Commission, June 20, 2014, pertaining to a recent consolidation action. (Information Only)
17. Letter from Simón Salinas, 3rd District Supervisor, County of Monterey, to Executive Officer Kate McKenna, September 26, 2014, pertaining to a special districts training session. (Information Only)

Closed Session

Pursuant to Government Code section 54946.9(d)(2), the Commission will meet with its General Counsel in Closed Session regarding one matter of significant exposure to litigation.

Adjournment to the Next Meeting

The next Regular LAFCO Meeting is tentatively scheduled for Monday, January 26, 2015 at 4:00 p.m. subject to approval of the 2015 Meeting Schedule (See Agenda Item No. 8).

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

LOCAL AGENCY FORMATION COMMISSION
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KATE McKENNA, AICP
Executive Officer

DATE: December 1, 2014
TO: Chair and Members of the Formation Commission
FROM: Kate McKenna, AICP, Executive Officer
SUBJECT: CERTIFICATE OF RECOGNITION - HENRY M. GOWIN

SUMMARY OF RECOMMENDATION:

It is recommended that the Commission present a Certificate of Recognition to Henry Gowin, Principal Aide to Supervisor/Commissioner Louis R. Calcagno.

EXECUTIVE OFFICER'S REPORT:

Following the January 2015 retirement of Supervisor/Commissioner Calcagno from public office, and a period of transition, Henry Gowin has announced an intention to depart from his employment with the County of Monterey. His career with the County began in 1998 as staff to then-Supervisor Judy Pennycook, and in 2003 he joined the staff of Supervisor Calcagno. Serving in a chief of staff capacity, Mr. Gowin has been instrumental in providing support to Supervisor/Commissioner Calcagno and the constituents of this County. He has provided generous and enthusiastic assistance to the Local Agency Formation Commission and Executive Officer in resolving issues, organizing field trips and community meetings, and hosting the successful 2005 and 2012 CALAFCO Annual Conferences held in Monterey.

On behalf of the Commission, Chair Snodgrass will present a Certificate of Recognition to Henry Gowin for his valuable contributions and service to the County of Monterey and the Local Area Formation Commission of Monterey County, and to wish him well in his future endeavors.

Respectfully Submitted,



Kate McKenna, AICP
Executive Officer

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

2014

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Special District Member

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

Monday, September 22, 2014
4:00 p.m.

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

Roll Call

Members Present

Commissioner Armenta
Commissioner Darington
Commissioner Gourley
Commissioner Orozco
Commissioner Poitras
Commissioner Rubio
Commissioner Salinas
Commissioner Stephens

Members Absent (Excused Absences)

Commissioners Calcagno, Gunter, Snodgrass.

Members Not Present (Presence Not Required)

None.

Staff Present

Kate McKenna, AICP, Executive Officer
Leslie J. Girard, General Counsel
Darren McBain, Senior Analyst
Gail Lawrence, Clerk to the Commission

Call To Order

The Local Agency Formation Commission was called to order by Chair Pro-Tem Darington at 4:00 p.m. in the Monterey County Board of Supervisors Chambers.

Pledge of Allegiance

Commissioner Calcagno led the Pledge of Allegiance.

Publics Comments

Kate McKenna, LAFCO Executive Officer, introduced the local Wells Fargo Bank, South Main Branch Business Banking Management team of Audoro Mellin, Jr., Branch Manager/Vice President, Jeremy Salviejo, Business Relationship Banker, and Raul Figueroa, Broker Associate. LAFCO is in the process of placing its business account with Wells Fargo Bank.

Publics Comments

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

Consent Calendar

1. Adopt the Draft Minutes of June 23, 2014 .
2. Accept List of Anticipated Future Agenda Items.
3. Approve Register of Checks for May, June, July and August 2014.
4. Approve Amendment No. 5 To Executive Officer's Employment Agreement.
5. Accept Report on Activities of the California Association of Formation Commissions.

There were no Public or Commissioner comments for the Consent Items.

Commission Action

Upon motion by Commissioner Salinas, seconded by Commissioner Rubio, the Consent Items were approved. Absent: Commissioners Calcagno, Gunter and Snodgrass. Abstain: Commissioner Armenta (who was not present at the September 22, 2014 LAFCO meeting).

New Business

6. Consider appointments to LAFCO Committees.

There were no Public or Commissioner comments.

Commission Action

Upon motion by Commissioner Salinas, seconded by Commissioner Rubio, the LAFCO 2014 Committee Appointments were adopted. Absent: Commissioners Calcagno, Gunter and Snodgrass. Abstain: Commissioner Armenta (who was not present at the September 22, 2014 LAFCO meeting).

Public Hearing

7. Conduct a Public Hearing to Consider the Following Items Pertaining to the City of Gonzales:
 - a. A Draft 2014 Municipal Service Review and Sphere of Influence Study for the City of Gonzales, prepared by LAFCO of Monterey County
and
 - b. An Application by the City of Gonzales for a Comprehensive Sphere of Influence Amendment. The proposed Amendment would expand the City's Sphere of Influence by approximately 2,038 acres (LAFCO File No. 14-03).

Recommended Action: Adopt a Resolution to:

- i. Find that the *Municipal Service Review and Sphere of Influence Study* is exempt from the Sections 15306 and 15061(b)(3) of the CEQA Guidelines;
- ii. Approve the *2014 Municipal Service Review and Sphere of Influence Study for the City of Gonzales*;
- iii. Find that, pursuant to CEQA, the City of Gonzales has certified an Environmental Impact Report (EIR) and a subsequently adopted 2014 EIR Addendum that adequately address the potential environmental effects of the proposed Sphere of Influence Amendment; and
- iv. Approve the proposed Sphere of Influence Amendment.

Chair Pro-Tem Darington opened the Public Hearing. There were public comments from Rene L. Mendez, Gonzales City Manager and Tom Truszkowski, Deputy City Manager.

There were Public Comments from Elizabeth Modena, Superintendent, Gonzales City Schools; Amy White, Land-Watch; and Bill Carothers.

There were Commissioner Comments from Commissioners Salinas, Rubio, Orozco and Gourley.

Commissioner Salinas stated that Agenda Item 7 – Subsection 7.3 – (MSR and SOI Study) last page of Attachment 3, Section 8-Tax Sharing, has a typographical error to be changed to read as follows: “the City agrees, to the extent allowed by law that all local taxes, for any annexation that is not consistent with the MOA, shall not accrue to the benefit of the ~~County~~ City.”

Chair Pro Tem Darington closed the Public Hearing.

Commission Action

Upon motion by Commissioner Orozco, seconded by Commissioner Rubio, the Commission adopted a Resolution (i) finding that the *Municipal Service Review* is exempt from the Sections 15306 and 15061 (b)(3) of the CEQA Guidelines; (ii) Approved the *2014 Municipal Service Review and Sphere of Influence Study for the City of Gonzales* with the following change to Subsection 7.3, Attachment 3, Subsection 8-Tax Sharing to read as follows: “The City agrees, to the extent allowed by law that all local taxes, for any annexation that is not consistent with the MOA, shall not accrue to the benefit of the ~~County~~ ‘City’ ;” (iii) Find that, pursuant to CEQA, the City of Gonzales has certified an Environmental Impact Report (EIR) and a subsequently adopted 2014 EIR Addendum that adequately address the potential environmental effect of the proposed Sphere of Influence Amendment; and (iv) Approved the proposed Sphere of Influence Amendment to expand the City’s Sphere of Influence by approximately 2,038 acres. LAFCO File No. 14-03. Absent: Commissioners Calcagno, Gunter and Snodgrass.

Executive Officer’s Report

Executive Officer McKenna gave a report.

Commissioners Comments

Commissioner Salinas thanked the Executive Officer for attending and participating in the Special District Training and Mixer, in Greenfield, CA. September 20, 2014.

Adjournment to the Next Meeting

*The next Regular LAFCO meeting is scheduled for Monday, December 1, 2014 at 4:00 p.m.

* Note: the October 27th Meeting was canceled.

**2014
Committee**

Chair
Simón Salinas
County Member

Ralph Rubio
City Member

Graig R. Stephens
Special District Member

**MEETING NOTES
BUDGET AND FINANCE COMMITTEE MEETING**

Friday, November 7, 2014

10:00 a.m.

LAFCO Office
132 W. Gabilan Street, Suite 102
Salinas, California 93901

Roll Call

Staff

Kate McKenna, AICP
Executive Officer

Members Present

Commissioner Simón Salinas
Commissioner Ralph Rubio
Commissioner Graig Stephens

Members Absent (Excused Absence)

None.

Staff Present

Kate McKenna, Executive Officer
Mike Briley, Managing Partner, Hayashi Wayland
Karen Campbell, Senior Audit Manager

Call to Order

The Budget and Finance Committee of the Local Agency Formation Commission of Monterey County was called to order by Commissioner Salinas at 10:00 a.m.

Public Comment

There were no public comments.

New Business

I. Consider Draft Annual Audit Report for Fiscal Year Ending June 30, 2014.

Executive Officer McKenna and Karen Campbell presented a report. The Committee initiated a discussion with the auditor regarding the implementation of GASB 68, which establishes new financial reporting requirements for governments that provide employees with pension benefits.

After discussion, the Committee unanimously recommended approval of the Draft Annual Audit Report for Fiscal Year Ending June 30, 2014.

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2. Consider Draft Year-End Financial Statements for Fiscal Year Ending June 30, 2014.

Executive Officer McKenna and Mike Briley reviewed the report.

After discussion, the Committee unanimously recommended approval of the Draft Year-End Financial Statements for Fiscal Year Ending June 30, 2014.

3. Consider Draft Financial Statements for Quarter One Period Ending September 30, 2014.

Executive Officer McKenna and Mike Briley reviewed the report.

After discussion, the Committee unanimously recommended approval of the Draft Financial Statements for Quarter One Period Ending September 30, 2014.

4. Accept Profit/Loss Budget vs. Actuals Worksheet Dated October 24, 2014.

Executive Officer McKenna and Mike Briley reviewed the report.

After discussion, the Committee accepted the Profit/Loss Budget vs. Actuals Worksheet dated October 24, 2014.

5. Consider Budget Amendment No. 1 to the Adopted Annual Budget for Fiscal Year 2014-2015, to Transfer Funds from Line Item 7245 (General Legal Services) to Line Item 7230 (Temporary Help Services – Clerical).

Executive Officer McKenna presented a report. After discussion, the Committee unanimously recommended approval of the proposed budget Amendment No. 1 to the Adopted Annual Budget for FY 2014-2015.

Other Business

None.

Adjournment

The Committee meeting was adjourned at 10:45 a.m. The next Budget and Finance Committee Meeting to be announced.

LAFCO
LOCAL AGENCY FORMATION COMMISSION
OF MONTEREY COUNTY
WARRANT REGISTER
FOR OCTOBER 2014

DATE	CK#	NAME	DESCRIPTION	CHECK AMOUNT	DEPOSIT AMOUNT	ACCOUNT BALANCE
Beginning Balance	10/1/14					\$ 196,870.03
10/02/2014	DEP		Deposit-Refund		45.00	196,915.03
10/03/2014	EFT	CalPERS Health	Oct 2014 Health Insurance EFT#1000472733	3,081.22		193,833.81
10/08/2014	EFT	AT&T Mobility	Telephone Service 8/14/14-9/13/14	276.88		193,556.93
10/09/2014	EFT	QuickBooks Payroll Service	For Payroll Period Ending 10/3/14 Paid 10/10/14	8,791.62		184,765.31
10/10/2014	EFT	CalPERS 457 Program	CalPERS 457 Deferred Compensation Contribution	2,017.21		182,748.10
10/10/2014	EFT	CalPERS Retirement	CalPERS Retirement Contribution	2,015.40		180,732.70
10/10/2014	EFT	EDD	State Payroll Tax Deposit	765.62		179,967.08
10/10/2014	EFT	EFTPS	Federal Payroll Tax Deposit	2,248.54		177,718.54
10/10/2014	4771	Darren J McBain	For Payroll Period Ending 10/3/14 Paid 10/10/14	0.00		177,718.54
10/10/2014	4772	Gail M Lawrence	For Payroll Period Ending 10/3/14 Paid 10/10/14	0.00		177,718.54
10/10/2014	4773	Kathryn M. McKenna	For Payroll Period Ending 10/3/14 Paid 10/10/14	0.00		177,718.54
10/10/2014	4774	Thomas A. McCue	For Payroll Period Ending 10/3/14 Paid 10/10/14	0.00		177,718.54
10/10/2014	4775	Cardmember Service	CaLafco Annual Conference Registration in Ontario, CA	2,399.89		175,318.65
10/10/2014	4776	IBM Corporation	Leased Computers for Lafco Staff 10/1/14-10/31/14	171.16		175,147.49
10/10/2014	4777	ID Concepts, LLC	Background Check on New Employee - Brown	107.50		175,039.99
10/10/2014	4778	Leslie Girard	Travel Reimbursement for CaLafco Annual Meeting	139.70		174,900.29
10/10/2014	4779	Monterey County Herald	24 Week Subscription	161.32		174,738.97
10/10/2014	4780	Postmaster	Box#1369 12 Month Renewal	146.00		174,592.97
10/10/2014	4781	Quality Water Enterprises, Inc.	Water Dispenser Rental 10/1/14-10/31/14	19.46		174,573.51
10/10/2014	4782	SlingShot Connections	Temp Services: Jimenez, Alma for W/E 9/28 & 10/5	664.00		173,909.51
10/10/2014	4783	Staples Advantage	Office Supplies	395.01		173,514.50
10/10/2014	4784	Sunrise Express	Binder Deliveries	226.84		173,287.66
10/10/2014	4785	The Salinas Californian	Notice of Public Hearing	236.25		173,051.41
10/23/2014	EFT	QuickBooks Payroll Service	For Payroll Period Ending 10/4/14-10/17/14 Paid 10/24/14	8,986.33		164,065.08
10/24/2014	EFT	CalPERS 457 Program	CalPERS 457 Deferred Compensation	2,552.71		161,512.37
10/24/2014	EFT	CalPERS Retirement	CalPERS Retirement	2,874.38		158,637.99
10/24/2014	EFT	EDD	State Payroll Tax Deposit	901.15		157,736.84
10/24/2014	EFT	EFTPS	Federal Payroll Tax Deposit	2,722.72		155,014.12
10/24/2014	4786	Darren J McBain	For Payroll Period Ending 10/4/14-10/17/14 Paid 10/24/14	0.00		155,014.12
10/24/2014	4787	Gail M Lawrence	For Payroll Period Ending 10/4/14-10/17/14 Paid 10/24/14	0.00		155,014.12
10/24/2014	4788	Kathryn M. McKenna	For Payroll Period Ending 10/4/14-10/17/14 Paid 10/24/14	0.00		155,014.12
10/24/2014	4789	Thomas A. McCue	For Payroll Period Ending 10/4/14-10/17/14 Paid 10/24/14	0.00		155,014.12
10/24/2014	4790	Taven M Kinison Brown	For Payroll Period Ending 10/4/14-10/17/14 Paid 10/24/14	2,156.11		152,858.01
10/24/2014	4791	AT&T	Telephone Service from 9/12/14-10/11/14	152.46		152,705.55
10/24/2014	4792	AT&T Mobility	Telephone Service 9/14/14-10/13/14	189.05		152,516.50
10/24/2014	4793	Bianchi, Kasavan & Pope, LLP	Progress Billing #1 Audit Services 2014-2015	5,000.00		147,516.50
10/24/2014	4794	California Special Districts Association	Member ID#6739 2015 Membership Dues	1,081.00		146,435.50
10/24/2014	4795	FedEx Office Customer Administrative Svcs	Lafco Commission Packet 9/22	813.69		145,621.81
10/24/2014	4796	Hayashi & Wayland, LLP	Accounting Services #72520	3,000.00		142,621.81
10/24/2014	4797	Principal Life	November 2014 Benefits: LTD,ADD,STD,Life	358.75		142,263.06
10/24/2014	4798	SlingShot Connections	Temp Services: Jimenez, Alma for W/E 9/21/14 & 10/12/14	964.00		141,299.06
10/24/2014	4799	United Group Insurance Trust	November 2014 Dental \$440.11;Vision \$50.84	490.95		140,808.11
10/24/2014	4800	Darren McBain	CaLafco Conference Meal Reimbursement	18.58		140,789.53
10/24/2014	4801	Simon Salinas	CaLafco Conference Mileage and Meal Reimbursement	432.96		140,356.57
10/24/2014	4802	City of Gonzales	VOID: Printer Error	0.00		140,356.57
10/24/2014	4803	City of Gonzales	Project Fees Reimbursement on File No. 14-03	200.00		140,156.57
				\$ 56,758.46	\$ 45.00	
Ending Balance 10/31/14						\$ 140,156.57

**AGENDA
ITEM
NO. 8**

LAFCO of Monterey County

LOCAL AGENCY FORMATION COMMISSION
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KATE McKENNA, AICP
Executive Officer

DATE: December 1, 2014
TO: Chair and Members of the Formation Commission
FROM: Kate McKenna, AICP, Executive Officer
SUBJECT: SCHEDULE OF REGULAR MEETINGS FOR 2015

RECOMMENDED ACTION:

It is recommended that the Commission approve the attached schedule of regular LAFCO Meetings for 2015.

EXECUTIVE OFFICER'S REPORT:

The attached draft schedule provides for regular LAFCO meetings on the fourth Monday of each month, with the following exceptions this year:

- **March** - Meeting scheduled on the fifth Monday – March 30, 2015.
- **July** – No meeting to allow a summer recess.
- **September** – Meeting scheduled on the third Monday – September 21, 2015.
- **November** – No Meeting due to Thanksgiving Holiday, combined with early December meeting.
- **December** – Meeting scheduled on the first Monday – December 7, 2015 to avoid conflict with holiday schedule later in the month.

If the need arises, the Commission may set special meetings in accordance with the bylaws.

Respectfully Submitted,



Kate McKenna, AICP
Executive Officer

Attachment: Schedule of regular LAFCO meetings for 2015

LAFCO *of Monterey County*

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

2015 SCHEDULE OF REGULAR LAFCO MEETINGS

Adopted _____

January 26

February 23

March 30

April 27

May 18

June 22

July – No Meeting

August 24

September 21

October 26

November – No Meeting

December 7

All regular meetings begin at 4:00 p.m. and will be held in the Board of Supervisors Chambers, located on the first floor of the Monterey County Government Center, 168 West Alisal, Salinas, California.

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KATE McKENNA, AICP
Executive Officer

DATE: December 1, 2014
TO: Chair and Members of the Formation Commission
FROM: Kate McKenna, AICP, Executive Officer
SUBJECT: AMENDMENT NO. 1 TO ADOPTED FY 2014-2015 BUDGET

SUMMARY OF RECOMMENDATION:

The LAFCO Budget and Finance Committee recommends adoption of the attached Resolution approving Amendment No. 1 to the Fiscal Year 2014-2015 budget. The amendment will transfer \$5,000 from Line Item 7245 (General Legal Services) to Line Item 7230 (Temporary Help Services – Clerical), with no net change in the overall budget.

EXECUTIVE OFFICER'S REPORT:

At a meeting on November 7, the LAFCO Budget and Finance Committee considered and recommended approval of one budget-related action. The proposed budget amendment will supplement the available funds for a vendor to provide part-time, temporary clerical services to the LAFCO office.

Fiscal Impact

The proposed amendment will add \$5,000 to this year's budgeted line item for temporary clerical assistance. It can be accomplished by moving funds out of the General Legal Services line item, with no overall net change to the adopted budget. Please refer to the attached worksheet.

Respectfully Submitted,



Kate McKenna, AICP
Executive Officer

cc: Mr. Mike Briley, Hayashi & Wayland

Attachments: Resolution and FY 2014-2015 Budget Amendment No. 1

THE LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY
RESOLUTION NO. 14-XX

AMENDMENT NO. 1 TO THE ADOPTED FISCAL YEAR 2014-2015 BUDGET

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

WHEREAS, the Local Agency Formation Commission of Monterey County adopted the Fiscal Year 2014-2015 budget on April 28, 2014; and

WHEREAS, the Budget & Finance Committee of the Local Agency Formation Commission of Monterey County met on November 7, 2014 to conduct a periodic review of the adopted budget, and recommended adoption of a budget amendment, as specified below, to address mid-fiscal-year needs;

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

1. The Commission adopts Amendment No. 1 to the adopted Fiscal Year 2014-2015 budget, to transfer \$5,000 *from* Line Item 7245 (General Legal Services) *to* Line Item 7230 (Temporary Help Services – Clerical), with no net change in the overall budget.

UPON MOTION of Commissioner _____, seconded by Commissioner _____, the foregoing resolution is adopted this 1st day of December 2014 by the following vote:

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

Steve Snodgrass, Chair
Local Agency Formation Commission of Monterey County

ATTEST: I certify that 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 1st day of December 2014
By: _____
Kate McKenna, AICP, Executive Officer

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY
PRELIMINARY BUDGET WORKSHEET - AMENDMENT NO. 1
FISCAL YEAR 2014-2015
Nov. 7, 2014

		Adopted Budget Fiscal Year 2014-15	Proposed Budget Amendment No. 1	Proposed Amended Budget FY 2014-15
6000	Employee Salaries	\$ 419,000.00	\$ -	\$ 419,000.00
6100	Employee Benefits	\$ 185,000.00		\$ 185,000.00
	2220-Accrued Leave Reserve	\$ -	\$ -	\$ -
	2230-Post-Retirement Healthcare Obligation Reserve	\$ -	\$ -	\$ -
2001	Litigation Settlement Agreement Costs	\$ -	\$ -	\$ -
7000	Postage and Shipping	\$ 3,000.00	\$ -	\$ 3,000.00
7010	Books and Periodicals	\$ 1,000.00	\$ -	\$ 1,000.00
7030	Copy Machine Charges	\$ 6,500.00		\$ 6,500.00
7040	Outside Printers	\$ 5,000.00	\$ -	\$ 5,000.00
7060	Office Supplies	\$ 4,500.00	\$ -	\$ 4,500.00
7070	Office Equipment and Furnishings	\$ -	\$ -	\$ -
7080	Computer/Hardware/Peripherals	\$ 2,500.00	\$ -	\$ 2,500.00
7085	Computer Support Services (Fixed Costs)	\$ 7,500.00	\$ -	\$ 7,500.00
7090	Computer Support Services (Variable Costs)	\$ 6,000.00		\$ 6,000.00
7100	Computer Software	\$ 500.00	\$ -	\$ 500.00
7105	Meeting Broadcast Services	\$ 3,300.00	\$ -	\$ 3,300.00
7110	Property and General Liability Insurance	\$ 5,300.00	\$ -	\$ 5,300.00
7120	Office Maintenance Services	\$ 400.00	\$ -	\$ 400.00
7130	Other Equipment Maintenance	\$ -	\$ -	\$ -
7140	Travel	\$ 7,000.00	\$ -	\$ 7,000.00
7145	CALAFCO Travel Expenses	\$ -	\$ -	\$ -
7150	Training, Conferences and Workshops	\$ 8,500.00	\$ -	\$ 8,500.00
7160	Vehicle Mileage	\$ 2,000.00	\$ -	\$ 2,000.00
7170	Rental of Buildings	\$ 23,300.00	\$ -	\$ 23,300.00
7200	Telephone Communications	\$ 6,000.00	\$ -	\$ 6,000.00
7230	Temporary Help Services (Clerical)	\$ 2,000.00	\$ 5,000.00	\$ 7,000.00
7240	Outside Professional Services - Total for Line Items 7242 - 7249	\$ 62,000.00	\$ -	\$ 57,000.00
	7242 Accounting and Financial Services	37,500	\$ -	\$ 37,500.00
	7245 General Counsel and Special Counsel	\$ 11,500.00	(\$5,000)	\$ 6,500.00
	7247 Human Resources	\$ -	\$ -	\$ -
	7248 Annual Audit	\$ 13,000.00	\$ -	\$ 13,000.00
	7249 Temporary In-House Professional Services	\$ -	\$ -	\$ -
7250	Miscellaneous Office Expenses	\$ 600.00	\$ -	\$ 600.00
7260	Legal Notices	\$ 4,000.00	\$ -	\$ 4,000.00
7261	Pass-Through Expenses	\$ -	\$ -	\$ -
7270	Recruitment Advertising	\$ -		
7280	LAFCO Memberships	\$ 4,700.00	\$ -	\$ 4,700.00
7290	Litigation Reserve		\$ -	
XXXX	Records Storage and Security	\$ 10,000.00		\$ 10,000.00
7295	Contingency Reserve	\$ -	\$ -	\$ -
	SUB TOTAL EXPENDITURES (see Note 1)	\$ 779,600.00	\$ -	\$ 779,600.00
	LESS PASS-THROUGH EXPENSES (Acct. 7261)	\$ -	\$ -	\$ -
	TOTAL EXPENDITURES (NET) (see Note 1)	\$ 779,600.00	\$ -	\$ 779,600.00

KATE McKENNA, AICP
Executive Officer

LOCAL AGENCY FORMATION COMMISSION
P.O. Box 1369 132 W. Gabilan Street, Suite 102
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DATE: December 1, 2014
TO: Chair and Members of the Formation Commission
FROM: Kate McKenna, AICP, Executive Officer
SUBJECT: AUDIT FOR FISCAL YEAR ENDING JUNE 30, 2014

SUMMARY OF RECOMMENDATION:

The Budget and Finance Committee recommends that the Commission:

1. Receive a presentation from Ms. Karen Campbell, CPA;
2. Seek public comment, and
3. Discuss and adopt the final audit for the fiscal year ending June 30, 2014.

EXECUTIVE OFFICER'S REPORT:

The Budget and Finance Committee met on November 7 to review and recommend adoption of the independent auditor's report for the fiscal year ending on June 30, 2014. A request to show comparative year data has been implemented in the current audit report.

Karen Campbell, CPA, Bianchi, Kasavan and Pope, has issued an unqualified opinion, the highest level of assurance that an auditor can provide to a public agency. Ms. Campbell will present the report and respond to questions.

Respectfully Submitted,



Kate McKenna, AICP
Executive Officer

Enclosure:

Final Audit for Fiscal Year Ending June 30, 2014

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY
FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

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JUNE 30, 2014 AND 2013

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BIANCHI, KASAVAN & POPE, LLP
Certified Public Accountants & Business Consultants

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Jesse Lopez, CPA
Gordon A. Rubbo, CPA

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Local Agency Formation Commission of Monterey County
Salinas, California

We have audited the accompanying financial statements of the Local Agency Formation Commission of Monterey County (Agency), a state mandated regulatory agency, as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that

are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Agency, as of June 30, 2014 and 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information Schedule of Postemployment Healthcare Benefits Funding Progress and Schedule of Revenues, Expenses and Change in Net Position – Budget and Actual on pages 28 and 29 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted on inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. The Agency has elected not to present Management's Discussion and Analysis.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2014, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

Bianchi, Kasaven & Pope, LLP

Salinas, California
November 7, 2014

FINANCIAL STATEMENTS

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

STATEMENTS OF NET POSITION

JUNE 30, 2014 AND 2013

ASSETS

	<u>2014</u>	<u>2013</u>
CURRENT ASSETS		
Cash and cash equivalents - Note 2	\$ 847,033	\$ 787,890
Prepaid expenses	8,854	11,687
TOTAL CURRENT ASSETS	855,887	799,577
NONCURRENT ASSETS		
Capital assets - net - Note 3	7,082	3,455
	<u>\$ 862,969</u>	<u>\$ 803,032</u>

LIABILITIES AND NET POSITION

CURRENT LIABILITIES		
Accounts payable	\$ 14,668	\$ 21,927
Net OPEB obligation - Note 7	9,968	9,084
Deferred fees revenue	10,202	-
Accrued leave	40,000	67,001
TOTAL CURRENT LIABILITIES	74,838	98,012
NET POSITION		
Invested in capital assets	7,082	3,455
Unrestricted - Note 4	781,049	701,565
TOTAL NET POSITION	788,131	705,020
	<u>\$ 862,969</u>	<u>\$ 803,032</u>

The accompanying notes are an integral part of these financial statements.

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

**STATEMENTS OF REVENUES, EXPENSES
AND CHANGE IN NET POSITION**

FOR THE YEAR ENDED JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
OPERATING REVENUES		
County contributions	\$ 250,165	\$ 215,397
District contributions	250,165	215,398
City contributions	250,164	215,397
Project fees	3,567	38,934
	<hr/>	<hr/>
TOTAL OPERATING REVENUES	754,061	685,126
	<hr/>	<hr/>
OPERATING EXPENSES		
Salaries	349,779	312,218
Employee benefits	138,343	123,408
Accounting and financial services	36,900	36,000
Rent - Note 5	23,115	24,332
Use of contingency funds	13,221	-
Audit services	13,000	12,000
Accrued leave	12,567	19,710
Records storage and security	10,452	533
Equipment rental	8,663	4,464
Travel	8,564	2,518
Computer equipment maintenance	7,873	3,695
Training and conferences	5,805	5,972
Computer support services	5,530	5,029
Office supplies	5,353	4,362
Recruitment advertising	4,821	3,813
Telephone	4,347	4,273
LAFCO memberships	4,116	3,976
Property and general liability insurance	4,094	4,560
Outside printers	3,825	991
Legal expenses	3,708	7,748
Postage and shipping	2,328	2,919
Meeting broadcast services	2,275	2,600
Temporary services clerical	1,859	-
Legal notices	1,678	1,678
Depreciation	1,587	1,747
Books and periodicals	816	789
Pass-through expense	350	-
	<hr/>	<hr/>
TOTAL OPERATING EXPENSES	674,969	589,335
	<hr/>	<hr/>

The accompanying notes are an integral part of these financial statements.

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

STATEMENTS OF REVENUES, EXPENSES
AND CHANGE IN NET POSITION

FOR THE YEAR ENDED JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
INCOME FROM OPERATIONS	\$ 79,092	\$ 95,791
NON-OPERATING INCOME (EXPENSE)		
Interest	3,669	3,496
Gain on county investments	350	-
TOTAL NON-OPERATING INCOME (EXPENSE)	4,019	3,496
CHANGE IN NET POSITION	83,111	99,287
NET POSITION, BEGINNING OF YEAR	705,020	605,733
NET POSITION, END OF YEAR	\$ 788,131	\$ 705,020

The accompanying notes are an integral part of these financial statements.

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers, county, districts and cities	\$ 770,642	\$ 679,615
Payments to suppliers	(195,311)	(140,767)
Payments to employees	(514,994)	(430,322)
Net cash provided by operating activities	<u>60,337</u>	<u>108,526</u>
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES		
Purchases of capital assets	(5,213)	(1,991)
Net cash used in capital and financing activities	<u>(5,213)</u>	<u>(1,991)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	3,669	3,496
Gain on County investments	350	-
Net cash provided by investing activities	<u>4,019</u>	<u>3,496</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	59,143	110,031
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>787,890</u>	<u>677,859</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 847,033</u>	<u>\$ 787,890</u>
Reconciliation of operating income to net cash provided by operating activities -		
Income from operations	\$ 79,092	\$ 95,791
Adjustments to reconcile operating income to net cash provided by operating activities -		
Depreciation	1,587	1,747
Changes in operating assets and liabilities:		
Decrease in accounts receivable	-	1,167
(Increase) decrease in prepaid expenses	2,833	(805)
Increase (decrease) in accounts payable	(7,260)	12,045
Increase (decrease) in net OPEB obligation	884	(2,452)
Increase (decrease) in accrued leave	(27,001)	7,711
Increase (decrease) in deferred fees revenue	10,202	(6,678)
Net cash provided by operating activities	<u>\$ 60,337</u>	<u>\$ 108,526</u>

The accompanying notes are an integral part of these financial statements.

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

1. ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES

Description of Reporting Entity

Local Agency Formation Commission (LAFCO) is a regulatory agency with countywide jurisdiction, established by state law (Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000) to discourage urban sprawl and to encourage orderly and efficient provision of services, such as water, sewer, fire protection, etc. LAFCO of Monterey County (Agency) is a state mandated agency.

The Agency is responsible for reviewing and approving proposed jurisdictional boundary changes, including annexations and detachments of territory to and/or from cities and special districts, incorporations of new cities, formations of new special districts, consolidations, mergers, and dissolutions of existing districts. In addition, the Agency must review and approve contractual service agreements, determine spheres of influence for each city and district, and may initiate proposals involving district consolidation, dissolution, establishment of subsidiary districts, mergers, and reorganizations (combinations of these jurisdictional changes).

The Agency is composed of seven regular Commissioners: two members from the Board of Supervisors; two representatives from the cities within Monterey County; one public member; and two Independent Special District Members. There are four alternate Commissioners, which reflect the above membership categories.

Basis of Presentation

The Agency is accounted for as an enterprise fund. The accounting policies of the Agency conform to accounting principles generally accepted in the United States of America as applicable to governmental units. Such funds are used to account for operations (1) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or fees; or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

1. ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the statement of net position. Net position is segregated into components. Proprietary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net position. Proprietary fund operating revenues, such as fees for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies, grants and investment earnings, result from nonexchange transactions or ancillary activities.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Cash and Cash Equivalents

Demand deposits, money market accounts, certificates of deposit with an original maturity of three months or less and their equity in the County Treasurer's investment pool are considered cash and cash equivalents.

All investments (if any) are recorded at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

1. ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES (Continued)

Budget

The Agency adopts an annual budget. The budget includes expenditures and the means of financing them and is used for planning purposes. Budgeted amounts are as originally adopted or as amended by the Agency.

The Schedule of Revenues, Expenses and Change in Net Position – Budget and Actual presents a comparison of budgetary data to actual results of operations.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Employee Retirement Plans

Qualified employees are covered under contributory retirement plans maintained by an agency of the State of California. Contributions to these plans are paid or accrued based upon a percentage of qualified employee salaries.

Concentration of Credit Risk

The Agency periodically maintains cash deposits in one financial institution, which at times exceed federally insured limits. The Agency has not experienced any losses related to these accounts and believes it is not exposed to any significant credit risk. The Agency's uninsured cash balance was \$0 at June 30, 2014 and 2013.

Capital Assets

The Agency records its capital assets at cost and depreciates these assets using the straight-line method. Depreciation is based on the following estimated useful lives:

	<u>Years</u>
Office equipment	3-5

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

1. ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

Maintenance and minor repairs are charged against income; major renewals and betterments are capitalized and depreciated.

Net Position

Net position represents the excess of all the Agency's assets over all its liabilities, regardless of the fund. Net position is divided into three captions under GASB Statement 34 and are described below:

- *Invested in Capital Assets, net of related debt* describes the portion of net position which is represented by the current net book value of the Agency's capital assets, less the outstanding balance of any debt issued to finance these assets (if any).
- *Restricted* describes the portion of net position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws or other restrictions which the Agency cannot unilaterally alter.
- *Unrestricted* describes the portion of net position which is not restricted to use.

Impact of Recently Issued Accounting Principles

Recently Issued and Adopted Accounting Pronouncements

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

1. **ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES** (Continued)

Impact of Recently Issued Accounting Principles (Continued)

Recently Issued Accounting Pronouncements (Continued)

Concepts Statement No. 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements and Management's Discussions and Analysis for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The Agency implemented this Statement in fiscal year 2013. There was no significant effect on the financial statements other than renaming net assets to net position.

In June 2012, the GASB issued Statement 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statements 27*. GASB 68 improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities.

This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement is effective for fiscal years beginning after June 15, 2014. Management is currently evaluating the impact of the adoption of this Statement on the Agency's financial statements.

Subsequent Events

Subsequent events were evaluated through November 7, 2014, the date the financial statements were available to be issued.

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

2. CASH AND CASH EQUIVALENTS

Cash consisted of the following at June 30:

	<u>2014</u>	<u>2013</u>
Cash in bank	\$ 51,754	\$ 144,103
Cash held in Monterey		
County Treasury:		
Cash undesignated	288,395	102,665
Cash designated for:		
Litigation reserve	300,037	299,937
Contingency reserve	156,779	165,000
Accrued leave	40,000	67,001
Net OPEB obligation	9,968	9,084
Petty cash	<u>100</u>	<u>100</u>
	<u>\$ 847,033</u>	<u>\$ 787,890</u>

The Monterey County Treasurer's investment policy is in compliance with section 53635 of the Government Code of the State of California which permits investments in certain securities and participation in certain investment trading are classified into three categories of credit risks.

Category 1 includes techniques or strategies. Investments of the state and local agencies generally investments that are insured or registered, for which the securities are held by the County or by the County's agent in the County's name.

Category 2 consists of uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the County's name.

Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the County's name. The Agency held no Category 2 or 3 investments at June 30, 2014 or at June 30, 2013. As of June 30, 2014 and 2013, the market value of the County investment portfolio was not materially different from its carrying value.

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

3. CAPITAL ASSETS

Capital asset activity for the year was as follows at June 30:

	<u>Balance</u> <u>June 30, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2014</u>
Office equipment	\$ 23,907	\$ 5,214	\$ -	\$ 29,121
Accumulated depreciation	<u>(20,452)</u>	<u>(1,587)</u>	<u>-</u>	<u>(22,039)</u>
TOTAL CAPITAL ASSETS – net	<u>\$ 3,455</u>	<u>\$ 3,627</u>	<u>\$ -</u>	<u>\$ 7,082</u>

	<u>Balance</u> <u>June 30, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2013</u>
Office equipment	\$ 21,916	\$ 1,991	\$ -	\$ 23,907
Accumulated depreciation	<u>(18,705)</u>	<u>(1,747)</u>	<u>-</u>	<u>(20,452)</u>
TOTAL CAPITAL ASSETS – net	<u>\$ 3,211</u>	<u>\$ 244</u>	<u>\$ -</u>	<u>\$ 3,455</u>

4. NET POSITION – UNRESTRICTED

Unrestricted assets consisted of the following at June 30:

	<u>2014</u>	<u>2013</u>
Designated for litigation	\$ 300,037	\$ 299,937
Designated for contingency	156,779	165,000
Designated for encumbered funds	6,895	6,395
Unrestricted and undesignated	<u>317,338</u>	<u>230,233</u>
	<u>\$ 781,049</u>	<u>\$ 701,565</u>

5. LEASE OBLIGATIONS

A five year lease agreement was entered into on May 2013, commencing July 1, 2013, with a base year rent of \$1,926 per month, providing for an annual increase in base rent after June of 2015. Total office rent expense was \$23,115 and \$24,332 for the year ended June 30, 2014 and 2013, respectively.

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

5. LEASE OBLIGATIONS (Continued)

Future minimum rental payments required under this lease as of June 30, 2014, are as follows:

<u>Fiscal Year</u> <u>Ended June 30,</u>	
2015	\$ 23,115
2016	24,332
2017	24,940
2018	<u>25,564</u>
	<u>\$ 97,951</u>

6. EMPLOYEE'S RETIREMENT PLAN AND POST RETIREMENT BENEFITS

Plan Description

The Agency's defined benefit pension plan (Plan) provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Plan of the Agency is part of the Public Agencies portion of the California Public Employees Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements are established by State statutes within the Public Employees' Retirement Law. The Agency selects optional benefit provisions from the benefit menu by the contract with CalPERS and adopts those benefits. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

Funding Policy

For continuing CalPERS plan members as of December 31, 2012: These members participate in a CalPERS Retirement Plan as a continuing member under the California Public Employees' Pension Reform Act of 2013, with a defined benefit formula of 2% at age 55. The Agency contributes 100% of the employer contribution (10.781% for 2013-2014 and 11.198% for 2012-2013). Continuing members contribute 7% of their annual covered salary to the plan.

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

6. EMPLOYEE'S RETIREMENT PLAN AND POST RETIREMENT BENEFITS
(Continued)

For 2013-2014 and 2012-2013, the Agency pays 50% (3.5%) of the continuing member employee contribution, and employee pays 50% (3.5%) of the employee contribution. Beginning in 2014-2015, the Agency will pay 0% of the employee's required contribution to this plan, and the employee will pay 100% of the employee's required contribution.

For new CalPERS plan members hired on or after January 1, 2013: These members participate in a CalPERS Retirement Plan as a new miscellaneous member under the California Public Employees' Pension Reform Act of 2013, with a defined benefit formula of 2% @ age 62. For 2013-2014 and 2012-2013, the Agency and the employee each contribute 50% (6.25%) of the total annual normal cost rate as determined by CalPERS (12.5% of payroll for the period). The Agency pays 0% of the new member employee's required contribution to this plan, and the employee pays 100% of the employee's required contribution.

The Agency is required to contribute the actuarially determined, remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rates for fiscal years 2013-2014 and 2012-2013 (listed in the preceding paragraphs) are established by State statute and the employer contribution rates are established and may be amended by CalPERS. Total expense amounted to \$40,344, \$53,260 and \$45,110 for the years ended June 30, 2014, 2013 and 2012, respectively. This amount is included in employee benefits expense.

The Agency's unfunded pension liability will need to be recorded and reported on the Agency's June 30, 2015 Statement of Net Position to comply with upcoming changes in Governmental Accounting Standards. The Agency will need to record the difference between its total pension liability and the value of assets set aside in a pension plan to pay benefits. CalPERS determines the computed amount of the unfunded liability in an annual actuarial valuation report.

In addition, the Agency had a side-fund liability of \$14,621 that was paid in May 2013. This payment resulted in a slight decrease in the 2013-2014 employer contribution rate for continuing CalPERS plan members.

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

7. **POSTEMPLOYMENT HEALTHCARE BENEFITS**

Plan Description

The Agency administers a single-employer defined benefit postemployment healthcare plan. Employees who retire directly from the Agency under the California Public Employee's Retirement System (CalPERS) at the minimum age of 50 with at least 5 years of CalPERS service (or disability) are eligible to receive the required minimum contribution for medical insurance premiums paid to CalPERS. Through December 2013, the required minimum contribution was \$115 per month. Beginning January 2014, the required minimum contribution is \$119. This same benefit may continue to a surviving spouse depending on the retirement plan election. The contribution requirement of the Agency is based on projected pay-as-you-go financing arrangements.

CalPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to CalPERS at the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

Funding Policy

The Agency's Board of Commissioners will not be funding the plan in the current year. The Board will review the funding requirements annually.

The Agency's policy is to reserve cash in an amount equal to the net OPEB obligation. See Note 2.

Annual OPEB Cost and Net OPEB Obligation

The Agency's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The Agency has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over the estimated remaining period of 22 years.

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

7. **POSTEMPLOYMENT HEALTHCARE BENEFITS** (Continued)

The following table shows the components of the Agency's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in its net OPEB obligation to the Retiree Health Plan at June 30:

	<u>2014</u>	<u>2013</u>
Annual required contribution	\$ 2,360	\$ 2,023
Interest on net OPEB obligation	454	577
Adjustment to annual required contribution	(550)	(699)
Adjustment to AAL	<u>-</u>	<u>(4,353)</u>
Annual OPEB cost (expense)	2,264	(2,452)
Estimated contributions	<u>(1,380)</u>	<u>-</u>
Increase in net OPEB obligation	884	(2,452)
Net OPEB obligation – beginning of year	<u>9,084</u>	<u>11,536</u>
Net OPEB obligation – end of year	<u>\$ 9,968</u>	<u>\$ 9,084</u>

The Agency's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the last three fiscal years is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2011	\$ 7,046	0%	\$ 9,291
6/30/2012	\$ 2,245	0%	\$ 11,536
6/30/2013	\$ (2,452)	0%	\$ 9,084
6/30/2014	\$ 2,264	0%	\$ 9,968

Funding Status and Funding Progress

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrences of events far into the future. Examples include assumptions about future employment, mortality and healthcare costs trends. Amounts determined regarding the funded status of the plan and the annual required contributions of

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

7. **POSTEMPLOYMENT HEALTHCARE BENEFITS** (Continued)

the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

As of July 1, 2013, the actuarial accrued liability (AAL) for benefits was \$7,183, all of which is unfunded from an accounting standpoint. However, the Agency's policy is to reserve cash in an amount equal to the net OPEB obligation. See Note 2.

Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following simplifying assumptions were made:

Retirement age for active employees – Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 63, or at the first subsequent year in which the member would qualify for benefits.

Mortality – Life expectancies at the calculation date are based on the most recent mortality tables published by the National Center for Health Statistics website (www.cdc.gov). The calculation of OPEB liability for each year is based on the assumption that all participants will live until their expected age as displayed in the mortality tables.

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

7. **POSTEMPLOYMENT HEALTHCARE BENEFITS** (Continued)

Methods and Assumptions (Continued)

Turnover – The probability that an employee will remain employed until the assumed retirement age was determined using non-group-specific age-based turnover data provided in Table 1 in paragraph 35 of GASB Statement No. 45. In addition the expected future working lifetimes of employees were determined using Table 2 in paragraph 35c of GASB Statement No. 45.

Healthcare cost trend rate – Healthcare cost trend rates were selected based on the CalPERS Circular Letter No. 600-006-12. The ultimate trend rate was 3.0%.

Health insurance premiums – 2012-13 health insurance premiums for retirees were used as a basis for calculation of the present value of total benefits to be paid. An employee is assumed to continue with the same medical plan upon retirement. If an employee waived medical coverage, then such waiver is assumed to continue into retirement.

Medicare Coordination – Medicare was assumed as the primary payer for current and future retirees at age 65.

Payroll increase – Changes in the payroll for current employees are expected to increase at a rate of approximately 2.0% annually.

Discount rate – The calculation uses an annual discount rate of 5.0%. This is based on the assumed long-term return on plan assets or employer assets.

Actuarial cost method – The entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at July 1, 2014, was 21 years.

Plan for Funding

On an ongoing basis, the Agency will be reviewing its assumptions, comparing them against actual experience and recalculating the needed funding with the goal of paying for postemployment benefits out of interest earned on designated funds.

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

8. **COMPENSATED ABSENCES (ACCRUED VACATION, PAID-TIME-OFF, SICK LEAVE, AND COMPENSATORY TIME)**

Exempt Employees Annual Leave

In lieu of vacation and sick leave benefits, exempt employees of the Agency are eligible for annual leave on a pro-rated basis based on years of completed service. Overtime eligible exempt employees may accrue a maximum of 250 or 850 hours. Exempt employees have an option to sell back up to 160 hours of annual leave each year. Annual leave is paid to the employee at the time of separation from Agency employment. Annual leave liability is calculated by using the employee's fiscal year leave balance multiplied by the employee's fiscal year end rate of pay. These benefits are a general description only. Actual benefits are defined in individual employment agreements.

Vacation and Paid-Time-Off

Overtime eligible employees of the Agency may accumulate up to 260 hours of unused vacation and paid-time-off (PTO). Vacation and PTO leaves are paid to the employee at the time of separation from Agency employment. Vacation and PTO liabilities are calculated using employee's fiscal year end vacation and PTO leave balances multiplied by the employee's fiscal year end rate of pay. These benefits are a general description only. Actual benefits are defined in individual employment agreements.

Sick Leave

Overtime eligible employees can accumulate sick leave indefinitely. Upon retirement or death, unused sick leave is paid up to 30 percent of the employee's base hourly rate of pay, up to a maximum of 1500 hours. All unused sick leave above that 1500 hour limit or any unused sick leave for employees separated from the Agency for other reasons is forfeited. The sick leave liability is calculated using the employee's fiscal year end sick leave balance multiplied by the employee's fiscal year end rate of pay. These benefits are a general description only. Actual benefits are defined in individual employment agreements.

Compensatory Time

Overtime eligible employees can accrue compensatory time-off in lieu of overtime payments. A maximum of 80 hours of compensatory time may be accrued. The compensatory time-off balances are considered current year liabilities. These benefits are a general description only. Actual benefits are defined in individual employment agreements.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
*GOVERNMENT AUDITING STANDARDS***



BIANCHI, KASAVAN & POPE, LLP
Certified Public Accountants & Business Consultants

Robert W. Bianchi, CPA
Gail A. Delorey, CPA
Charles D. Doglione, CPA
Joseph A. Garcia, CRTP
Mary Hubbell, CRTP
Carla S. Hudson, CPA, ABV
David G. Huey, CPA
Jesse Lopez, CPA
Gordon A. Rubbo, CPA

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Commissioners
Local Agency Formation Commission of Monterey County
Salinas, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Local Agency Formation Commission of Monterey County (Agency), as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated November 7, 2014.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered the Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Agency's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

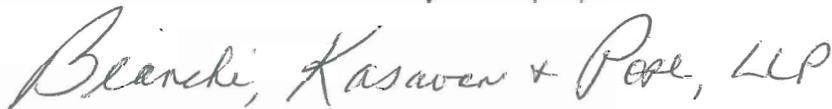
Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audits we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Salinas, California
November 7, 2014

REQUIRED SUPPLEMENTARY INFORMATION

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

SCHEDULE OF POSTEMPLOYMENT HEALTHCARE
BENEFITS FUNDING PROGRESS

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (AVA)</u>	<u>Actuarial Accrued Liability (Unit Cost Method) (AAL)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funding Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
01/06/2010	\$ 9,291	\$ -	\$ 9,291	0.0%	\$ 300,000	3.1%
07/01/2013	\$ 7,183	\$ -	\$ 7,183	0.0%	\$ 320,000	2.2%

Note: The Agency's policy is to review and update the liability calculations and assumptions every three years, and more frequently if required by changes in active or retired personnel status or accounting requirements.

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

SCHEDULE OF REVENUES, EXPENSES AND CHANGE
IN NET POSITION - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
County contributions	\$ 250,164	\$ 250,164	\$ 250,165	\$ 1
District contributions	250,164	250,164	250,165	1
City contributions	250,164	250,164	250,164	-
Project fees	10,000	10,000	3,567	(6,433)
Interest	1,500	1,500	3,669	2,169
Gain on County investments	-	-	350	350
From unreserved funds*	20,000	20,000	-	(20,000)
TOTAL REVENUES	781,992	781,992	758,080	(23,912)
EXPENSES				
Salaries	408,946	404,946	349,779	55,167
Employee benefits	187,445	179,445	138,343	41,102
Accounting and financial services	37,500	37,500	36,900	600
Rent - Note 5	23,300	23,300	23,115	185
Use of contingency funds	-	-	13,221	(13,221)
Audit services	13,000	13,000	13,000	-
Accrued leave	12,000	12,000	12,567	(567)
Records storage & security	5,000	10,000	10,452	(452)
Equipment rental	14,000	16,000	8,663	7,337
Travel	9,000	9,000	8,564	436
Computer equipment maintenance	7,000	7,000	7,873	(873)
Training and conferences	8,500	8,500	5,805	2,695
Computer support services	6,000	11,000	5,530	5,470
Office supplies	5,100	5,100	5,353	(253)
Recruitment advertising	-	8,000	4,821	3,179
Telephone	5,000	5,000	4,347	653
LAFCO memberships	4,400	4,400	4,116	284
Property and general liability insurance	5,500	5,500	4,094	1,406
Outside printers	4,000	4,000	3,825	175
Other legal expenses	13,000	5,000	3,708	1,292
Postage and shipping	2,500	2,500	2,328	172
Meeting broadcast services	3,300	3,300	2,275	1,025
Temporary services clerical	2,000	2,000	1,859	141
Legal notices	4,000	4,000	1,678	2,322
Depreciation	-	-	1,587	(1,587)
Books and periodicals	1,000	1,000	816	184
Pass-through expense	-	-	350	(350)
Litigation (Legal)**	100	100	-	100
Repairs and maintenance	400	400	-	400
TOTAL EXPENSES	781,991	781,991	674,969	107,022
CHANGE IN BUDGETARY NET POSITION	\$ 1	\$ 1	83,111	\$ 83,110
BUDGETARY NET POSITION, BEGINNING OF YEAR			705,020	
BUDGETARY NET POSITION, END OF YEAR			\$ 788,131	

* Authorized transfer from unreserved funds was not necessary.

** Even though the actual expenses for these reserves are zero, the Agency has budgeted these funds to cover potential future litigation expenses per adopted policy. On the Statement of Net Position, cash and unrestricted net assets have been designated to account for the funds set aside for the litigation reserve each year

The accompanying notes are an integral part of this required supplementary information.

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

SCHEDULE OF REVENUES, EXPENSES AND CHANGE
IN NET POSITION - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
County contributions	\$ 215,397	\$ 215,397	\$ 215,397	\$ -
District contributions	215,397	215,397	215,398	1
City contributions	215,397	215,397	215,397	-
Project fees	8,000	8,000	38,934	30,934
Interest	1,500	1,500	3,496	1,996
TOTAL REVENUES	655,691	655,691	688,622	32,931
EXPENSES				
Salaries	308,946	308,946	312,218	(3,272)
Employee benefits	147,445	147,445	123,408	24,037
Accounting and financial services	37,500	37,500	36,000	1,500
Rent - Note 5	24,500	24,500	24,332	168
Accrued leave	12,000	12,000	19,710	(7,710)
Audit services	13,000	13,000	12,000	1,000
Other legal expenses	17,000	12,000	7,748	4,252
Training and conferences	6,000	6,000	5,972	28
Computer support services	10,000	10,000	5,029	4,971
Property and general liability insurance	5,500	5,500	4,560	940
Equipment rental	6,500	6,500	4,464	2,036
Office supplies	4,600	4,600	4,362	238
Telephone	4,500	4,500	4,273	227
LAFCO memberships	4,500	4,500	3,976	524
Recruitment advertising	-	5,000	3,813	1,187
Computer equipment maintenance	6,000	6,000	3,695	2,305
Postage and shipping	4,500	4,500	2,919	1,581
Meeting broadcast services	3,300	3,300	2,600	700
Travel	5,500	5,500	2,518	2,982
Depreciation	-	-	1,747	(1,747)
Legal notices	4,000	4,000	1,678	2,322
Outside printers	1,000	1,000	991	9
Books and periodicals	1,000	1,000	789	211
Records storage & security	3,000	3,000	533	2,467
Litigation (Legal)*	25,000	25,000	-	25,000
Human resource services	500	500	-	500
Repairs and maintenance	400	400	-	400
TOTAL EXPENSES	656,191	656,191	589,335	66,856
CHANGE IN BUDGETARY NET POSITION	\$ (500)	\$ (500)	99,287	\$ 99,787
BUDGETARY NET POSITION, BEGINNING OF YEAR			605,733	
BUDGETARY NET POSITION, END OF YEAR			\$ 705,020	

* Even though the actual expenses for these reserves are zero, the Agency has budgeted these funds to cover potential future litigation expenses per adopted policy. On the Statement of Net Position, cash and unrestricted net assets have been designated to account for the funds set aside for the litigation reserve each year.

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: December 1, 2014
TO: Chair and Members of the Formation Commission
FROM: Kate McKenna, AICP, Executive Officer
SUBJECT: DRAFT FINANCIAL STATEMENTS FOR JUNE 30, 2014

SUMMARY OF RECOMMENDATION:

The Budget and Finance Committee recommends that the Commission:

1. Receive a presentation from Mr. Mike Briley, CPA;
2. Seek public comment, and
3. Discuss and adopt the draft financial statements for the year ending June 30, 2014.

EXECUTIVE OFFICER'S REPORT:

The Budget and Finance Committee met on November 7 to review and recommend adoption of financial statements for the period ending June 30, 2014.

Mike Briley, CPA and Managing Partner, Hayashi Wayland, will present the report and respond to questions. The report has been reconciled as part of the independent audit process (Agenda Item No. 10).

Respectfully Submitted,



Kate McKenna, AICP
Executive Officer

Enclosure:

Financial Statements for Period Ending June 30, 2014

**Local Agency Formation Commission
of Monterey County
Financial Statements
June 30, 2014**

Draft

**LOCAL AGENCY FORMATION COMMISSION
OF MONTEREY COUNTY**

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HAYASHI | WAYLAND

ACCOUNTANTS' COMPILATION REPORT

**To the Chair and Commissioners
Local Agency Formation Commission
LAFCO of Monterey County
Salinas, California**

We have compiled the accompanying financial statements of the **Local Agency Formation Commission of Monterey County (LAFCO)** as of and for the twelve months ended June 30, 2014. We have not audited or reviewed the financial statements included in the accompanying prescribed form and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

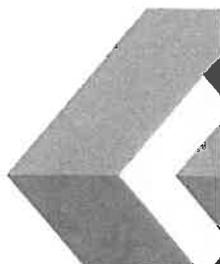
Management is responsible for the preparation and fair presentation of the financial statements included in the form prescribed by LAFCO and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist LAFCO in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

The financial statements included in the accompanying prescribed form are presented in accordance with the requirements of LAFCO, which differ from accounting principles generally accepted in the United States of America. Accordingly, these financial statements are not designed for those who are not informed about such differences.

We are not independent with respect to **LAFCO**.

October 31, 2014



LAFCO of Monterey County
Balance Sheets
June 30, 2014 and 2013

ASSETS			
	ACCT #	2014	2013
CURRENT ASSETS:			
Cash Held in Rabobank:			
Rabobank Operating	1000	\$ 51,754.26	\$ 144,102.54
Total Cash Held in Rabobank		<u>51,754.26</u>	<u>144,102.54</u>
Cash Held in County Treasury:			
Cash Held for Operating Expenses	1010	288,394.58	102,664.42
Designated Cash for Reserve for Litigation	1012	300,036.51	299,936.51
Designated Cash for Accrued Leave	1013	40,000.14	67,000.60
Designated Cash for Post Retirement (GASB 45)	1014	9,968.00	9,084.00
Designated Cash for Reserve for Contingency	1015	156,779.00	165,000.00
Total Cash Held in County Treasury		<u>795,178.23</u>	<u>643,685.53</u>
Petty Cash	1100	100.00	100.00
Total Cash		<u>847,032.49</u>	<u>787,888.07</u>
Other Current Assets:			
Prepaid Insurance	1400	5,894.19	9,042.60
Prepaid Expenses	1405	2,959.98	2,644.28
Total Other Current Assets		<u>8,854.17</u>	<u>11,686.88</u>
Total Current Assets		<u>855,886.66</u>	<u>799,574.95</u>
PROPERTY AND EQUIPMENT:			
Equipment	1500	29,120.35	23,906.06
Accumulated Depreciation	1550	(22,039.14)	(20,451.65)
Total Property and Equipment		<u>7,081.21</u>	<u>3,454.41</u>
TOTAL ASSETS		<u>\$ 862,967.87</u>	<u>\$ 803,029.36</u>
LIABILITIES AND EQUITY			
	ACCT #	2014	2013
CURRENT LIABILITIES:			
Accounts Payable	2000	\$ 14,340.58	\$ 21,799.40
Deferred Fees Revenue	2010	10,202.00	-
Payroll Liabilities	2200	328.11	126.00
Accrued Leave	2220	40,000.14	67,000.60
Post Retirement (GASB 45)	2230	9,968.00	9,084.00
Total Current Liabilities		<u>74,838.83</u>	<u>98,010.00</u>
Total Liabilities		<u>74,838.83</u>	<u>98,010.00</u>
EQUITY:			
Invested in Capital Assets	3700	7,081.21	3,454.41
Encumbered Funds	3710	6,895.00	6,395.00
Reserve for Litigation	3800	300,036.51	299,936.51
Reserve for Contingency	3810	156,779.00	165,000.00
Unreserved Fund*	3850	317,337.32	230,233.44
Total Equity		<u>788,129.04</u>	<u>705,019.36</u>
TOTAL LIABILITIES AND EQUITY		<u>\$ 862,967.87</u>	<u>\$ 803,029.36</u>

* Includes revenue received in the current year to be used for operating expenses through 6/30/14

LAFCO of Monterey County
Income and Expense Budget Performance - Summary
June 30, 2014

ACCT #	Income:	% of Budget					Adopted 13/14 Budget	Remaining Budget Balance	% of Remaining Budget Balance
		June 14	June 13	Received/ Spent June 14	July 13 - June 14	July 12 - June 13			
4000	Fees: Project	\$ -	\$ 14,325.00	0.00%	\$ 9,946.47	\$ 38,934.30	\$ 10,000.00	\$ (53.53)	-0.54%
4205	County Contributions	-	-	0.00%	250,164.00	215,397.00	250,164.00	-	0.00%
4210	City Contributions	-	-	0.00%	250,164.01	215,397.00	250,164.00	0.01	0.00%
4220	District Contributions	-	-	0.00%	250,166.00	215,398.00	250,163.00	3.00	0.00%
4300	Interest	843.69	785.71	56.25%	3,668.95	3,495.21	1,500.00	2,168.95	144.60%
	Total Income	843.69	15,110.71	0.11%	764,109.43	688,621.51	761,991.00	2,118.43	0.28%
	Expense:								
VAR	Employee Salaries	26,362.42	27,274.31	6.51%	349,779.05	312,217.45	404,946.00	55,166.95	13.62%
VAR	Employee Benefits	15,092.84	6,754.99	7.88%	150,909.79	143,116.80	191,445.00	40,535.21	21.17%
7000	Postage and Shipping	335.75	1,574.06	13.43%	2,327.67	2,918.64	2,500.00	172.33	6.89%
7010	Books and Periodical	-	-	0.00%	815.98	789.33	1,000.00	184.02	18.40%
7030	Copy Machine	315.70	285.81	4.86%	5,682.92	3,541.47	6,500.00	817.08	12.57%
7040	Outside Printers	416.76	-	10.42%	3,825.13	990.51	4,000.00	174.87	4.37%
7060	Office Supplies	1,400.88	167.42	31.13%	4,754.33	3,775.17	4,500.00	(254.33)	-5.65%
7080	Computer Hardware/Peripherals	689.01	825.24	9.84%	2,890.32	922.65	7,000.00	4,109.68	58.71%
7085	Computer Support Svcs Fixed Costs	723.34	395.00	10.33%	7,873.04	3,695.00	7,000.00	(873.04)	-12.47%
7090	Computer Support Svcs Variable Costs	2,100.00	2,701.51	19.09%	5,530.00	5,029.29	11,000.00	5,470.00	49.73%
7100	Computer Software	-	-	0.00%	89.98	-	2,500.00	2,410.02	96.40%
7105	Meeting Broadcast Services	325.00	2,600.00	9.85%	2,275.00	2,600.00	3,300.00	1,025.00	31.06%
7110	Property and Gen Liability Insurance	341.17	380.07	6.20%	4,093.71	4,560.40	5,500.00	1,406.29	25.57%
7120	Office Maintenance Services	-	-	0.00%	-	-	400.00	400.00	100.00%
7140	Travel	-	-	0.00%	7,114.80	1,659.66	7,000.00	(114.80)	-1.64%
7150	Training, Conferences & Workshops	95.00	-	1.12%	5,805.31	5,972.00	8,500.00	2,694.69	31.70%
7160	Vehicle Mileage	24.64	75.31	1.23%	1,449.22	858.14	2,000.00	550.78	27.54%
7170	Rental of Buildings	1,926.28	2,027.66	8.27%	23,115.36	24,331.92	23,300.00	184.64	0.79%
7200	Telephone Communications	324.33	716.15	6.49%	4,347.10	4,272.84	5,000.00	652.90	13.06%
7230	Temporary Help Services (Clerical)	-	-	0.00%	1,859.19	-	2,000.00	140.81	7.04%
7242	Outside Prof. Services: Accounting	6,000.00	6,000.00	16.00%	36,900.00	36,000.00	37,500.00	600.00	1.60%
7245	General and Special Legal Services	540.31	1,091.00	10.81%	3,707.83	7,748.06	5,000.00	1,292.17	25.84%
7248	Outside Prof. Services: Annual Audit	-	-	0.00%	13,000.00	12,000.00	13,000.00	-	0.00%
7250	Miscellaneous Office Expense	-	-	0.00%	599.72	588.07	600.00	0.28	0.05%
7260	Legal Notices	-	16.00	0.00%	1,677.65	1,677.54	4,000.00	2,322.35	58.06%
7261	Pass-Through Expense	-	-	0.00%	350.00	-	-	(350.00)	0.00%
7270	Recruitment Advertising	520.00	992.97	6.50%	4,820.60	3,812.94	8,000.00	3,179.40	39.74%
7280	LAFCO Memberships	-	-	0.00%	4,116.00	3,976.00	4,400.00	284.00	6.45%
7285	Records Storage & Security	1,740.99	533.42	17.41%	10,452.05	533.42	10,000.00	(452.05)	-4.52%
7290	Litigation Reserve	-	-	0.00%	-	-	100.00	100.00	100.00%
7300	Depreciation	310.00	224.24	0.00%	1,587.49	1,747.12	-	(1,587.49)	0.00%
	Total Expense	59,584.42	54,635.16	7.62%	661,749.24	589,334.42	781,991.00	120,241.76	15.38%
	Net Ordinary Income (Loss)	(58,740.73)	(39,524.45)		102,360.19	99,287.09	(20,000.00)		
	Other Income/(Expense):								
8106	Prior Year Project Fees Returned	-	-		(6,379.25)	-	-		
8107	Use of Contingency Reserve	-	-		(13,221.00)	-	-		
8110	From Unreserved Funds	-	-		-	-	20,000.00		
8130	Gain/(Loss) on County Investments	-	-		349.74	-	-		
	Total Other Income/(Expense)	-	-		(19,250.51)	-	20,000.00		
	Net Income (Loss)	\$ (58,740.73)	\$ (39,524.45)		\$ 83,109.68	\$ 99,287.09	\$ -		

LAFCO of Monterey County
Income and Expense Budget Performance - Detail
June 30, 2014

ACCT #	Income:	June 14	June 13	% of Budget		July 12 - June 13	July 13 - June 14	July 14	Adopted 13/14 Budget	Remaining Budget Balance	% of Remaining Budget Balance
				Received/	Spent						
4000	Fees: Project	\$ -	\$ 14,325.00	0.00%	0.00%	\$ 9,946.47	\$ -	\$ 10,000.00	\$ (53.53)	-0.54%	
4205	County Contributions	-	-	0.00%	0.00%	250,164.00	215,397.00	250,164.00	-	0.00%	
4210	City Contributions	-	-	0.00%	0.00%	250,164.01	215,397.00	250,164.00	0.01	0.00%	
4220	District Contributions	-	-	0.00%	0.00%	250,166.00	215,398.00	250,163.00	3.00	0.00%	
4300	Interest	843.69	785.71	56.25%	56.25%	3,668.95	3,495.21	1,500.00	2,168.95	144.60%	
	Total Income	843.69	15,110.71	0.11%	0.11%	764,109.43	688,621.51	761,991.00	2,118.43	0.28%	
	Expense:										
6000	Employee Salaries-Other	-	3,762.50			4,000.01	4,000.01	4,000.00	37,966.88		
6002	Regular Earnings	26,362.42	23,511.81			345,779.04	349,779.05	404,946.00	55,166.95	13.62%	
	Employee Salaries	26,362.42	27,274.31	6.51%	6.51%	3,255.37	3,416.52				
6006	Flex Plan Cash	270.06	284.71			600.00	600.00	600.00			
6007	Management Expense Allowance	50.00	50.00			(27,000.46)	7,710.38	4,800.00			
6010	Accrued Leave	2,900.19	1,987.89			4,800.00	4,800.00	4,800.00			
6011	Car Allowance	400.00	400.00			884.00	884.00	884.00			
6013	Post Retirement Healthcare Reserve	-	(4,697.00)			-	-	300.00			
6100	Employee Benefits - Other	477.05	366.28			7,667.76	5,277.66	3,680.00			
6101	Payroll Expenses	3,203.84	306.66			10,266.34	7,180.00	1,198.00			
6102	Worker's Compensation Insurance	-	-			718.00	718.00	718.00			
6103	Employee Memberships	-	-			20,966.27	16,811.06	16,811.06			
6104	Deferred Comp Plan Contribution	1,454.68	1,457.73			40,343.85	53,260.08	62.52			
6105	PERS Retirement	2,917.32	3,088.42			162.97	6,199.00	3,299.00			
6110	PERS Health - Other	12.86	6.50			30,993.73	21,712.44	736.20			
6111	PERS Health - Med ER Non-Elective	476.00	345.00			999.60	168.00	144.00			
6112	PERS Health - Med ER Pre Tax	2,191.97	2,254.12			4,375.88	4,450.42	4,450.42			
6131	LIFE	71.40	61.35			509.06	492.64	492.64			
6132	ADD	12.00	12.00			4,556.84	4,662.73	4,662.73			
6133	Dental	321.41	440.11			321.60	321.60	321.60			
6134	Vision	36.84	49.22			554.02	633.55	633.55			
6135	LTD	223.31	256.43			12,000.00	12,000.00	12,000.00			
6136	EAP	26.80	26.80			39,567.96	143,116.80	191,445.00	40,535.21	21.17%	
6139	STD	47.11	58.77			150,909.79	2,327.67	2,500.00	172.33	6.89%	
7294	Accrued Leave Reserve	15,092.84	6,754.99			815.98	789.33	1,000.00	184.02	18.40%	
	Employee Benefits	335.75	1,574.06	13.43%	13.43%	5,682.92	3,541.47	6,500.00	817.08	12.57%	
7000	Postage and Shipping	-	-			3,825.13	990.51	4,000.00	174.87	4.37%	
7010	Books and Periodical	-	-			4,754.33	3,775.17	4,500.00	(254.33)	-5.65%	
7030	Copy Machine	315.70	285.81			2,890.32	922.65	7,000.00	4,109.68	58.71%	
7040	Outside Printers	416.76	167.42			7,873.04	3,695.00	7,000.00	(873.04)	-12.47%	
7060	Office Supplies	1,400.88	167.42			5,530.00	5,029.29	11,000.00	5,470.00	49.73%	
7080	Computer Hardware/Peripherals	689.01	825.24			89.98	2,500.00	2,500.00	2,410.02	96.40%	
7085	Computer Support Svcs Fixed Costs	723.34	395.00			2,275.00	2,600.00	3,300.00	1,025.00	31.06%	
7090	Computer Support Svcs Variable Costs	2,100.00	2,701.51			4,093.71	4,560.40	5,500.00	1,406.29	25.57%	
7100	Computer Software	325.00	2,600.00			0.00%	0.00%	400.00	400.00	100.00%	
7105	Meeting Broadcast Services	341.17	380.07			7,114.80	1,659.66	7,000.00	(114.80)	-1.64%	
7110	Property and Gen Liability Insurance	-	-			5,805.31	5,972.00	8,500.00	2,694.69	31.70%	
7120	Office Maintenance Services	-	-			1,449.22	858.14	2,000.00	550.78	27.54%	
7140	Travel	-	-			23,115.36	24,331.92	23,300.00	184.64	0.79%	
7150	Training, Conferences & Workshops	95.00	-			4,347.10	4,272.84	5,000.00	652.90	13.06%	
7160	Vehicle Mileage	24.64	75.31			1,859.19	2,000.00	2,000.00	140.81	7.04%	
7170	Rental of Buildings	1,926.28	2,027.66			36,900.00	36,000.00	37,500.00	600.00	1.60%	
7200	Telephone Communications	324.33	716.15			3,707.83	7,748.06	5,000.00	1,292.17	25.84%	
7230	Temporary Help Services (Clerical)	-	-			13,000.00	12,000.00	13,000.00	-	0.00%	
7242	Outside Prof. Services: Accounting	6,000.00	6,000.00			599.72	588.07	600.00	0.28	0.05%	
7245	General and Special Legal Services	540.31	1,091.00			1,677.65	1,677.54	4,000.00	2,322.35	58.06%	
7248	Outside Prof. Services: Annual Audit	-	-			0.00%	0.00%	0.00%	-	0.00%	
7250	Miscellaneous Office Expense	-	16.00			350.00	350.00	-	(350.00)	0.00%	
7260	Legal Notices	-	-			4,820.60	3,812.94	8,000.00	3,179.40	39.74%	
7261	Pass-Through Expense	-	-			4,116.00	3,976.00	4,400.00	284.00	6.45%	
7270	Recruitment Advertising	520.00	992.97			10,452.05	533.42	10,000.00	(452.05)	-4.52%	
7280	LAFCO Memberships	-	-			-	-	100.00	100.00	100.00%	
7285	Records Storage & Security	1,740.99	533.42			1,587.49	1,747.12	-	(1,587.49)	0.00%	
7290	Litigation Reserve	310.00	224.24			661,749.24	589,334.42	781,991.00	120,241.76	15.38%	
7300	Depreciation	59,584.42	54,635.16			102,360.19	99,287.09	(20,000.00)	-	-	
	Total Expense	(58,740.73)	(39,524.45)	7.62%	7.62%	83,109.68	99,287.09	99,287.09	\$ -	\$ -	
	Net Ordinary Income (Loss)										
	Other Income/(Expense):										
8106	Prior Year Project Fees Returned	-	-			(6,379.25)	-	-	-	-	
8107	Use of Contingency Reserve	-	-			(13,221.00)	-	-	-	-	
8110	From Unreserved Funds	-	-			349.74	-	20,000.00	-	-	
8130	Gain/(Loss) on County Investments	-	-			(19,250.51)	-	20,000.00	-	-	
	Total Other Income/(Expense)					83,109.68		99,287.09	\$ -	\$ -	
	Net Income (Loss)										
		(58,740.73)	(39,524.45)								

Net Ordinary Income (Loss)

8106	Prior Year Project Fees Returned	-
8107	Use of Contingency Reserve	(6,379.25)
8110	From Unreserved Funds	(13,221.00)
8130	Gain/(Loss) on County Investments	349.74
	Total Other Income/(Expense)	(19,250.51)

Net Income (Loss)

\$ (58,740.73) \$ (39,524.45)

\$ 83,109.68 \$ 99,287.09 \$ -

\$ -

\$ -

LAFCO of Monterey County
Income and Expense by Month
June 30, 2014

	July 13	Aug 13	Sept 13	Oct 13	Nov 13	Dec 13
Ordinary Income/Expense						
Income:						
4000 · Fees: Project	\$ 7,927.27	\$ 2,625.00	\$ -	\$ -	\$ (1,104.80)	\$ -
4205 · County Contributions	250,164.00	-	-	-	-	-
4210 · City Contributions	250,164.01	-	-	-	-	-
4220 · District Contributions	250,166.00	-	-	-	-	-
4300 · Interest	-	-	-	870.57	-	-
Total Income	758,421.28	2,625.00	-	869.57	(1,104.80)	-
Expense:						
6000 · Employee Salaries	31,421.22	38,796.02	28,212.70	27,901.74	28,154.40	28,096.09
6100 · Employee Benefits	8,849.52	15,837.26	14,243.65	10,293.22	12,731.70	12,436.99
7000 · Postage and Shipping	97.20	35.80	387.03	140.00	59.29	158.77
7010 · Books and Periodical	238.00	-	-	-	468.28	60.00
7030 · Copy Machine	286.14	315.70	315.70	315.70	315.70	1,122.01
7040 · Outside Printers	607.52	-	269.49	480.26	615.01	-
7060 · Office Supplies	531.99	458.88	180.06	109.40	717.51	904.92
7080 · Computer Hardware/Peripherals	-	-	-	-	-	-
7085 · Computer Support Svcs Fixed Costs	-	-	1,298.34	-	602.67	628.67
7090 · Computer Support Svcs Variable Costs	-	-	600.00	-	250.00	1,352.00
7100 · Computer Software	-	-	-	-	-	-
7105 · Meeting Broadcast Services	-	-	-	-	-	-
7110 · Property and Gen Liability Insurance	341.14	341.14	341.14	341.14	341.14	341.14
7140 · Travel	169.00	1,216.46	4,285.95	15.00	149.96	206.10
7150 · Training, Conferences & Workshops	3,545.07	630.00	80.12	-	210.12	-
7160 · Vehicle Mileage	-	-	501.49	335.00	200.01	-
7170 · Rental of Buildings	1,926.28	1,926.28	1,926.28	1,926.28	1,926.28	1,926.28
7200 · Telephone Communications	170.74	381.10	650.40	805.28	150.97	479.74
7230 · Temp Help Services (Clerical)	-	-	-	-	-	720.35
7242 · Outside Prof. Services: Accounting	-	3,000.00	3,000.00	3,000.00	3,900.00	3,000.00
7245 · General and Special Legal Services	-	414.96	414.96	207.48	103.74	-
7248 · Outside Prof. Services: Annual Audit	-	5,000.00	5,000.00	7,000.00	1,000.00	470.28
7250 · Miscellaneous Office Expense	-	227.79	143.73	26.66	96.91	53.38
7260 · Legal Notices	381.15	264.54	-	307.80	8.00	-
7261 · Pass-Through Expense	-	-	-	-	-	-
7270 · Recruitment Advertising	-	-	-	-	-	-
7280 · LAFCO Memberships	3,111.00	-	-	-	1,005.00	-
7285 · Records Storage & Security	1,021.02	994.84	785.40	582.51	1,322.10	294.13
7300 · Depreciation	118.00	114.00	117.00	116.00	116.00	117.00
8106 · Prior Year Project Fees Returned	-	-	-	-	3,100.00	-
8107 · Use of Contingency Reserve	-	-	-	13,221.00	-	-
8130 · (Gain)/Loss on County Investments	-	-	-	-	-	-
Total Expense	52,921.48	64,431.73	62,755.03	67,124.47	57,544.79	52,367.85
Net Income/(Loss)	\$ 705,499.80	\$ (61,806.73)	\$ (62,755.03)	\$ (66,254.90)	\$ (58,649.59)	\$ (52,367.85)

LAFCO of Monterey County
Income and Expense by Month
June 30, 2014

	Jan 14	Feb 14	Mar 14	Apr 14	May 14	June 14	Total
Ordinary Income/Expense							
Income:							
4000 · Fees: Project	750.00	(250.00)	-	-	-	-	9,946.47
4205 · County Contributions	-	-	-	-	-	-	250,164.00
4210 · City Contributions	-	-	-	-	-	-	250,164.01
4220 · District Contributions	-	-	-	-	-	-	250,166.00
4300 · Interest	1,087.64	-	-	867.05	-	843.69	3,668.95
Total Income	1,837.64	(250.00)	-	867.05	-	843.69	764,109.43
Expense:							
6000 · Employee Salaries	38,081.60	24,009.72	27,272.04	23,944.08	27,527.02	26,362.42	349,779.05
6100 · Employee Benefits	15,423.34	12,395.52	12,890.56	9,496.60	11,218.59	15,092.84	150,909.79
7000 · Postage and Shipping	-	-	158.77	85.09	869.97	335.75	2,327.67
7010 · Books and Periodical	-	-	49.70	-	-	-	815.98
7030 · Copy Machine	800.15	315.70	315.70	949.02	315.70	315.70	5,682.92
7040 · Outside Printers	-	521.78	464.06	424.33	25.92	416.76	3,825.13
7060 · Office Supplies	(114.57)	132.22	99.91	83.82	249.31	1,400.88	4,754.33
7080 · Computer Hardware/Peripherals	171.16	604.00	1,254.99	171.16	689.01	689.01	2,890.32
7085 · Computer Support Svcs Fixed Costs	855.67	433.67	2,193.34	682.67	454.67	723.34	7,873.04
7090 · Computer Support Svcs Variable Costs	550.00	-	100.00	250.00	328.00	2,100.00	5,530.00
7100 · Computer Software	-	-	89.98	-	-	-	89.98
7105 · Meeting Broadcast Services	-	-	-	975.00	975.00	325.00	2,275.00
7110 · Property and Gen Liability Insurance	341.14	341.14	341.14	341.14	341.14	341.17	4,093.71
7140 · Travel	-	-	-	1,072.33	-	-	7,114.80
7150 · Training, Conferences & Workshops	-	95.00	-	1,150.00	-	95.00	5,805.31
7160 · Vehicle Mileage	-	-	-	257.60	130.48	24.64	1,449.22
7170 · Rental of Buildings	1,926.28	1,926.28	1,926.28	1,926.28	1,926.28	1,926.28	23,115.36
7200 · Telephone Communications	321.00	5.89	403.47	191.99	462.19	324.33	4,347.10
7230 · Temp Help Services (Clerical)	366.52	772.32	-	-	-	-	1,859.19
7242 · Outside Prof. Services: Accounting	3,000.00	3,000.00	3,000.00	3,000.00	3,000.00	6,000.00	36,900.00
7245 · General and Special Legal Services	414.96	-	933.66	414.96	207.48	540.31	3,707.83
7248 · Outside Prof. Services: Annual Audit	-	-	-	-	-	-	13,000.00
7250 · Miscellaneous Office Expense	11.33	24.00	15.92	-	-	-	599.72
7260 · Legal Notices	-	-	714.16	2.00	-	-	1,677.65
7261 · Pass-Through Expense	-	-	350.00	-	-	-	350.00
7270 · Recruitment Advertising	-	-	1,711.06	1,855.38	734.16	520.00	4,820.60
7280 · LAFCO Memberships	-	-	-	-	-	-	4,116.00
7285 · Records Storage & Security	-	363.26	1,227.19	791.96	1,328.65	1,740.99	10,452.05
7300 · Depreciation	115.00	116.00	117.00	114.76	116.73	310.00	1,587.49
8106 · Prior Year Project Fees Returned	3,279.25	-	-	-	-	-	6,379.25
8107 · Use of Contingency Reserve	-	-	-	-	-	-	13,221.00
8130 · (Gain)/Loss on County Investments	-	-	-	(349.74)	-	-	(349.74)
Total Expense	65,542.83	45,056.50	55,628.93	47,830.43	50,211.29	59,584.42	680,999.75
Net Income/(Loss)	\$ (63,705.19)	\$ (45,306.50)	\$ (55,628.93)	\$ (46,963.38)	\$ (50,211.29)	\$ (58,740.73)	\$ 83,109.68

**LAFCO of Monterey County
Accounts Receivable Summary
As of June 30, 2014**

Accounts Receivable-For Fiscal Year Ending 6/2014:

<u>Description</u>	<u>Date</u>	<u>Amount</u>
		<u>\$ -</u>
	ACCT # 1225	<u><u>\$ -</u></u>

*All 2013-2014 fees have been collected.

Draft

**LAFCO of Monterey County
Equipment Summary
As of June 30, 2014**

Equipment and Accumulated Depreciation:

Description	Date In Service	Cost	Amount Depreciated
Computer Equipment	10/24/2005	\$ 6,749.91	\$ 6,749.91
Dell Computer System	6/1/2006	2,268.22	2,268.22
Credenza	9/1/2006	516.20	516.20
Computer Equipment	9/20/2006	3,120.20	3,120.20
Bill Quick Basic Software	8/17/2007	565.00	565.00
Adobe Systems, Inc. Software	1/18/2008	399.00	399.00
HP Compaq DC 9700 Computer	6/23/2009	975.49	975.49
Microsoft Office Pro 2010 Software	6/30/2010	2,041.24	2,041.24
Acrobat V.9 Computer Software	6/30/2010	445.88	445.88
Ergonomic Chair	6/29/2010	502.51	372.00
ThinkPad W510 Laptop	6/30/2010	2,146.73	1,930.00
SNAP OUT Telephone System	7/28/2010	2,185.00	1,597.00
Apple Mbair 13.3 CTO Laptop	6/14/2013	1,990.68	855.00
Microsoft Office Plus 2013 Software	6/16/2014	1,412.00	39.00
Adobe Acrobat XI Pro Software	6/16/2014	1,128.00	31.00
Apple Mbair 13.3 CTO Laptop	6/27/2014	1,914.35	96.00
Acer Aspire V5 Touchscreen Laptop	6/30/2014	759.94	38.00
	ACCT # 1500	\$ 29,120.35	
		ACCT # 1550	\$ 22,039.14

LAFCO of Monterey County
Accounts Payable Summary
As of June 30, 2014

Accounts Payable:

Vendor	Description	Date	Inv#	Amount
AT&T Mobility	Telephone Service 5/14/14-6/13/14	6/13/2014	287257567904x062114	\$ 178.96
Copymat	Outside Printing	6/17/2014	68332	402.85
Corporate Express	Credit on Returned Supplies	6/17/2008	88070801	(43.97)
County of Monterey, Information Technology	Computer Support Services through 6/30/14	6/30/2014	Dept 812 P/E 6/30/14	750.67
County of Monterey, Information Technology	Armstrong Production Services-6/23 Meeting	6/30/2014		325.00
Earth Design ,Inc.	Staff Recruitment Interview on 6/20/14 -4 hrs @ \$130/Hr	6/30/2014	0122-14	520.00
Hayashi Wayland, LLP	Accounting Services	6/30/2014	234598	3,000.00
Office of County Counsel- Co of Monterey	Legal Services for June 2014	6/30/2014	14-000173	402.86
Pitney Bowes	Credit on Returned Supplies	6/8/2014	80000-9090-0108-3604	(721.85)
Quality Water Enterprises, Inc.	Water Stand Rental and Water	6/20/2014	484389	19.46
SDRMA	2013-2014 W/C Balance Due	6/30/2014	7149/47881	2,586.17
SlingShot Connections	Temp Services: Jimenez, Alma for W/E 5/18/14	5/21/2014	3391	209.44
SlingShot Connections	Temp Services: Jimenez, Alma for W/E 5/25/14	5/29/2014	3433	281.44
SlingShot Connections	Temp Services: Jimenez, Alma for W/E 6/1/14	6/5/2014	3482	189.81
SlingShot Connections	Temp Services: Jimenez, Alma for W/E 6/8/14	6/12/2014	3526	297.80
SlingShot Connections	Temp Services: Jimenez, Alma for W/E 6/15/14	6/19/2014	3579	196.35
SlingShot Connections	Temp Services: Jimenez, Alma for W/E 6/22/14	6/26/2014	3635	523.61
SlingShot Connections	Temp Services: Jimenez, Alma for W/E 6/29/14	6/30/2014	3694	533.42
Staples Advantage	Office Supplies	6/21/2014	3234666408	213.31
Staples Advantage	Office Supplies	6/24/2014	3234723076	7.43
Staples Advantage	Office Supplies	6/25/2014	3234796798	25.36
Staples Advantage	Office Supplies	6/26/2014	3234863327	2.59
Staples Advantage	Office Supplies	6/27/2014	3234927315	142.48
Staples Advantage	Office Supplies	6/30/2014	3235502903	172.86
Staples Advantage	Office Supplies	6/30/2014	3236261741	154.11
Sunrise Express	6/13/14 Binder Deliveries	6/30/2014	643362	212.58
Thom McCue	Mileage Reimbursement 4/1/14-6/30/14	6/30/2014	4/1/14-6/30/14	24.64
Rabobank Visa Card X6757	Office Supplies; Computer Equipment; Regional Meeting	6/30/2014		3,733.20
			ACCT # 2000	<u>\$ 14,340.58</u>

**LAFCO of Monterey County
Accrued Leave Summary
As of June 30, 2014**

Executive Officer and Analyst Positions:

Employee	Title	Total Hours of Accrued Annual Leave *	Hourly Rate	Annual Leave Book Value
Kate McKenna	Executive Director	456.41	76.31	\$ 34,828.65
Darren McBain	Senior Analyst	49.00	39.15	1,918.35
				\$ 36,747.00

Clerk / Administrative Secretary Position:

Employee	Accrued Sick Leave	Accrued Vacation **	Hourly Rate	Sick Leave Book Value	Vacation Book Value
Gail Lawrence	55.96	33.53	27.91	\$ 1,561.84	\$ 935.82

Annual Leave	\$ 36,747.00
Sick Leave	1,561.84
Vacation	935.82
Compensatory Time***	755.48
ACCT # 2220	\$ 40,000.14

Executive Officer and Senior Analyst Positions:

* Maximum of 250 or 850 hours of Annual Leave may be accrued. This is a general description of benefits only. Actual benefits are defined in individual employment agreements.

Clerk/Admin Secretary Position:

** Maximum of 260 hours of Accrued Vacation may be accrued. This is a general description of benefits only. Actual benefits are defined in employment agreement.

***Compensatory time: Overtime eligible employees can accrue compensatory time-off in lieu of overtime payments. A maximum of 80 hours of compensatory time may be accrued. The compensatory time off balances are considered current year liabilities. These benefits are a general description only.

**LAFCO of Monterey County
Detail of Encumbrances
As of June 30, 2014**

Human Resources Encumbered Funds:

Subject	Date Paid/ Inv. No.	Add'l Funds Received/(Paid)	Remaining Balance
Contract Transfer*			\$ 3,460.00
06-07 Budget Carryover		5,000.00	8,460.00
Fenton & Keller	10/04/07 Inv No. 60042	(1,233.00)	7,227.00
Fenton & Keller	4/30/07 Inv. No. 62165	(2,764.50)	4,462.50
07-08 Budget Carryover		400.00	4,862.50
08-09 Budget Carryover		500.00	5,362.50
09-10 Budget Carryover		500.00	5,862.50
Fenton & Keller	10/27/10 Inv No. 69698	(467.50)	5,395.00
10-11 Budget Carryover		500.00	5,895.00
11-12 Budget Carryover		500.00	6,395.00
12-13 Budget Carryover		500.00	6,895.00
		ACCT # 3710	\$ 6,895.00

*RGS was replaced by Fenton & Keller in September 2007.
The original contract with RGS was for \$10,000. The balance of \$3,460 was transferred to Fenton & Keller on September 1, 2007.

**LAFCO of Monterey County
Detail of Reserve for Litigation Account
As of June 30, 2014**

Reserve for Litigation:

Date	Vendor/Description	Invoice #	Amount
	Beginning Balance as of 7/1/08		\$ 18,330.28
7/1/2008	08/09 Budget Amount		25,000.00
8/22/2008	Office of County Counsel-Co. of Monterey	08-000147	(564.69)
8/27/2008	Best, Best & Krieger	582486	(2,713.66)
10/14/2008	Best, Best & Krieger	586916	(390.00) *
2/19/2009	Best, Best & Krieger	596717	(2,106.00) *
3/13/2009	Best, Best & Krieger	598793	(19.50)
3/13/2009	Best, Best & Krieger	599174	(6,907.12) *
4/22/2009	Best, Best & Krieger	601472	(156.00)
5/26/2009	Best, Best & Krieger	603629	(175.50)
7/1/2009	09/10 Budget Amount		10,000.00
10/15/2009	Best, Best & Krieger	614071	(312.00)
7/1/2010	10/11 Budget Amount		30,000.00
6/30/2011	Transfer from Unreserved Fund		174,950.70
7/1/2011	11/12 Budget Amount		30,000.00
7/1/2012	12/13 Budget Amount		25,000.00
7/1/2013	13/14 Budget Amount		100.00
		ACCT # 3800	\$ <u>300,036.51</u>

*The original invoice is greater than the amount stated above. This is the amount allocated to the litigation reserve. The remaining balance is allocated to general and special legal services.

**LAFCO of Monterey County
Detail of Reserve for Contingency Account
As of June 30, 2014**

Reserve for Contingency:

Date	Vendor/Description	Invoice #	Amount
	Beginning Balance as of 7/1/13		\$ 170,000.00
10/8/2013	Soledad Community Health Care District*		<u>(13,221.00)</u>
		ACCT # 3800	<u>\$ 156,779.00</u>

*The Executive Director of Lafco along with the Commission approved a one time contribution from the Contingency Reserve to go toward the 2013-2014 fees due from Soledad Community Health Care District. This was intended to provide short term relief from hardships of a sudden 200-fold increase as compared to previous years. The original amount invoiced was \$13,722.00. Lafco received payment in the amount of \$501.00.

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: December 1, 2014
TO: Chair and Members of the Formation Commission
FROM: Kate McKenna, AICP, Executive Officer
SUBJECT: DRAFT FINANCIAL STATEMENTS FOR SEPTEMBER 30, 2014

SUMMARY OF RECOMMENDATION:

The Budget and Finance Committee recommends that the Commission:

1. Receive report from Executive Officer;
2. Seek public comment, and
3. Adopt the draft Financial Statements for the Quarter One Period ending September 30, 2014.

EXECUTIVE OFFICER'S REPORT:

The Budget and Finance Committee met on November 7 to review and recommend adoption of financial statements for the first quarter ending September 30, 2014.

Income and expenses are as anticipated for this period. As of September 30, almost all contributions had been received from local agencies (all contributions were received by November 1). Actual expenses are below the budgeted expenses.

Mr. Mike Briley, CPA and Managing Partner, Hayashi Wayland, will be available to assist in responding to questions.

Respectfully Submitted,



Kate McKenna, AICP
Executive Officer

Enclosure:
Draft Financial Statements, September 30, 2014

**Local Agency Formation Commission
of Monterey County
Financial Statements
September 30, 2014**

Draft

**LOCAL AGENCY FORMATION COMMISSION
OF MONTEREY COUNTY**

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HAYASHI | WAYLAND

ACCOUNTANTS' COMPILATION REPORT

**To the Chair and Commissioners
Local Agency Formation Commission
LAFCO of Monterey County
Salinas, California**

We have compiled the accompanying financial statements of the **Local Agency Formation Commission of Monterey County (LAFCO)** as of and for the three months ended September 30, 2014. We have not audited or reviewed the financial statements included in the accompanying prescribed form and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

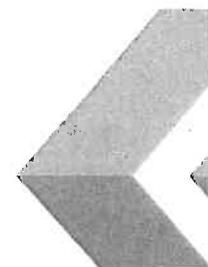
Management is responsible for the preparation and fair presentation of the financial statements included in the form prescribed by LAFCO and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist LAFCO in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

The financial statements included in the accompanying prescribed form are presented in accordance with the requirements of LAFCO, which differ from accounting principles generally accepted in the United States of America. Accordingly, these financial statements are not designed for those who are not informed about such differences.

We are not independent with respect to LAFCO.

October 31, 2014



**LAFCO of Monterey County
Balance Sheets
September 30, 2014 and 2013**

ASSETS			
	ACCT #	2014	2013
CURRENT ASSETS:			
Cash Held in Rabobank:			
Rabobank Operating	1000	\$ 196,870.03	\$ 93,356.64
Total Cash Held in Rabobank		<u>196,870.03</u>	<u>93,356.64</u>
Cash Held in County Treasury:			
Cash Held for Operating Expenses	1010	718,993.10	661,250.83
Designated Cash for Reserve for Litigation	1012	300,036.51	300,036.51
Designated Cash for Accrued Leave	1013	42,069.81	40,484.56
Designated Cash for Post Retirement (GASB 45)	1014	9,968.00	9,084.00
Designated Cash for Reserve for Contingency	1015	<u>156,779.00</u>	<u>170,000.00</u>
Total Cash Held in County Treasury		<u>1,227,846.42</u>	<u>1,180,855.90</u>
Petty Cash	1100	100.00	100.00
Total Cash		<u>1,424,816.45</u>	<u>1,274,312.54</u>
Other Current Assets:			
Accounts Receivable - For Fiscal Yr Ending 6/14	1226	-	63,323.64
Accounts Receivable - For Fiscal Yr Ending 6/15	1227	5,230.80	-
Prepaid Insurance	1400	4,986.04	8,754.46
Prepaid Expenses	1405	<u>2,241.98</u>	<u>2,241.98</u>
Total Other Current Assets		<u>12,458.82</u>	<u>74,320.08</u>
Total Current Assets		<u>1,437,275.27</u>	<u>1,348,632.62</u>
PROPERTY AND EQUIPMENT:			
Equipment	1500	29,120.35	23,906.06
Accumulated Depreciation	1550	<u>(22,737.14)</u>	<u>(20,800.65)</u>
Total Property and Equipment		<u>6,383.21</u>	<u>3,105.41</u>
TOTAL ASSETS		<u>\$ 1,443,658.48</u>	<u>\$ 1,351,738.03</u>
LIABILITIES AND EQUITY			
	ACCT #	2014	2013
CURRENT LIABILITIES:			
Accounts Payable	2000	\$ 6,131.83	\$ 15,582.07
Payroll Liabilities	2200	192.12	630.00
Accrued Leave	2220	42,069.81	40,484.56
Post Retirement (GASB 45)	2230	<u>9,968.00</u>	<u>9,084.00</u>
Total Current Liabilities		<u>58,361.76</u>	<u>65,780.63</u>
Total Liabilities		<u>58,361.76</u>	<u>65,780.63</u>
EQUITY:			
Invested in Capital Assets	3700	6,383.21	3,105.41
Encumbered Funds	3710	14,789.40	6,895.00
Reserve for Litigation	3800	300,036.51	300,036.51
Reserve for Contingency	3810	156,779.00	170,000.00
Unreserved Fund**	3850	<u>907,308.60</u>	<u>805,920.48</u>
Total Equity		<u>1,385,296.72</u>	<u>1,285,957.40</u>
TOTAL LIABILITIES AND EQUITY		<u>\$ 1,443,658.48</u>	<u>\$ 1,351,738.03</u>

**Includes revenue received in the current year to be used for operating expenses through 6/30/15

LAFCO of Monterey County
Income and Expense Budget Performance - Summary
September 30, 2014

ACCT #	Income:	Sept 14	Sept 13	% of Budget Received/ Spent Sept 14	July 14-Sept 14	July 13-Sept 13	Adopted 14/15 Budget	Remaining Budget Balance	% of Remaining Budget Balance
4000	Fees: Project	\$ 3,000.00	\$ -	30.00%	\$ 6,750.00	\$ 10,552.27	\$ 10,000.00	\$ (3,250.00)	-32.50%
4205	County Contributions	-	-	0.00%	249,367.00	250,164.00	249,367.00	-	0.00%
4210	City Contributions	-	-	0.00%	249,366.99	250,164.01	249,367.00	(0.01)	0.00%
4220	District Contributions	-	-	0.00%	249,367.00	250,166.00	249,366.00	1.00	0.00%
4300	Interest	-	-	0.00%	-	-	1,500.00	(1,500.00)	-100.00%
	Total Income	3,000.00	-	0.39%	754,850.99	761,046.28	759,600.00	(4,749.01)	-0.63%
	Expense:								
VAR	Employee Salaries	28,666.50	28,212.70	6.84%	95,039.98	98,429.94	419,000.00	323,960.02	77.32%
VAR	Employee Benefits	9,933.32	14,243.65	5.37%	30,729.90	38,930.43	185,000.00	154,270.10	83.39%
7000	Postage and Shipping	158.77	387.03	5.29%	198.60	520.03	3,000.00	2,801.40	93.38%
7010	Books and Periodical	161.32	-	16.13%	399.32	238.00	1,000.00	600.68	60.07%
7030	Copy Machine	315.70	315.70	4.86%	1,499.58	917.54	6,500.00	5,000.42	76.93%
7040	Outside Printers	-	269.49	0.00%	-	877.01	5,000.00	5,000.00	100.00%
7060	Office Supplies	567.74	180.06	12.62%	1,109.16	1,170.93	4,500.00	3,390.84	75.35%
7080	Computer Hardware/Peripherals	171.16	-	6.85%	497.69	-	2,500.00	2,002.31	80.09%
7085	Computer Support Svcs Fixed Costs	-	1,298.34	0.00%	-	1,298.34	7,500.00	7,500.00	100.00%
7090	Computer Support Svcs Variable Costs	-	600.00	0.00%	-	600.00	6,000.00	6,000.00	100.00%
7100	Computer Software	-	-	0.00%	161.93	-	500.00	338.07	67.61%
7105	Meeting Broadcast Services	-	-	0.00%	-	-	3,300.00	3,300.00	100.00%
7110	Property and Gen Liability Insurance	422.30	341.14	7.97%	1,266.90	1,023.42	5,300.00	4,033.10	76.10%
7120	Office Maintenance Services	-	-	0.00%	-	-	400.00	400.00	100.00%
7140	Travel	-	4,285.95	0.00%	-	5,671.41	7,000.00	7,000.00	100.00%
7145	CaLafco Travel Expenses	-	1.59	0.00%	-	-	-	-	0.00%
7150	Training, Conferences & Workshops	-	80.12	0.00%	80.12	4,255.19	8,500.00	8,419.88	99.06%
7160	Vehicle Mileage	-	501.49	0.00%	-	501.49	2,000.00	2,000.00	100.00%
7170	Rental of Buildings	1,926.28	1,926.28	8.27%	5,778.84	5,778.84	23,300.00	17,521.16	75.20%
7200	Telephone Communications	427.50	650.40	7.13%	2,123.83	1,202.24	6,000.00	3,876.17	64.60%
7230	Temporary Help Services (Clerical)	-	-	0.00%	-	-	2,000.00	2,000.00	100.00%
7242	Outside Prof. Services: Accounting	3,000.00	3,000.00	8.00%	6,000.00	6,000.00	37,500.00	31,500.00	84.00%
7245	General and Special Legal Services	-	414.96	0.00%	-	414.96	11,500.00	11,500.00	100.00%
7248	Outside Prof. Services: Annual Audit	5,000.00	5,000.00	38.46%	5,000.00	5,000.00	13,000.00	8,000.00	61.54%
7250	Miscellaneous Office Expense	19.46	143.73	3.24%	52.21	371.52	600.00	547.79	91.30%
7260	Legal Notices	236.25	-	5.91%	236.25	645.69	4,000.00	3,763.75	94.09%
7280	LAFCO Memberships	-	-	0.00%	3,158.00	3,111.00	4,700.00	1,542.00	32.81%
7285	Records Storage & Security	1,154.00	785.40	11.54%	2,898.00	2,801.26	10,000.00	7,102.00	71.02%
7300	Depreciation	231.00	117.00	0.00%	698.00	349.00	-	(698.00)	0.00%
	Total Expense	52,391.30	62,755.03	6.72%	156,928.31	180,108.24	779,600.00	622,671.69	79.87%
	Net Ordinary Income (Loss)	(49,391.30)	(62,755.03)		597,922.68	580,938.04	(20,000.00)		
	Other Income/(Expense):								
8110	From Unreserved Funds	-	-		-	-	20,000.00		
8112	Encumbered Funds: Recruitment Advertising	(180.00)	-		(755.00)	-	-		
	Total Other Income/(Expense)	(180.00)	-		(755.00)	-	20,000.00		
	Net Income (Loss)	\$ (49,571.30)	\$ (62,755.03)		\$ 597,167.68	\$ 580,938.04	\$ -		

LAFCO of Monterey County
Income and Expense by Month
September 30, 2014

	July 14	Aug 14	Sept 14	Total
Ordinary Income/Expense				
Income:				
4000 · Fees: Project	\$ -	\$ 3,750.00	\$ 3,000.00	\$ 6,750.00
4205 · County Contributions	249,367.00	-	-	249,367.00
4210 · City Contributions	249,366.99	-	-	249,366.99
4220 · District Contributions	249,367.00	-	-	249,367.00
Total Income	748,100.99	3,750.00	3,000.00	754,850.99
Expense:				
6000 · Employee Salaries	25,950.44	40,423.04	28,666.50	95,039.98
6100 · Employee Benefits	9,191.20	11,605.38	9,933.32	30,729.90
7000 · Postage and Shipping	-	39.83	158.77	198.60
7010 · Books and Periodical	238.00	-	161.32	399.32
7030 · Copy Machine	315.70	868.18	315.70	1,499.58
7060 · Office Supplies	92.57	448.85	567.74	1,109.16
7080 · Computer Hardware/Peripherals	155.37	171.16	171.16	497.69
7100 · Computer Software	81.95	79.98	-	161.93
7110 · Property and Gen Liability Insurance	422.30	422.30	422.30	1,266.90
7150 · Training, Conferences & Workshops	-	80.12	-	80.12
7170 · Rental of Buildings	1,926.28	1,926.28	1,926.28	5,778.84
7200 · Telephone Communications	149.36	1,546.97	427.50	2,123.83
7242 · Outside Prof. Services: Accounting	-	3,000.00	3,000.00	6,000.00
7248 · Outside Prof. Services: Annual Audit	-	-	5,000.00	5,000.00
7250 · Miscellaneous Office Expense	12.00	20.75	19.46	52.21
7260 · Legal Notices	-	-	236.25	236.25
7280 · LAFCO Memberships	3,158.00	-	-	3,158.00
7285 · Records Storage & Security	1,152.00	592.00	1,154.00	2,898.00
7300 · Depreciation	232.00	235.00	231.00	698.00
8112 · Encumbered Funds: Recruitment Advertising	575.00	-	180.00	755.00
Total Expense	43,652.17	61,459.84	52,571.30	157,683.31
Net Income/(Loss)	\$ 704,448.82	\$ (57,709.84)	\$ (49,571.30)	\$ 597,167.68

**LAFCO of Monterey County
Accounts Receivable Summary
As of September 30, 2014**

Accounts Receivable-For Fiscal Year Ending 6/2015:

<u>Description</u>	<u>Date</u>	<u>Amount</u>
Greenfield	7/1/14	\$ 4,595.80
Mission-Soledad FPD	7/1/14	290.00
Monterey Co. Resource Conservation	7/1/14	9.00
Spreckels Memorial District	7/1/14	<u>336.00</u>
	ACCT # 1227	<u>\$ 5,230.80</u>

Draft

**LAFCO of Monterey County
Equipment Summary
As of September 30, 2014**

Equipment and Accumulated Depreciation:

Description	Date In Service	Cost	Amount Depreciated
Computer Equipment	10/24/2005	\$ 6,749.91	\$ 6,749.91
Dell Computer System	6/1/2006	2,268.22	2,268.22
Credenza	9/1/2006	516.20	516.20
Computer Equipment	9/20/2006	3,120.20	3,120.20
Bill Quick Basic Software	8/17/2007	565.00	565.00
Adobe Systems, Inc. Software	1/18/2008	399.00	399.00
HP Compaq DC 9700 Computer	6/23/2009	975.49	975.49
Microsoft Office Pro 2010 Software	6/30/2010	2,041.24	2,041.24
Acrobat V.9 Computer Software	6/30/2010	445.88	445.88
Ergonomic Chair	6/29/2010	502.51	383.00
ThinkPad W510 Laptop	6/30/2010	2,146.73	1,989.00
SNAP OUT Telephone System	7/28/2010	2,185.00	1,645.00
Apple Mbair 13.3 CTO Laptop	6/14/2013	1,990.68	969.00
Microsoft Office Plus 2013 Software	6/16/2014	1,412.00	157.00
Adobe Acrobat XI Pro Software	6/16/2014	1,128.00	125.00
Apple Mbair 13.3 CTO Laptop	6/27/2014	1,914.35	278.00
Acer Aspire V5 Touchscreen Laptop	6/30/2014	759.94	110.00
	ACCT # 1500	\$ 29,120.35	
		ACCT # 1550	\$ 22,737.14

LAFCO of Monterey County
Accounts Payable Summary
As of September 30, 2014

Accounts Payable:

Vendor	Description	Date	Inv#	Amount
AT&T Mobility	Telephone Expense 8/14/14-9/13/14	9/13/2014	8/14/14-9/13/14	\$ 276.88
Bianchi, Kasavan & Pope, LLP	Progress Billing #1 Audit Services 2014-2015	9/30/2014	181420	5,000.00
Corporate Express	Credit on Returned Supplies	6/17/2008	88070801	(43.97)
Monterey County Herald	24 Week Subscription	9/24/2014		161.32
Pitney Bowes	Credit on Returned Supplies	6/8/2014	80000-9090-0108-3604	(721.85)
Quality Water Enterprises, Inc.	Water Stand Rental and Water	9/20/2014	484389	19.46
SlingShot Connections	Temp Services: Jimenez, Alma for W/E 9/21/14	9/24/2014	4372	636.00
Staples Advantage	Office Supplies	9/24/2014	3243314224	395.01
The Salinas Californian	Notice of Public Hearings 9/1/14-9/28/14	9/28/2014	2845744	236.25
Rabobank Visa Card X6757	Chair from Staples Advantage	9/23/2014		172.73
			ACCT # 2000	\$ 6,131.83

Draft

**LAFCO of Monterey County
Accrued Leave Summary
As of September 30, 2014**

Executive Officer and Analyst Positions:

Employee	Title	Total Hours of Accrued Annual Leave *	Hourly Rate	Annual Leave Book Value
Kate McKenna	Executive Director	482.58	77.84	\$ 37,564.03
Darren McBain	Senior Analyst	11.40	39.15	446.31
				<u>\$ 38,010.34</u>

Clerk / Administrative Secretary Position:

Employee	Accrued Sick Leave	Accrued Vacation **	Hourly Rate	Sick Leave Book Value	Vacation Book Value
Gail Lawrence	59.02	59.36	27.91	\$ 1,647.25	\$ 1,656.74

Annual Leave	\$ 38,010.34
Sick Leave	1,647.25
Vacation	1,656.74
Compensatory Time***	<u>755.48</u>
ACCT # 2220	<u>\$ 42,069.81</u>

Executive Officer and Senior Analyst Positions:

* Maximum of 250 or 850 hours of Annual Leave may be accrued. This is a general description of benefits only. Actual benefits are defined in individual employment agreements.

Clerk/Admin Secretary Position:

** Maximum of 260 hours of Accrued Vacation may be accrued. This is a general description of benefits only. Actual benefits are defined in employment agreement.

***Compensatory time: Overtime eligible employees can accrue compensatory time-off in lieu of overtime payments. A maximum of 80 hours of compensatory time may be accrued. The compensatory time off balances are considered current year liabilities. These benefits are a general description only.

**LAFCO of Monterey County
Detail of Encumbrances
As of September 30, 2014**

Encumbered Funds:

Subject	Date Paid/ Inv. No.	Funds Received/(Paid)
Human Resources Encumbered Funds:		
Contract Transfer*		\$ 3,460.00
06-07 Budget Carryover		5,000.00
Fenton & Keller	10/04/07 Inv No. 60042	(1,233.00)
Fenton & Keller	4/30/07 Inv. No. 62165	(2,764.50)
07-08 Budget Carryover		400.00
08-09 Budget Carryover		500.00
09-10 Budget Carryover		500.00
Fenton & Keller	10/27/10 Inv. No. 69698	(467.50)
10-11 Budget Carryover		500.00
11-12 Budget Carryover		500.00
12-13 Budget Carryover		500.00
		<u>6,895.00</u>
Computer Support Svc Variable Encumbered Funds:		
13-14 Budget Carryover		5,470.00
		<u>5,470.00</u>
Recruitment Advertising Encumbered Funds:		
13-14 Budget Carryover		3,179.40
ID Concepts, LLC	7/7/2014	(115.00)
Hardee Investigations	7/15/14 Inv. No. LAFCO-01	(460.00)
Hardee Investigations	9/11/14 Inv. No. LAFCO-02	(180.00)
		<u>2,424.40</u>
	ACCT # 3710	\$ <u>14,789.40</u>

*RGS was replaced by Fenton & Keller in September 2007.

The original contract with RGS was for \$10,000. The balance of \$3,460 was transferred to Fenton & Keller on September 1, 2007.

**LAFCO of Monterey County
Detail of Reserve for Litigation Account
As of September 30, 2014**

Reserve for Litigation:

Date	Vendor/Description	Invoice #	Amount
	Beginning Balance as of 7/1/08		\$ 18,330.28
7/1/2008	08/09 Budget Amount		25,000.00
8/22/2008	Office of County Counsel-Co. of Monterey	08-000147	(564.69)
8/27/2008	Best, Best & Krieger	582486	(2,713.66)
10/14/2008	Best, Best & Krieger	586916	(390.00) *
2/19/2009	Best, Best & Krieger	596717	(2,106.00) *
3/13/2009	Best, Best & Krieger	598793	(19.50)
3/13/2009	Best, Best & Krieger	599174	(6,907.12) *
4/22/2009	Best, Best & Krieger	601472	(156.00)
5/26/2009	Best, Best & Krieger	603629	(175.50)
7/1/2009	09/10 Budget Amount		10,000.00
10/15/2009	Best, Best & Krieger	614071	(312.00)
7/1/2010	10/11 Budget Amount		30,000.00
6/30/2011	Transfer from Unreserved Fund		174,950.70
7/1/2011	11/12 Budget Amount		30,000.00
7/1/2012	12/13 Budget Amount		25,000.00
7/1/2013	13/14 Budget Amount		100.00
		ACCT # 3800	\$ 300,036.51

*The original invoice is greater than the amount stated above. This is the amount allocated to the litigation reserve. The remaining balance is allocated to general and special legal services.

**LAFCO of Monterey County
Detail of Reserve for Contingency Account
As of September 30, 2014**

Reserve for Contingency:

Date	Vendor/Description	Invoice #	Amount
	Beginning Balance as of 7/1/13		\$ 170,000.00
10/8/2013	Soledad Community Health Care District*		<u>(13,221.00)</u>
		ACCT # 3800	<u>\$ 156,779.00</u>

*The Executive Director of Lafco along with the Commission approved a one time contribution from the Contingency Reserve to go toward the 2013-2014 fees due from Soledad Community Health Care District. This was intended to provide short term relief from hardships of a sudden 200-fold increase as compared to previous years. The original amount invoiced was \$13,722.00. Lafco received payment in the amount of \$501.00.

As 2014 draws to a close, two staff members will attend a CALAFCO University class on legal topics on December 8. Attachment 3 is CALAFCO's 2015 Events Calendar, including an April staff workshop (Grass Valley) and a September annual conference (Sacramento). Executive Officer Kate McKenna has volunteered to serve on the 2015 conference planning committee. Two CALAFCO University classes will be scheduled and added to the 2015 Calendar.

Attachment 4 is the October 2014 issue of "The Sphere" publication by CALAFCO.

2014 Chaptered Legislation (Information)

Highlights of 2014 chaptered legislation affecting LAFCO are presented on pages 12-14 of The Sphere. Staff will perform a detailed review of LAFCO's locally adopted policies and procedures to determine whether any updates are needed to comply with the law. Any recommended updates will be presented at the Commission's next meeting in January 2015.

2015 Legislative Program (Information or Action)

Pages 13-14 of The Sphere discuss CALAFCO's 2015 legislative proposals and activities. CALAFCO has requested input on additions or changes to the Cortese-Knox-Hertzberg Act or other ideas for 2015 LAFCO-related legislation. Annual review of CALAFCO's legislative program by our LAFCO is an early opportunity to help shape CALAFCO's issues and positions for the coming legislative season. The CALAFCO Board will consider input from member LAFCOs in December, and will adopt initial 2015 legislative priorities at that time. Based on that guidance, the CALAFCO Legislative Committee will review all LAFCO-related legislation and recommend actions by the Board of Directors. Member LAFCOs will have the opportunity to comment on legislation to CALAFCO, or directly to legislators, throughout the season.

The Commission may offer comments or suggestions regarding any of the identified 2015 legislative proposals, or offer other input to CALAFCO.

2015 Legislative Proposal – LAFCO Oversight of Joint Powers Authorities (Action Item)

A CALAFCO working group has drafted a legislative proposal on the topic of LAFCO oversight of Joint Powers Authorities (Attachment 5). CALAFCO has requested comments. Attachment 6 is a draft comment letter for review and possible action, expressing concerns about the proposal.

A Joint Powers Authority (JPA) is an entity in which two or more public agency members, such as cities or special districts, agree to jointly exercise any power common to all the JPA's members. LAFCO has existing legal authority to study and consider JPAs in Municipal Service Reviews, and to directly regulate the services and boundaries of individual member agencies within JPAs. However, JPAs themselves exist outside LAFCO's regulatory oversight, and do not have LAFCO-regulated boundaries or spheres of influence. A 2014 chaptered law, taking effect on January 1, 2015, specifically identifies that LAFCO is authorized to request information for studies, and that JPAs are required to respond to such requests.

CALAFCO's JPA Working Group has drafted a proposal to create additional JPA-related requirements. The proposal, including language changes in the Cortese-Knox-Hertzberg Act, is provided as Attachment 5 and was discussed at October's CALAFCO conference. In summary, the proposed changes would:

1. Expand and add a new requirement for JPAs to file copies of their agreements and amendments with LAFCOs in step with existing reporting to the Secretary of State,
2. Clarify existing law to allow LAFCOs to include JPAs in municipal service reviews for purposes of assessing the availability and adequacy of governmental services within a defined region if deemed appropriate by local commissions, and

3. Clarify existing law to define JPAs as public agencies for purposes of eligible entities to contract for new/extended outside services and confirm applicability of exemptions are determined by LAFCOs.

In consultation with LAFCO General Counsel Girard, the Executive Officer has identified several concerns in the attached draft comment letter.

ALTERNATIVE ACTIONS:

In lieu of authorizing the recommended comment letter (Attachment 6), the Commission may direct the Executive Officer to forward a different set of comments, or no comments, to the CALAFCO Legislative Committee. The Commission may also provide other CALAFCO-related direction, as appropriate.

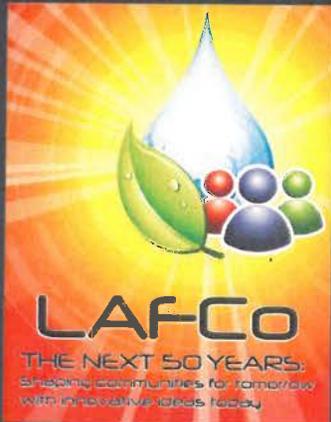
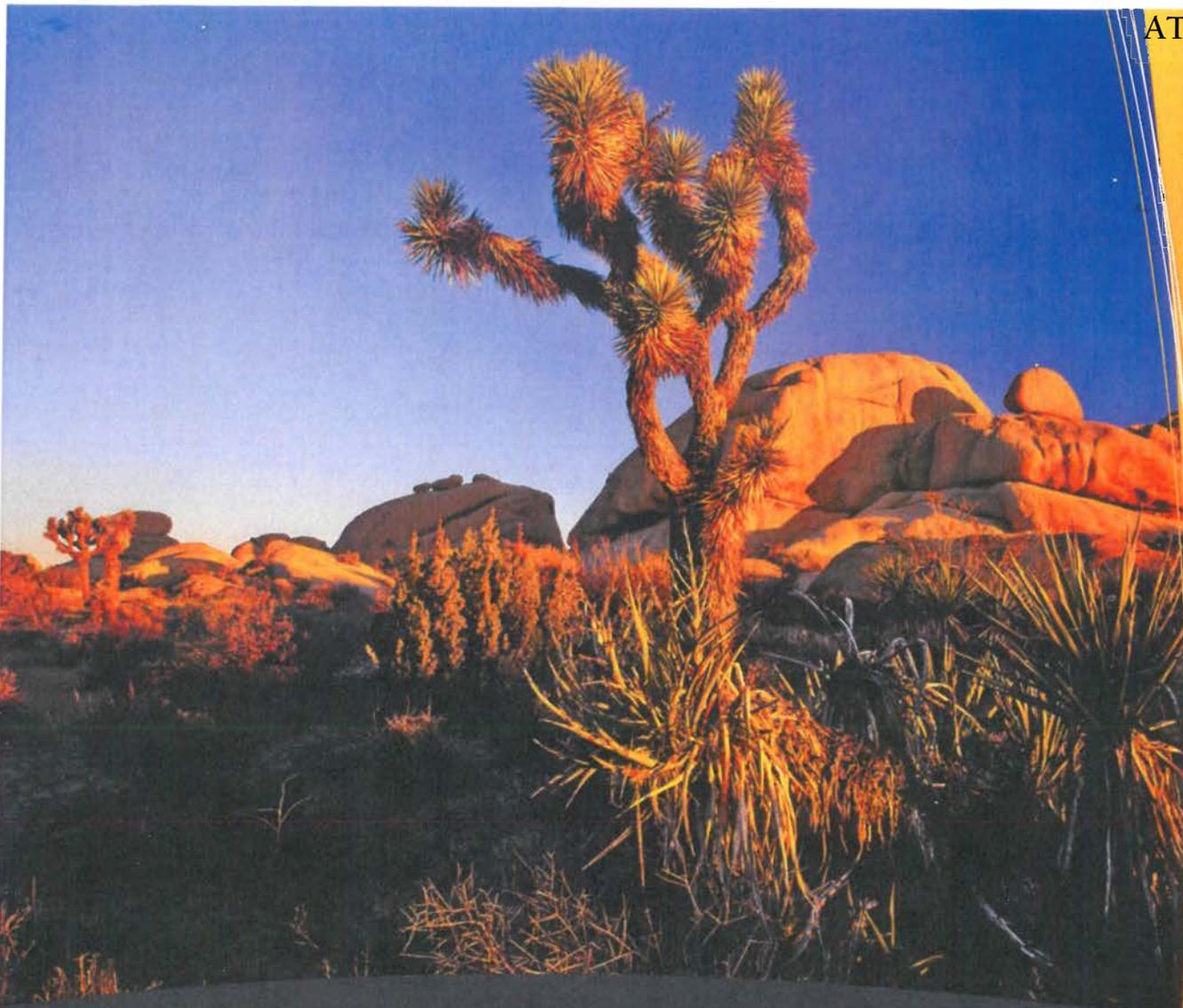
Respectfully Submitted,



Kate McKenna, AICP
Executive Officer

Attachments:

1. 2014 CALAFCO Annual Conference Program (Information)
2. CALAFCO Executive Director Pamela Miller letter dated October 28, 2014 (Information)
3. CALAFCO 2015 Events Calendar (Information)
4. The Sphere, October 2014 (Information)
5. CALAFCO's Joint Powers Authority Work Group Draft Proposal to the CALAFCO Legislative Committee (Information)
6. Draft Comment Letter Regarding a CALAFCO Legislative Proposal Relating to LAFCO Oversight of JPAs (Action Item)



The 2014 CALAFCO Annual Conference

October 15-17, 2014

At the DoubleTree by Hilton Hotel Ontario Airport, Ontario, CA

Hosted by San Bernardino LAFCo



LAFCO - The Next 50 Years: Shaping Communities for Tomorrow with Innovative Ideas Today .



Conference Schedule at a Glance

Wednesday, October 15

- 8:00 am Mobile Workshop
- 10:00 LAFCo 101: *Understanding & Applying the Basics*
- 1:30 pm Conference Opening: *Welcoming Remarks*
- 2:00 General Session: *Walking With Dinosaurs*
- 2:55 Refreshment Break
- 3:05 General Session: *Cyber Security: Are You and Your Public Agency Adequately Protected?*
- 4:10 General Session: *Groundwater Basins: Governance Today & in the Future*
- 6:00 Oktoberfest - 8th CALAFCO Beer and Wine Competition and Reception
Dinner on your own

Thursday, October 16

- 7:00 am Breakfast
- 8:00 Regional Caucus Meetings and Elections
- 9:00 CALAFCO Annual Business Meeting
- 10:15 Refreshment Break
- 10:30 Breakout Sessions:
Regional Roundtables, and Legal and Associate Member Roundtables
- 12:00 pm Luncheon Keynote
- 1:45 Breakout Sessions:
 - *Lead by Design. Create Your Future Using Next Generation GIS Technology Today*
 - *Water Supply & Analysis: Policies & Practices*
 - *Shared Services: Growing Trends in Collaborative Service Delivery*
- 3:15 Refreshment Break
- 3:30 Breakout Sessions:
 - *Do We Really Need to Protect Our Mineral Resources?*
 - *LAFCos and Joint Power Authorities: Defining a Relationship That Makes Sense*
 - *Performance Evaluations: Do They Help or Hinder Performance?*
- 6:00 Banquet Reception
- 7:00 Dinner & Achievement Awards Ceremony

Friday, October 17

- 7:30 am Breakfast
- 7:30 CALAFCO Board of Directors Meeting
- 9:00 Breakout Sessions:
 - *Connecting LAFCos and COGs For Mutual Benefit*
 - *How to Effectively Engage the Public in LAFCo Actions*
 - *SOIs: They're Not That Scary*
- 10:30 Refreshment Break
- 10:45 General Session: *Legislative Update*
- 12:00 pm Conference Adjourns



On behalf of the CALAFCO Board of Directors, I want to welcome you to our Annual Conference in Ontario. Thank you for joining us as we gather to shape communities of tomorrow with innovative ideas today. I encourage you to take advantage of the various educational and networking opportunities that are planned over the next several days. We've come from around the state to discuss statewide and local issues critical to LAFCo, learn from speakers and consultants who are experts in their fields, and share ideas with one another.

I hope you enjoy the conference!

Mary Jane Griego

Commissioner, Yuba LAFCo
CALAFCO Chair of the Board

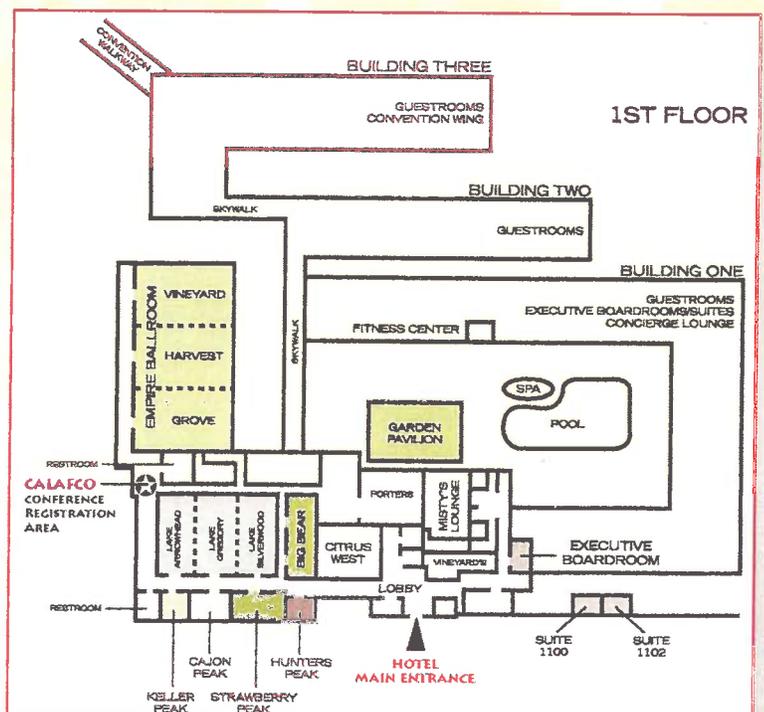


On behalf of San Bernardino LAFCo and the CALAFCO Conference Committee, I am honored and delighted to welcome you to the 2014 CALAFCO Annual Conference. This conference offers a unique opportunity for LAFCos around the state to get together and talk about our role as LAFCos for the next 50 years. I am confident the content-rich sessions will showcase how LAFCos can utilize innovative ideas today to form our communities of tomorrow.

I want to thank you for taking the time to participate in this event.

James Curatalo

Chair, San Bernardino LAFCo
Chair, CALAFCO Conference Committee



8:00 am - 12:45 pm **Mobile Workshop**

Bus leaves promptly at 8:00 am

A tour of the Frontier Project, a LEED Platinum certified 14,000 square foot demonstration facility, followed by a winery tour & wine tasting event at the family-owned Joseph Filippi Winery, and lunch at the Magic Lamp Inn (a landmark diner along old historic Route 66).

10:00 am - 12:00 pm **Pre-conference Session - LAFCo 101: Understanding & Applying the Basics**

LAKE ARROWHEAD

This informative presentation is intended to assist elected officials and staff members of counties, cities, and special districts who may be new to the LAFCo process. Join a diverse panel of LAFCo experts who will discuss LAFCo basics and answer all of your questions.

Presenters: Bob Braitman, Executive Officer, San Benito LAFCo (and Moderator)
Michael D. Ott, Executive Officer, San Diego LAFCo
Holly Whatley, Attorney, Colantuono, Highsmith & Whatley, PC
Janice Rutherford, Commissioner, San Bernardino LAFCo

1:30 pm - 2:00 pm **Conference Opening (Welcoming Remarks)**

EMPIRE BALLROOM (HARVEST/GROVE)

Mary Jane Griego, Chair, CALAFCo Board
James Curatalo, San Bernardino LAFCo Chair/CALAFCo Conference Committee Chair
Janice Rutherford, Chair, San Bernardino County Board of Supervisors
Kathleen Rollings-McDonald, Executive Officer, San Bernardino LAFCo
Jack Dangermond, ESRI Founder/President (video presentation)
Pamela Miller, CALAFCo Executive Director

2:00 pm - 2:55 pm **General Session - Walking With Dinosaurs**

Approved for 1 AICP CM Credit

EMPIRE BALLROOM (HARVEST/GROVE)

This session will provide an overview of LAFCo and boundary law preceding CKH, including how procedures and responsibilities changed over the years. We will touch upon boundary commissions, Knox-Nisbet Act of 1963, District Reorganization Act of 1965, Municipal Organization Act of 1977, and completion procedures & documents under prior laws.

Presenters: Bob Braitman, Executive Officer, San Benito LAFCo
Kathleen Rollings-McDonald, Executive Officer, San Bernardino LAFCo
George Spiliotis, Executive Officer, Riverside LAFCo

2:55 pm - 3:05 pm **Refreshment Break - EMPIRE HALLWAY**

3:05 pm - 4:00 pm **General Session - Cyber Security: Are You and Your Public Agency Adequately Protected?**

Approved for 1 AICP CM Credit

EMPIRE BALLROOM (HARVEST/GROVE)

Today's integrated cyber environment offers wonderful opportunities for increased efficiencies and faster communications. But recent experience has shown that your personal data and your agency's network can be vulnerable if the right steps are not taken. Learn the full scope of these risks, how to detect attempts to exploit your system's vulnerabilities and how to protect your personal and professional data from hackers.

Presenters: Mark Beart, Deputy District Attorney, LA County District Attorney's Office
Stephanie Sparks, Chair, Intellectual Property, Hoge Fenton Jones & Appel

Moderator: Sblend Sblendorio, Commissioner, Alameda LAFCo

4:10 pm - 5:30 pm **General Session - Groundwater Basins: Governance Today & in the Future**

Approved for 1.5 AICP CM Credits

EMPIRE BALLROOM (HARVEST/GROVE)

California is critically dependent upon groundwater, but this resource is under serious pressure and is unregulated in numerous basins around the State. The current drought places more basins in jeopardy as agricultural and urban water demands increase. During this session the panel will explore the governance structures and policies used to manage basins around the State, discuss the State's actions with regard to regulating basins in the future, and review examples of groundwater management around the State.

Presenters: Peter Kovounas, General Manager, Chino Basin Watermaster
Bob Williams, Commissioner, Tehama LAFCo
Christopher Calfee, Senior Counsel, Office of Planning & Research

~~John Kennedy, Executive Director, Engineering And Local Resources, Orange County Water District~~

Moderator: Matt Beekman, Commissioner, Stanislaus LAFCo

greg Woodsid



6:00 pm - 7:30 pm

OKTOBERFEST: CALAFCO 8th Annual Wine & Beer Competition/Reception**GARDEN PAVILION**

Join us for the CALAFCO Wine & Beer Competition. Everyone votes on his or her favorites. Network with fellow commissioners, staff and guests and enjoy the best of California!

DINNER (On Your Own)**Thursday - October 16, 2014**

7:00 am - 9:00 am

Continental Breakfast - VINEYARD ROOM

8:00 am - 8:45 am

Regional Caucus Meetings & Elections

Northern Region - **STRAWBERRY PEAK**
Coastal Region - **LAKE GREGORY**

Central Region - **BIG BEAR**
Southern Region - **LAKE ARROWHEAD**

9:00 am - 10:15 am

CALAFCO Annual Business Meeting**EMPIRE BALLROOM**

Mary Jane Griego, Chair, CALAFCO

10:15 am - 10:30 am

Refreshment Break - DOUBLETREE FOYER

10:30 am - 11:45 am

Breakout Session - Regional, Legal, and Associate Member Roundtables

Meet with fellow commissioners and staff from your region to discuss current LAFCo issues and trends in your area.

Northern Region - **STRAWBERRY PEAK**
Coastal Region - **LAKE GREGORY**
Central Region - **BIG BEAR**

Southern Region - **LAKE ARROWHEAD**
LAFCo Counsel (only) - **KELLER PEAK**
Associate Members - **HUNTERS PEAK**

Noon - 1:30 pm

Luncheon Keynote**EMPIRE BALLROOM (HARVEST/GROVE)**

Luncheon Speaker: Randall W. Lewis, Executive Vice President, Lewis Group of Companies

1:45 pm - 3:15 pm

Breakout Session - Lead by Design. Create Your Future Using Next Generation GIS Technology Today**LAKE ARROWHEAD**

This session is comprised of an expert panel from both the public and private sectors who will share a diversity of perspectives that will help illuminate how data you already have can be used to enhance your ability to identify issues, assess conditions, compare alternative scenarios, and make better, more informed decisions to improve the lives of people while protecting the environment. Drawing from research and case studies, you will hear about the latest trends in GIS, discuss how to take advantage of best practices, and learn how you can use GIS to gain significant improvements in your own organizations.

Presenters: Craig Gooch, Director of Spatial Technology Solutions and Vice President, PSOMAS
Ingrid Bruce, GIS/Special Districts Manager, City of Rancho Cucamonga
Robert Kain, GIS Manager, PlaceWorks
Shannon McElvaney, Community Development Manager, Esri

Moderator: Jan Cunningham, Executive Account Manager, Esri

Breakout Session - Water Supply & Analysis: Policies & Practices**LAKE GREGORY**

This interactive session will explore how state law, unique local conditions, management practices, and LAFCo policies affect LAFCo decisions related to water supply. Join us as a panel of experts discuss the legal framework provided by CKH, CEQA, LAFCo policies and recent court decisions that help shape LAFCo's role in water supply assessment at this critical time as policy makers try to balance the water supplies of local jurisdictions with the needs of agricultural producers and urban development.

Presenters: Michael Colantuono, Partner, Colantuono, Highsmith & Whatley, PC
P. Scott Browne, Attorney, Law Offices of P. Scott Browne
Matt Hurley, General Manager, Angiola Water District
Joone Lopez, General Manager, Moulton Niguel Water District

Moderator: Susan Vicklund-Wilson, Commissioner, Santa Clara LAFCo

Approved for 1.5 AICP CM
Credits

Approved for 1.5 AICP CM
Credits

1:45 pm - 3:15 pm

Approved for 1.5 AICP CM
Credits**Breakout Session - Shared Services: Growing Trends in Collaborative Service Delivery****BIG BEAR**

Collaborative service delivery is a rapidly growing trend among public agencies as a management strategy to adapt to, and get ahead of, the slow economic recovery, increasing public demand for "best value" services, and waning public trust in government. Learn from local government leaders who are actively employing collaborative shared services models about how this expanding management practice is changing local agencies' and the public's norms about public services, fiscal accountability, and other important policy areas directly relevant to LAFCOs and municipal service reviews.

Presenters: Cecilia Aguiar-Curry, Commissioner, Yolo LAFCo (and Moderator)
Paul Cook, General Manager, Irvine Ranch Water District
Andrew Belknap, Regional Vice President, Management Partners

3:15 pm - 3:30 pm

Refreshment Break - DOUBLTREE FOYER

3:30 pm - 5:00 pm

Breakout Session - Do We Really Need to Protect Our Mineral Resources?**LAKE ARROWHEAD**

Mineral production is second only to agriculture as the world's oldest and most important industry. Many familiar with its importance know that "If you don't grow it, you need to mine it." State law requires protection of mineral resources in areas subject to land-use threats which would be incompatible to mining, but local elected officials face growing social pressure to favor land uses that preclude access to known mineral resources. These factors have resulted in the loss of availability that would be of great value to the residents of California. This panel will highlight the importance of protecting our mineral resources, including a brief overview of State laws, regulations and policies and their impact.

Presenters: George Kenline, Engineering/Mining Geologist, San Bernardino County (and Moderator)
John Clinkenbeard, Supervising Engineering Geologist, California Geological Survey
Stephen Testa, Executive Director, State Mining & Geology Board
Kerry Shapiro, General Counsel, California Construction & Industrial Minerals Association

Approved for 1.5 AICP CM
Credits**Breakout Session - LAFCOs and Joint Power Authorities: Defining a Relationship That Makes Sense****LAKE GREGORY**

This session will explore the evolving relationship between LAFCOs and joint-power authorities (JPAs) in California with respect to LAFCO's prescribed role in facilitating accountable and efficient local government and JPA's increasing footprint in delivering urban-supporting municipal services. We will include a case study on local JPA activities in Marin County, followed by a panel discussion with audience feedback on the pros/cons of draft legislation prepared by a CALAFCO working group aimed at establishing more formal ties between LAFCOs and JPAs.

Presenters: Paula DeSouza, Partner, Best Best & Krieger
Keene Simonds, Executive Officer, Marin LAFCo
Kimberly Cox, Commissioner, San Bernardino LAFCo

Moderator: Ken Lee, Assistant Executive Officer, Orange LAFCo

Breakout Session - Performance Evaluations: Do They Help or Hinder Performance?**BIG BEAR**

LAFCo Commissions rely heavily upon the Executive Officer (EO) to work with the public, lead the staff and accomplish the necessary operational tasks to bring rigorous staff analysis and recommendations for each proposal. EO performance review processes are generally inherited by Commissions and have been used for years without the time or luxury to examine their effectiveness in developing excellent EOs. This session will offer Commissioners new tools and a common language to evaluate EO performance and new methods for EOs to increase staff performance.

Presenters: Cynthia Henson, Owner/Chief Executive Officer, Henson Consulting Group
Dana Smith, Partner, Henson Consulting Group

Moderator: Carolyn Emery, Executive Officer, Orange LAFCo

6:00 pm - 7:00 pm

Banquet Reception - EMPIRE BALLROOM (HARVEST/GROVE)

7:00 pm - 9:00 pm

Dinner and Achievement Awards Ceremony**EMPIRE BALLROOM (HARVEST/GROVE)**

7:30 am - 9:00 am

Breakfast Buffet - VINEYARD

7:30 am - 8:45 am

CALAFCO Board of Directors Meeting and Breakfast - BIG BEAR

9:00 am - 10:30 am

Breakout Session - Connecting LAFCoS and COGs For Mutual Benefit

Approved for 1.5 AICP CM Credits

EMPIRE BALLROOM (HARVEST/GROVE)

Representatives from the Sacramento Area Council of Governments (SACOG) and the Southern California Association of Governments (SCAG) will explore the relationships between COGs and LAFCoS in the context of AB 32, SB 375, and related legislation. Panelists will address opportunities for collaboration with LAFCoS relative to the newer Sustainable Community Strategies as well as established partnerships associated with the Regional Housing Needs Assessments (RHNA) and Regional Transportation Plans (RTPs).

Presenters: Frank H. Wen, Manager of Research and Analysis, SCAG
 Carl Morehouse, President, SCAG
 Don Saylor, Vice Chair, SACOG

Moderator: Nancy Miller, Partner, Miller & Owen

Approved for 1.5 AICP CM Credits

Breakout Session - How to Effectively Engage the Public in LAFCo Actions

LAKE ARROWHEAD

Are you looking for better methods to engage the public in LAFCo processes? How can you fully engage a diverse community, including people who typically don't participate in government processes? How can you match the right methods for public participation to individual projects? This is a fun, interactive session in which attendees will participate in brainstorming and discussion towards the challenges and opportunities faced by LAFCo commissioners.

Presenters: Lewis Michaelson, President, Katz & Associates
 Joan Isaacson, Senior Director, Katz & Associates
 Ken Lee, Assistant Executive Officer, Orange LAFCo

Approved for 1.5 AICP CM Credits

Breakout Session - SOI's: They're Not That Scary

LAKE GREGORY

CKH requires LAFCo to determine SOIs for each of the cities and special districts and to review and update each sphere on a five-year cycle in conjunction with municipal service reviews. This session will use case studies to explore the implications (real and perceived) of SOI boundaries and discussions on how spheres provide an opportunity for LAFCoS to collaborate with affected stakeholders and proactively plan for present and future municipal service needs within their respective County.

Presenters: David Fey, Executive Officer, Fresno LAFCo
 Derek McGregor, Commissioner, Orange LAFCo
 Josh Susman, Commissioner, Nevada LAFCo

Moderator: Steve Lucus, Executive Officer, Butte LAFCo

10:30 am - 10:45 am

Refreshment Break - DOUBLETREE FOYER

10:45 am - Noon

General Session - Legislative Update

Approved for 1.25 AICP LAW CM Credits

EMPIRE BALLROOM (HARVEST/GROVE)

Join us as we recap the 2014 legislative year and highlight adopted legislation that impacts LAFCoS. We will also provide a sneak peak at potential legislation CALAFCo is focusing on for 2015-16.

Presenters: Pamela Miller, Executive Director, CALAFCo
 Honorable Katcho Achadjian, California State Assembly Member
 Misa Yokoi-Shelton, Associate Consultant, Assembly Local Government Committee
 Steve Lucus, Executive Officer, Butte LAFCo
 Paul Novak, Executive Officer, Los Angeles LAFCo
 Brian Weinberger, Chief Consultant, Senate Government and Finance Committee
 Martiza Urquiza, Associate Consultant, Senate Government and Finance Committee

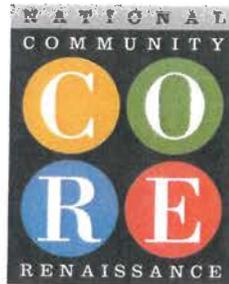
Noon

Conference Adjourns – See you in Sacramento... September 2-4, 2015



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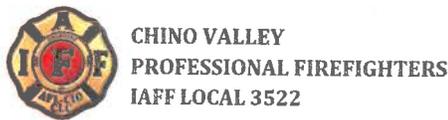
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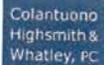
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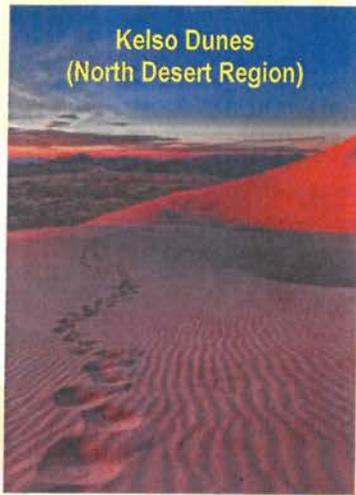
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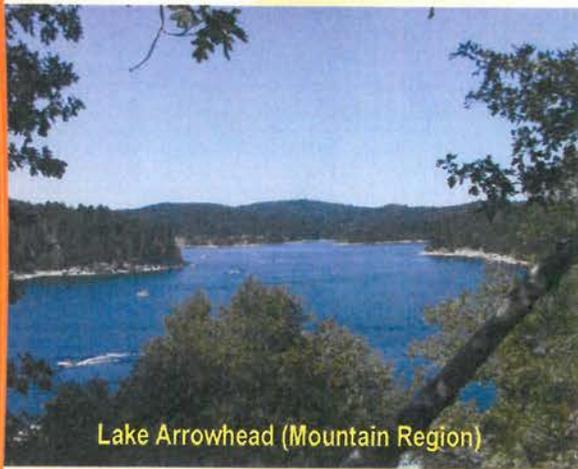
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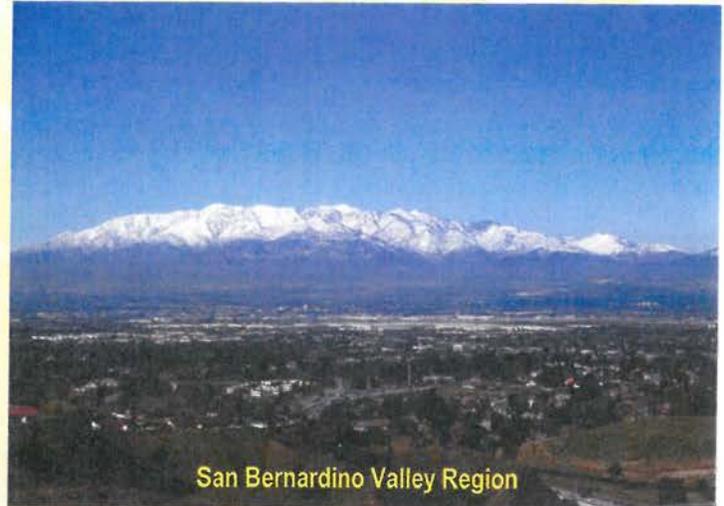
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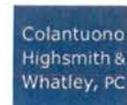


South Desert Region

Joshua Tree National Park

Topock Gorge (Colorado River)

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October 28, 2014

LAFCO

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Dear Chair Snodgrass and Commission:

On behalf of the California Association of Local Agency Formation Commissions (CALAFCO), I would like to thank your commission for allowing some of your members and staff the opportunity to attend the CALAFCO 2014 annual conference.

We know how lean budgets and resources are and understand that prioritizing expenditures can be difficult. Ensuring you and your staff have access to ongoing professional development and specialized educational opportunities, allows all of you the opportunity to better serve your commission and fulfill the mission of LAFCo. The sharing of information and resources among the LAFCo commissioners and staff statewide serves to strengthen the LAFCo network and creates opportunities for rich and value-added learning that is applied within each LAFCo.

Thank you again for your participation in the CALAFCO 2014 annual conference. We truly appreciate your membership and value your involvement in CALAFCO.

Yours sincerely,



Pamela Miller
Executive Director

2015 Events Calendar

JANUARY

- 21-23 California Association of Sanitation Agencies Conference (Palm Springs)
- 23 **CALAFCO Legislative Committee** (Sacramento)
- 29 **CALAFCO Board of Directors Strategic Retreat** (Irvine)
- 30 **CALAFCO Board of Directors Meeting** (Irvine)

FEBRUARY

- 27 **CALAFCO Legislative Committee** (Conference call)

MARCH

- 4 Association of CA Water Agencies Legislative Symposium (Sacramento)
- 20-22 Local Government Commission Ahwahnee Conference (Yosemite)
- 20 **CALAFCO Legislative Committee** (Ontario)

APRIL

- 8-10 Fire District Association Annual Meeting (Napa)
- 15-17 **CALAFCO Staff Workshop** (Grass Valley)
- 27-28 California Assn. of Sanitation Agencies Legislative Policy Forum (Sacramento)
- 29 League of Cities Legislative Day (Sacramento)

MAY

- 1 **CALAFCO Legislative Committee** (Sacramento)
- 5-8 Association of California Water Agencies Conference (Sacramento)
- 8 **CALAFCO Board of Directors Meeting** (Sacramento)
- 19-20 California Special Districts Assn. Legislative Days (Sacramento)
- 27-28 California State Assn. of Counties Legislative Conference (Sacramento)

JUNE

- 26 **CALAFCO Legislative Committee** (Conference call)

JULY

- 24 **CALAFCO Legislative Committee** (Conference call)
- 31 **CALAFCO Board of Directors Meeting** (San Diego)

AUGUST

- 19-21 California Association of Sanitation Agencies Annual Conference (San Diego)

SEPTEMBER

- 2-4 **CALAFCO Annual Conference** (Sacramento)
- 4 **CALAFCO Board of Directors Meeting** (Sacramento)
- 21-24 California Special Districts Assn. Annual Conference (Monterey)
- 23-25 Regional Council of Rural Counties Annual Conference (South Lake Tahoe)
- 30 League of California Cities Annual Conference (San Jose)

OCTOBER

- 1-2 League of California Cities Annual Conference (San Jose)

NOVEMBER

- 6 **CALAFCO Board of Directors Meeting** (Sacramento)
- 13 **CALAFCO Legislative Committee (2016)** (Conference call)

DECEMBER

- 1-4 California State Assn. of Counties Annual Conference (Monterey)
- 1-4 Association of California Water Agencies Conference (Indian Wells)
- 11 **CALAFCO Legislative Committee (2016)** (Sacramento)

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The Sphere

October 2014

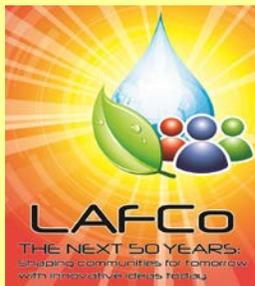
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Message from the Chair:
CALAFCO
Looking to the Future



CALAFCO
CALIFORNIA ASSOCIATION OF LOCAL AGENCY FORMATION COMMISSIONS

CALAFCO Welcomes Tehama LAFCo to the Association

By Pamela Miller, CALAFCO Executive Director

The Association is proud to welcome Tehama LAFCo into the CALAFCO family. Located in the middle of the northern region, Tehama County's population of approximately 63,000 enjoy just under 3,000 square miles of very diverse land. The Sacramento River cuts through the central portion of the county and is one of the largest salmon spawning rivers in the world. With more than 300 miles of trails (including 17 miles of the Pacific Crest Trail) and Lassen Volcanic National Park only forty-five miles to the east, Tehama County offers unlimited recreational opportunities. There are three incorporated cities (Tehama, Corning and Red Bluff), all of which are represented on the LAFCo Commission.

During my visit with Commission Chair Clay Parker (and Councilmember for Red Bluff) and Executive Officer (EO) Sean Moore, AICP, I had the opportunity to drive through Red Bluff's quaint downtown area. Aside from the "at-home" feeling I got, what impressed me the most was there were few vacancies in the stores and buildings lining downtown's main street. I felt like I had taken a step back in time.



Having taken on the responsibility of chairing the Commission as a brand new Commissioner, Clay is now well into his second term as Chair. He enjoys the LAFCo work. "I want to make sure that our decisions don't adversely affect any of our special districts, so we work hard to make sure that nothing falls through the cracks."

As the County's Planning Director, Sean is no newcomer to ag land preservation, which is an experience that benefits him in his role as EO. He says there are strong policies in place to help guide the LAFCo when dealing with significant issues such as water and future growth. When considering any future growth, Sean says, "We make sure we've fully planned ahead, and

Continued on page 10

The Sphere

CALAFCO Journal

October 2014

The Sphere is a publication of the California Association of Local Agency Formation Commissions.

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To submit articles, event announcements, comments or other materials noteworthy to LAFCo commissioners and staff, please contact the Editor at 916-442-6536 or info@calafco.org.

The contents of this newsletter do not necessarily represent the views of CALAFCO, its members, or their professional or official affiliations.

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FROM THE CHAIR OF **CALAFCO**

Take a look at the intensity of issues currently facing our state – the lagging economy, scarce resources and a prolonged drought – and the vital mission of CALAFCO becomes increasingly clear. Suffice it to say that the foundational work we accomplished over the past 50 years was crucial but not nearly as important as the work we will do together over the next half a century. So the lessons learned in the past will be useful in molding our approach to the services we provide.

It has been especially great to work with Pamela Miller and glean from her a better understanding of our potential as an organization to assist the 58 counties we represent. She played a huge role in expanding our influence in the halls of the Capitol, as demonstrated by CALAFCO's deep involvement in such landmark issues as the recent groundwater legislation, which will benefit California for decades to come.

Many of our past efforts will likely be seen as good practice for the tasks that lie ahead of us, since we can expect to confront some of the same issues over the coming years. It will again be prudent to work diligently with each standing administration to encourage a focus on steadfast fiscal responsibility and management of budgets that result in strong and secure reserves. On the flipside, we will need to demonstrate a willingness to prioritize our “wants” and take the lead in making tough decisions that preserve the state's safety net.



Mary Jane Griego
 Chair of the Board
 CALAFCO

So, in the same way we devoted last year to reflect upon the previous 50 years of CALAFCO accomplishments, it's now time to shift our gaze to the future and make sure we continue to be an ongoing and reliable influence on the way California is governed. We have positioned our organization as the information hub for California counties, and that makes us a valuable resource to those who form statewide policy. We need

It's now time to shift our gaze to the future and make sure we continue to be an ongoing and reliable influence on the way California is governed.

to step up our efforts to be central to each conversation that has a pivotal impact on our counties and make certain we are there to offer up solutions.

Even as we move forward to take on these tasks, I want to pause long enough to express my gratitude for this opportunity to serve as your chair. Given the quality of CALAFCO's staff and the dedication of its board, I have no doubt we will accomplish great things together.

Thank you,

Mary Jane Griego

**A Message from the
CALAFCO
Executive Director**



Weaving the CALAFCO Blanket with the Threads of Diversity

I continue to be in awe of the diversity of our state and all of us who live here. The traces of what a melting pot California is are everywhere and undeniable.

One of my goals as the Association's Executive Director is to become and stay connected with all of you, our membership. In doing that, I gain a clearer perspective of the challenges faced in your respective areas and by your LAFCoS, and also to better understand how those challenges are being successfully met.

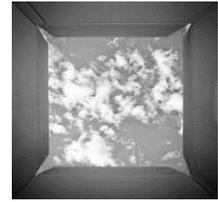
During my first two years, I've been fortunate to visit nine LAFCoS throughout all four regions, attend the Bay Area Executive Officers' meeting and the southern Region meeting, and talk with a number of our Associate Members. What I see and hear at each of these LAFCo meetings is truly representative of the diversity I'm talking about. The commissioners and staff, the people who attend the meetings, the Associate Members who provide services to LAFCoS, and the issues that each LAFCo deals with are unique in their own right, yet connected by the thread of the collective mission of LAFCo and the desire to somehow improve on what is already a pretty good thing – this sometimes wacky and always wonderful state of ours.

Being that melting pot brings its own set of challenges and problems, many of which are dealt with by LAFCoS. Albert Einstein said we cannot solve our problems with the same level of thinking we used when we created them. To solve the issues of today, we can no longer think our way out the same way we thought our way into them.

As we gather in Ontario this year, our conference focuses on shaping communities for tomorrow with innovative ideas today. We face many challenges today in our state – balancing growth with preservation of open space and ag lands; effectively managing our resources including water; providing for low resource communities; creating inclusion for all. Clearly today's issues are more complex than the ones faced in the last

50 years. All the more reason that we must raise our level of thinking for the next 50 years. There is no better way to approach the diverse nature of our challenges than with a more diverse level of thinking. What we need is diversity of thought to face the new challenges. Think about it...the most sustainable solutions come from a composition of diverse perspectives and viewpoints. Often times when there are disagreements on a particular issue and robust discussions occur, the results are creative and innovative solutions – because diversity is a valuable source of innovation and creativity.

This is true *if* we are open to the possibilities and opportunities that can come from this way of thinking. You've no doubt heard the saying, "Think outside the box." I challenge you to ask yourself, "What box? Where is the box?"



The reality is there is no box there. The box is something we have created for ourselves in the patterns of our own thinking. This is what Einstein is talking about – imagine the innovative and creative solutions that can come from totally unconstrained and diverse thinking – untethered by self-imposed constraints of possibilities.

It is that kind of thinking that will generate the solutions for today's problems in creating the kind of communities for tomorrow that we all want. Solutions that will be sustainable and systemic, diverse and inclusive.

I look forward to growing CALAFCO into an even stronger Association, for CALAFCO to be more of an instrument to facilitate the sharing of today's realities and the ideas and solutions for tomorrow. I look forward to visiting more LAFCoS and Associate Members in the coming year and beyond. So remember to leave the light on for me.

Pamela Miller

California Voting Rights Act Applies to Charter Cities, Allows Injunctions for Elections

By Ryan Thomas Dunn

The Los Angeles Court of Appeal recently upheld a preliminary injunction under the California Voting Rights Act (“CVRA”) against the charter City of Palmdale requiring an end to at-large elections for City Council to improve the electoral chances of minority candidates. In doing so, the court held charter cities were subject to the CVRA and even allowed a court to enjoin a regularly scheduled election in enforcing the act. Ironically, the election result to be enjoined produced the City’s first African-American Councilmember.

The plaintiffs in *Jauregui v. City of Palmdale* alleged the city’s at-large elections diluted votes of Latino and African-American residents in violation of the CVRA. Plaintiffs presented statistical evidence from expert witnesses and evidence only one Latino and no African-Americans had served on the Council in a city which is 54% Latino and almost 15% African-American. The trial court found a violation of Elections Code section 14027, which prohibits at-large elections which result in the “dilution or abridgment of the rights of voters who are members of a protected class,” here Latinos and African-Americans. The city did not challenge on appeal the factual findings of vote dilution.

Before a hearing on remedy, the plaintiffs sought to enjoin the city from conducting the November 2013 election on an at-large basis. The trial court granted the injunction, in part, which the Court of Appeal construed to enjoin only certification of election results rather than conducted the election. Palmdale held its election and the Court of Appeal then heard its appeal.

The city asserted two points on appeal: (1) the CVRA does not apply to charter cities; and (2) statute prohibits injunctions that prevent public officials from fulfilling ministerial duties, such as conducting elections.

In rejecting Palmdale’s contentions, the court considered whether the city’s charter provisions could contradict a state statute in this instance. The Court of Appeal agreed with the city that its charter’s at-large provision addressed a municipal affair, but found an actual conflict between the

CVRA and the charter provision because that charter provision, as it applied to Palmdale, impaired the ability of a protected class to select candidates of its choice and thus amounted to illegal vote dilution. The court also held that, the CVRA addressed a matter of statewide concern because preventing vote dilution in any city “goes to the legitimacy of the electoral process.” The CVRA is also narrowly tailored, the court held, because it “can necessarily only interfere with municipal governance when vote dilution is present.”

The court also rejected Palmdale’s argument from state law prohibiting injunctions against performance of official duties, holding the CVRA provision allowing courts to “implement appropriate remedies” to allow the injunction against the City’s certification of the results of the at-large election of November 2013.

The City has sought review in the California Supreme Court. If the Supreme Court does not take the case,

Jauregui will stand as strong precedent that charter cities are bound by the CVRA and that trial courts have wide discretion to prevent at-large voting when there is evidence of vote dilution, which in effect could prohibit at-large voting in cities with significant minority populations. It is notable that Palmdale did not challenge the finding of vote dilution on appeal, and the *Jauregui* court made no ruling on that point.

Plaintiffs’ lawyers are bringing cases under the CVRA against cities, school districts and other local governments around the State with significant minority populations to bring an end to at-large elections. Cities with diverse electorates which rely on at-large elections may wish to consult legal counsel about the requirements of the CVRA.

Ryan Thomas Dunn is an attorney for the law firm Colantuono, Highsmith & Whatley. For more information on this topic, contact Ryan at 213/542-5717 or rdunn@chwlaw.us.



The Smoke Has Cleared: How San Bernardino LAFCo Established Fire Protection Service to Baldwin Lake

By San Bernardino LAFCo

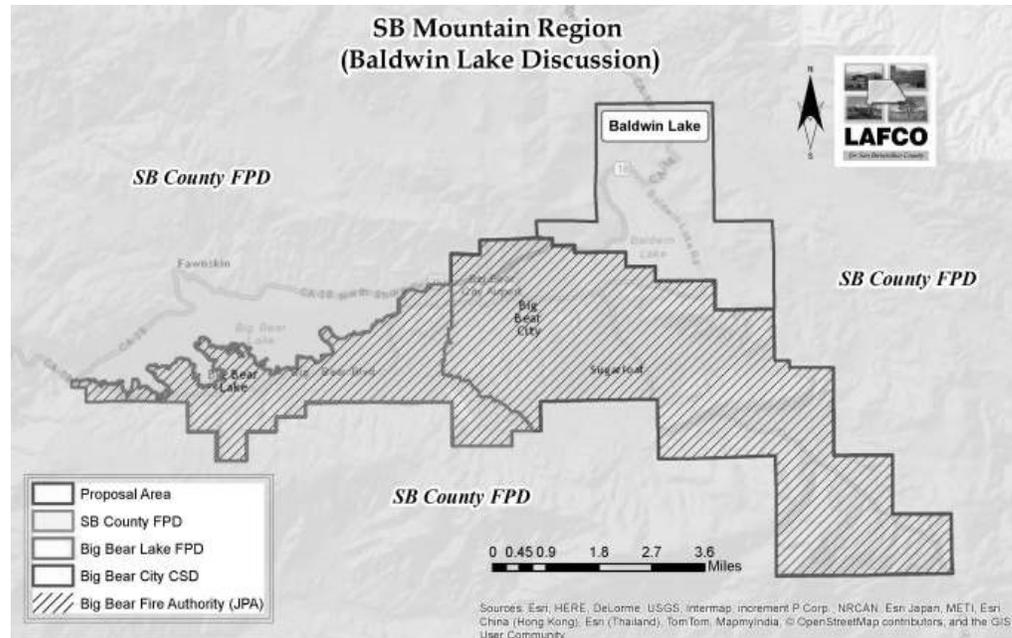
According to the California Department of Forestry and Fire Protection, there have been nearly 1,000 fires this year alone. While California and its firefighters face a perfect storm of hot temperatures and low precipitation, LAFCOs statewide are also facing heated discussions about fire protection. Recently, San Bernardino LAFCO (“SB LAFCO”) successfully processed the annexation of the Baldwin Lake community to the Big Bear City Community Services District (“BBC CSD”). Needless to say this proposal was not a simple annexation. It was a complex reorganization resulting from multiple “sparks” throughout the years. The focus on fire service in the San Bernardino Mountain Region smoldered for over 20 years until the summer of 2014.

Background

The San Bernardino Mountain Region consists of several communities including the City of Big Bear Lake and the unincorporated communities commonly known as Big Bear City, Baldwin Lake, Erwin Lake, Lake Williams, Fawnskin, Sugarloaf and Moonridge. The overall territory encompasses approximately 65 square miles and within that area five (yes, five) service providers deliver fire service – three special districts, Cal Fire and the U.S. Forest Service.

Since the early 90s, our Commission has conducted meetings and negotiations with the local fire agencies: County Fire, Big Bear Lake Fire Protection, a subsidiary district of the City of Big Bear Lake, and the Big Bear City Community Services District (“BBC CSD”).

Throughout these discussions our staff emphasized the position of State law and SB LAFCO that efforts for change should revolve around simplifying the delivery of fire protection and emergency medical response by moving toward a single fire service provider. It has been a long -- some might even say rigorous -- journey but small victories have been achieved. The 2011 service review of the San Bernardino Mountain Region really put the spotlight on the benefits of a single, regional service provider for these communities. One of the most recent triumphs as a result of the



service review was the creation of the Big Bear Fire Authority (a Joint Powers Authority composed of the Big Bear Lake Fire Protection District and BBC CSD). The 2012 collaborative effort phased in historical feats including the shared use of a fire chief and administrative staff and blending of operations and resources. Yet, with these meetings hitting a dry-spell as of late, a new fire burst onto the scene in the shape of an application to form a new independent fire district.

Small Mountain Community

Baldwin Lake is a small yet dense mountain community with approximately 2,000 residents. Even though Baldwin Lake was within the service boundary of County Fire, residents wanted to have local control and eventually formed their own non-profit volunteer fire department in 2007. Similar to other local organizations around the state, the economy impacted the small community. The Baldwin Lake Volunteer Fire Department

continued to face depleting revenues - only to be subsidized by a handful of resourceful residents. However, as the financial drought became more prominent and resources dwindled, the volunteer department feared possible reduction in service delivery. The community sought a sustainable government structure, and independence was at the top of the list. In April 2013, six years after the department was initially formed, members of the Baldwin Lake community submitted an application to SB LAFCO to reorganize the delivery of fire protection and emergency medical response within their community by registered voter petition. The original proposal envisioned the creation of a new independent fire protection district for the Baldwin Lake community with an independently-elected board of directors to take over responsibility for the volunteer fire department. More importantly, the reorganization would include detachment from County Fire with a transfer of property taxes and the imposition of a special tax to provide for a consistent revenue stream (i.e. property taxes).

After reviewing the specific formation guidelines adopted by the Commission and discussing staff's recommendations, the Commission modified the proposal to consider annexation to the Big Bear City CSD first and determined that if the annexation to the BBC CSD and its related changes were terminated due to protest, that the Commission would authorize the waiver of the one year filing restriction on a substantially similar proposal (i.e. formation of a new district).

LAFCO Outreach & Community Input

The Commission's approval to modify the proposal also directed staff to conduct a community meeting and request resident feedback through mailed surveys. Over 60 residents attended the workshop and approximately 50 survey responses were sent back to SB LAFCO. The circulated survey had two simple questions: (1) Which option would you prefer (a) Annexation to the Big Bear City CSD with a cost of approximately \$120 per developed parcel; (b) Formation of the Baldwin Lake Fire Protection District with an estimated cost of \$180 per developed parcel or (c) Status quo under County Fire; and (2) Would you support the creation of a single fire provider within the mountain region – yes or no. In the end, the position taken in response to Question #1 did not provide a clear direction on the question of annexation; however, the support for a single fire provider for the area was

overwhelming with 65% responses in favor of a single fire provider. Historically the communities, most notably Baldwin Lake, opposed inclusion within the BBC CSD.

Final Outcome

The Commission now possessed all the information available to make a sound decision. Following the June 2014 hearing, the Commission approved the annexation of the Baldwin Lake community to the BBC CSD. As we all know in the LAFCO world, the fun was not over yet. Staff did not receive any new information during the 30-day request for reconsideration but did receive several petitions during the protest period. To the surprise of several status quo proponents and some annexation supporters, only 2.19% of landowners (totaling 1.30% land value) and 1% of registered voters opposed the reorganization: the decision was final. After the smoke cleared, the residents of Baldwin Lake got what they wanted and were now part of a sustainable government entity.

So why is this important? The potential formation of another fire district would add only another provider to an already complex situation. Additionally, the residents within the mountain area historically viewed themselves as individual communities and scoffed at merging any sort of service or entity. Yet, for the first time these residents voiced consensus for proper service delivery. In hindsight as communities mature and learn from past experiences, so do we as LAFCOs. While the Commission and staff suit up to battle the next fire, we see this reorganization as a long-awaited success story.

Today the skies are clear.





An Inconvenient Truth: What CEQA Requires, and Many LAFCo's Ignore, in Preparing SOI Updates

Author: P. Scott Browne

Former Vice President Al Gore chose to title his award-winning documentary on global climate change “An Inconvenient Truth.” This title was chosen to reflect his perception that, while the fact of global climate change was clearly established by science, many, particularly in the political field, chose to deny or ignore it because it would require unpopular or expensive remedies. The film proceeds to depict the dire consequences if we continue to deny or ignore the problem of excess CO₂ production.

We, in the small world of LAFCo land, have our own “inconvenient truth.” Though not as cataclysmic as global climate change, it nevertheless is an important issue that is, at least in my experience, being frequently ignored or denied because it would require burdensome expense and staff time, not to mention political will to do the right thing when something less would pass. That truth is that, in many instances, when LAFCo acts as lead agency and adopts a sphere of influence update, it should be preparing an environmental impact report (EIR) or supplemental environmental impact report (SEIR). As I will discuss below, I believe that is what the CEQA statute, CEQA guidelines, and case law frequently require. Yet I see very few EIRs being prepared in connection with sphere updates. The avoidance of EIRs persists because LAFCo sphere CEQA decisions are seldom challenged. Nevertheless, staff and commissioners should be aware that the practice puts your LAFCo at significant risk of losing if its sphere decision is challenged under CEQA in court.

Very few staff and even fewer Commissioners like preparing environmental documents, much less environmental impact reports. We at LAFCo are usually sheltered from the CEQA process by our limited role as a responsible agency of reviewing the environmental document prepared by the lead agency. We are therefore less familiar with the process of actually creating such documents and hesitant to embark on the major task that preparing

an EIR may entail. EIRs are expensive, take significant staff time, delay completion of the project, and are frequently perceived as having limited or no impact on the final action. Therefore, quite understandably, the resistance to preparing such documents is high.

Unfortunately, the Cortese Knox Hertzberg Act (CKH) imposes the responsibility for preparation of sphere updates primarily on LAFCo. Because it is LAFCo's project, LAFCo by law is normally the lead agency for the update under CEQA.¹ So unless a LAFCo can persuade the affected agency to assume that burden, it falls on LAFCo to comply with CEQA when preparing the update.

When faced with the task of acting as a lead agency on an SOI, the tendency is to take the simplest possible route. This usually means attempting to get by with a categorical exemption or negative declaration. I have heard a number of common justifications for this approach: 1) a sphere is just drawing lines on paper—how can that create significant environmental impacts? 2) the environmental impacts of any actual development will be reviewed under CEQA when the project moves forward so we don't have to consider those impacts at this stage; 3) the sphere is hardly changed from the old sphere so we only have to look at the minimal impacts produced by the minor change in

¹ I certainly have seen LAFCo's shift the responsibility for initial drafting of the SOI and CEQA document back on to the cities and occasionally other agencies. §56425(b) specifically discusses city applications for sphere updates. As long as the proper formalities of an actual application by the City are followed, then LAFCo may be able to properly limit its CEQA role to acting as a responsible agency for a City SOI update. However there is no similar authority for special districts. The only legal authority in CKH for district involvement is through a formal application for a “sphere amendment” pursuant to §56428. Even if that procedure were legally viewed as including a sphere update, few districts are willing to shoulder the burden of preparing their sphere update by initiating it as a sphere amendment.

the sphere line or 4) the impacts have all been addressed in the County/City's general plan and EIR and we can just refer to those documents in our negative declaration.

However inconvenient, the truth is that none of these justifications is, in my humble opinion, supported by the present state of CEQA law for most sphere decisions. If the LAFCo action is challenged, it would be likely be overturned.

Looking at the first justification, yes, in a literal sense, a sphere is a line drawn on a map and involves no direct physical change to the environment. However, the courts have long since dismissed this simplistic argument. As the California Supreme Court noted in the landmark case of *Bozung v LAFCo*, (1975) 13 Cal.3d 263, such "government paper shuffling" can have significant consequences in the real world. Whether a farm is included in a city or sewer district sphere can make the difference between its eventual conversion to McMansions or its preservation for agricultural production. See the *Bozung v. LAFCo* case and *City of Livermore v. LAFCo* (1986) 184 Cal.App.3d 53. About the only situation where this argument almost always makes some sense is spheres for cemetery districts.

The second argument - that CEQA review can be minimal at the SOI stage because any development contemplated in the sphere will be subject to later environmental review - has also been rejected by the courts. The California Supreme Court in *Bozung* noted that CEQA requires that "at every level of government" decision makers take into account the effects on the environment of their decisions. Consequently the courts and CEQA guidelines make it clear that such later CEQA review cannot be used to avoid consideration of the broader impacts at the policy decision embodied in the sphere. This same argument was made with respect to general plan adoption and was strongly rejected by the courts. (*Christward Ministry v. Superior Court* (1986), 184 Cal.App.3d at page 194; see also *Rio Vista Farm Bureau Center v. County of Solano* (1992) 5 Cal.App.4th 351, 370-371)

The third justification for avoiding an EIR is to assume that the baseline for environmental evaluation is the existing sphere or general plan

land-use designations. Then the only impacts that need to be considered are those aspects of the new sphere that constitute changes from the old sphere or that alter development contemplated by the general plan. This is frequently the scenario under the SOI "affirmation" approach.

The problem with this approach is that it also is inconsistent with the requirements of CEQA. The required baseline established in the CEQA guidelines §15152 is "the physical environmental conditions in the vicinity of the project, as they exist at the time the notice of preparation for the project is published..." The courts have made it very clear that it is not differences between planning documents that are to be evaluated in the environmental review. It is the difference between the future development permitted by the new or "affirmed" SOI plan with what is currently *on the ground*. (*Environmental Planning & Information Council (EPIC) v. County of El Dorado* (1982) 131 Cal.App.3d 350, 358) Even where land has been designated for urban development for many years and is a part of an existing SOI, if it is still undeveloped and the sphere plan will facilitate its development, then the environmental analysis for the SOI update must consider the impacts of that development. This means that an EIR is almost certainly required where any significant undeveloped land is included in the sphere for cities and for other agencies that are providers of services such as sewer or potable water that are critical for development.

The final refuge from the dreaded EIR is commonly to rely upon or incorporate the applicable city or county general plan EIR into a negative declaration for the sphere environmental analysis. That general plan EIR can presumably take care of all of the indirect growth-inducing impacts facilitated by the service expansion proposed in the sphere since the impacts of that growth were already addressed by the county or city in the EIR. LAFCo can then simply adopt the negative declaration with that incorporation and move on.

This can work in some limited circumstances where the EIR being relied upon is reasonably current and finds that there are no unavoidable significant impacts remaining after mitigation. Such a finding is rare in EIRs for general plans.

Almost every general plan EIR that I have encountered makes a finding that certain impacts - even after mitigation - such as farmland conversion, impact on air quality, impact on wildlife or traffic, are significant and unavoidable. The agency is then required to make an overriding finding under PRC§21083 and 15093 of the CEQA Guidelines. These regulations require a finding of social or economic considerations that justify approval of the project notwithstanding the significant unavoidable impacts that will result.

If a LAFCo wants to rely upon an EIR that does not identify significant and unavoidable environmental impacts from the planned growth, both case law and the statute make clear that such reliance can only be done in the context of another EIR or Supplemental EIR (SEIR), if the subsequent project will contribute to those unavoidable significant impacts. This is because it is only through the EIR process that the LAFCo can make overriding findings to address the unavoidable significant impacts identified in the EIR being relied upon. As the Court of Appeal said in *Communities for a Better Environment v. Resources Agency* (2003) 103 Cal.App.4th 98

“Even though a prior EIR’s analysis of environmental effects may be subject to being incorporated in a later EIR for a later, more specific project, the responsible public officials must still go on the record and explain specifically why they are approving the later project despite its significant unavoidable impacts.” (id at pg 124-125)



See also PRC Section 21094 which authorizes tiering off EIRs and specifically Subdivision (a)(2) which

was amended in 2010 to allow agencies to incorporate the overriding findings from a prior EIR in a subsequent tiered EIR or “focused EIR.” This does not allow use of a negative declaration as the base for such findings. See also Guideline

sections 15175 to 15179.5 which authorize tiering off a Master EIR but only allow use of a negative declaration where all impacts can be mitigated below the level of significance and the Master EIR is less than 5 years old.

The good news is that the supplemental EIRs (SEIRs) or focused EIRs required for such SOIs are often much simpler than the massive general plan EIRs that they rely upon. For most impacts, the SEIR or Focused EIR can simply summarize the general plan EIR and repeat their conclusions. Issues arise when the SOI contains territory not covered by the general plan EIR. This may require referring to more than one general plan EIR or supplementing the analysis for the additional territory. Here again, because of the relatively “high level” and broad nature of SOIs, the environmental impacts can be analyzed in a fairly broad fashion.

Another issue arises when the general plan EIR being relied upon was done before greenhouse gas emissions (“GHG”) were required to be analyzed. CEQA Guidelines §15064.4 setting forth the required GHG analysis under CEQA was adopted in 2009, effective in 2010. If the EIR being relied upon was prepared without that analysis, LAFCo would be required to do a GHG analysis of the growth facilitated by the extension of services proposed in the SOI as part of the SEIR.

Notwithstanding these complications, case law and current CEQA guidelines all point to the need to do an EIR or SEIR for most spheres of influence that propose extension of public services to undeveloped areas that will facilitate or induce urban development. We ignore this inconvenient truth at our peril.

Scott Browne is the Principal of the Law Offices of P. Scott Browne. He is also legal counsel to a number of LAFCOs including Butte, Colusa, Lake, Nevada, Plumas and Solano. He can be reached at scott@scottbrowne.com or 530-272-4250.



Welcome Tehama LAFCo

Continued from cover

everything is in place to effectively and efficiently handle that growth.”

When asked about the LAFCo’s challenges, Tehama LAFCo is not unlike many others. They are focusing efforts in service reviews and trying to get a clear picture of the spheres and services of their many special districts. Tehama is a small LAFCo that sees few applications; Sean indicates that when they do get one, it is typically an unusual situation.

Both Sean and Clay appreciate the resources available to them as an Association member, especially the EO list serve. For the first time, this year we will welcome Tehama to the Annual Conference as a full LAFCo Member and Voting Delegate; Tehama’s Vice Chair and County Supervisor Bob Williams will participate as a panelist in one of the breakout sessions.

CALAFCO Associate Member Corner

CALAFCO deeply appreciates our Associate Members and, beginning with this Edition, we will highlight several of our Associate Members in each Newsletter.

This past year we welcomed several new Associate Members. All of these members’ contact information is in the CALAFCO Directory as well as on the CALAFCO website.

Gold Associate Member

Project Resource Specialists

We want to acknowledge Harry Ehrlich and *Project Resource Specialists*, which recently transitioned from a Silver to Gold Associate Member. *Project Resource Specialists* provides management and legislative support to all levels of local government including Municipal Service Reviews, agency organization, and project management support.



Silver Associate Members

HdL Coren & Cone



HdL Coren & Cone provides property tax services to cities, counties and special districts. They are very familiar with county property allocation systems and redevelopment (and its dissolution). They have property tax data in 40 California counties going back as far as 25 years.

Planwest Partners, Inc.



Planwest Partners Inc.

provides contract LAFCo staffing services to multiple LAFCos. This includes preparing and conducting Municipal Service Reviews and SOI updates, public noticing, environmental documents, GIS, fiscal and economic studies, website management, application processing, facilitation and training. George Williamson is the Principal at *Planwest Partners*.

Regional Government Services Authority (RGS)



RGS's model is a perfect fit for new city/district start up or LAFCo seeking alternative commission staffing. They are a JPA providing Interim & Long Term public agency professionals including: HR, Payroll or Finance.

SWALE Inc.



SWALE's services include efficient analysis of boundaries and districts in MSRs; knowledgeable solutions to water resource issues; collaboration with Commissioners and elected officials; creative and inclusive methods of engaging the public; experienced problem solving for land-use issues; readable maps using GIS; and straightforward fiscal and economic studies; all powered by the *SWALE Inc.* Consulting Team.

These summaries are written by the Associate Members themselves, not CALAFCO, and can be found in the Membership Directory Associate Members section.

2014



REPORT TO THE MEMBERSHIP

Dear CALAFCO Members:

We are proud to report to you that the Association continues as a strong, vibrant educational resource to members and as an advocate for LAFCo and LAFCo principles to statewide decision makers. In 2014 the Association maintained a high level of educational services as well as a healthy agenda of legislative issues. During the year we saw active involvement of LAFCos from around the state and had the pleasure of welcoming Tehama LAFCo into the Association! We remain proud of both the program quality and participation in the Staff Workshop and the CALAFCO U courses. San Bernardino LAFCo and the Annual Conference planning committee have done an outstanding job with the 2014 Conference. Finally, the Association remains on solid financial ground. The 2014/2015 adopted budget maintains member service levels and retains a healthy reserve.

Our achievements continue to be the result of the dedicated efforts of the many volunteer LAFCo staff who contribute their time and expertise. The Board is grateful to the Commissions that support their staff as they serve in the CALAFCO educational and legislative roles on behalf of all LAFCos. We are also grateful to the Associate Members and event sponsors that help underwrite the educational mission of the Association and allow us to keep registration fees as low as possible to encourage more participation.

EDUCATIONAL SERVICES AND COMMUNICATION

CALAFCO educational and information sharing services are the Board's top priority for member services. The Association focuses its resources in four areas: the Staff Workshop, Annual Conference, CALAFCO University courses, and electronic resources including the web site and the member list-serves.

Staff Workshop and Annual Conference

We continued the tradition of quality education programming with the Staff Workshop held in Berkeley in April and the Annual Conference in Ontario in October. The Workshop, hosted by Alameda LAFCo with support from the Bay Area LAFCos, brought together 106 LAFCo staff from around the state for a three-day workshop at the DoubleTree by Hilton in the Berkeley Marina. With 42 LAFCos and 6 associate member organizations represented, it was one of the higher workshop attendances. An exceptionally diverse program centered on the theme "*Building Bridges to the Future: Collaboration and Cooperation.*" This year's program included a range of both technically-oriented

topics and professional development topics, including collaborating and influencing others, creating and delivering more effective staff reports, two sessions on MSRs, and a look back as we walked with LAFCo "dinosaurs". Again this year a special series of sessions was specifically designed by and for clerks. The distinctive mobile workshop was a boat tour of the new span of the Bay Bridge with a very unique and close-up look at the new part of the bridge. The workshop closed with a unique legislative panel consisting of legislative representatives of our sister Associations: League of CA Cities, CSAC, and CSDA. We would like to thank *Steve Lucas* (Butte LAFCo) who chaired the Program Committee, *Mona Palacios* and *Sandy Hou* (Alameda LAFCo), and all who worked to make this an outstanding staff workshop.



Over 200 LAFCo commissioners and staff are expected at the 2014 Conference in Ontario. Hosted by San Bernardino LAFCo, the program centers on the theme "*LAFCo the Next 50 Years: Shaping Communities for Tomorrow With Innovative Ideas Today*" and includes a range of sessions focused on sharing creative and innovative perspectives on facing the challenges of tomorrow. Sessions include a close look at water, in particular groundwater basins and new state legislation governing them, as well as policies and practices for water supply and analysis. Other sessions include using next generation technology, understanding the complex world of cyber security, looking closely at LAFCos' relationships with JPAs and COGs, the protection of our mineral resources, hearing best practices on shared services and conducting SOIs, gaining skills in engaging the public in LAFCo actions, and better understanding how to create staff performance evaluation processes that create value. The conference will open with a "walk with dinosaurs" and close with a powerful legislative update that includes panelists from both the Assembly Local Government Committee (ALGC) and the Senate Governance and Finance Committee, along with a special appearance by Assemblymember Katcho Achadjian, Chair of the ALGC.

For the first time this year, we opened up the LAFCo 101 session for attendance at a deeply discounted rate to those who are not attending the full conference. This allows agencies to send staff and elected officials to this very special 2-hour session on understanding and applying the basics of LAFCo.



2014



REPORT TO THE MEMBERSHIP

We acknowledge and thank San Bernardino LAFCo for hosting the Conference, its Executive and Assistant Executive Officer for all of their hard work: *Kathy Rollings-McDonald* and *Sam Martinez*, the Conference Committee Chair *James Curatalo* (San Bernardino), and all who are working on the Program and Host Committees to make this an outstanding Conference.

CALAFCO University



This year there were four CALAFCO U courses scheduled. The courses allow staff, commissioners and other interested parties to explore in depth LAFCo processes, policies and actions. In February of this year the Association hosted a session in Ontario on *Protest Provisions* which was well attended. The session scheduled for June on *LAFCo Best Practices and Greatest Hits* was cancelled due to a low interest level. In August Sacramento was the spot for the next CALAFCO U on *Ag Preservation*, another very well attended session. The final session for 2014 is set for December 8 in Sacramento and will feature an impressive panel of LAFCo attorneys to guide us through the *Legal Interpretations of CKH*.

The low enrollment of the June session prompted CALAFCO to survey the Executive Officers to better understand their educational needs and how we could better design educational offerings that generated the highest level of value. The results indicated that it would be better if CALAFCO offered fewer sessions and rotated the location of the offerings. The CALAFCO Board received the full report and concurred with staff's recommendation to offer two CALAFCO U sessions per year and add additional offerings as the need arises.

These courses are possible only with the volunteer efforts of LAFCo staff and Associate members. Thank you to all who contributed to the classes. A special thanks to *David Church* (San Luis Obispo LAFCo) who has been the lead in coordinating CALAFCO U this year.

Accreditations

CALAFCO's educational activities have all been accredited by the American Planning Association to provide AICP credits for certified planners. This benefit is provided at no cost to LAFCo staff and helps them maintain their certifications. In addition, both the Conference and Workshop have sessions for LAFCo counsel that have been accredited for MCLE credits by the California Bar.

Web Site

The CALAFCO web site is a vital resource for both LAFCos and the community with questions about local government in California. The site consistently attracts between 5,500 and 6,500 visits per week. The vast majority of the visits are for the reference and resource materials found on the site and referral information to member LAFCos. This was the second year of the new website, and we faced a number of challenges. It is a priority for the Association to ensure a secure and stable website and email exchange, and this will be a top priority for CALAFCO staff as we close out 2014.

List-Serves

The list-serves maintained by the Association continue to be an important communication and information sharing tool among LAFCo staff. In total, we maintain eight list serves to help members share information, materials, and expertise.

Quarterly Updates

After each Board meeting, the Association's executive director creates and distributes through the list serves a quarterly report on the activities of the Board and Association. These quarterly reports will be enhanced in the coming year as fewer editions of *The Sphere* are created. These bulletins provide informational updates in a timelier manner and at less cost to the Association.

LEGISLATIVE PROGRAM

While CALAFCO sponsored only one bill, this year's legislative session ended up to be a very busy one for CALAFCO. We were involved in the many stakeholder meetings on the groundwater legislation as well as responding to a number of gut and amend bills that impacted LAFCos. The CALAFCO Legislative Committee began work in November and met regularly throughout the year. The top priority of the Legislative Committee was *AB 2762*, the Assembly Local Government Committee Omnibus bill. This year the bill contained eight different changes to Cortese-Knox-Hertzberg such as clarifying several definitions, making changes to obsolete and incorrect code references, and making minor updates to several outdated sections. Perhaps the most substantial change was made to the independent special district selection committee process. CALAFCO worked closely with CSDA for several



2014



REPORT TO THE MEMBERSHIP

months to ensure that these changes were acceptable to their membership. The bill was signed by the Governor on July 9. We are grateful for the efforts of Legislative Committee member *Paul Novak* (Los Angeles LAFCo) and Assembly Local Government Committee associate consultant *Misa Yokoi-Shelton* for their efforts on shepherding this bill.

Highlights of other legislation on which we worked include:

- **AB 1527** (*Perea*) Substantially amended several times, the bill required the State Water Resources Control Board to provide incentives for the consolidation of public water systems based on LAFCo studies, and to adopt a policy handbook. Eliminated from an earlier version of the bills was the provision that LAFCos be added to the list of eligible entities for receiving grant funding from the Strategic Growth Council. However it still acknowledged the importance and usefulness of Municipal Service Reviews at the state level by requiring the Board to use that data in their processes of consolidation incentives. Ultimately the bill was vetoed by the Governor because the new provision would be repealed. As the bill was amended numerous times, CALAFCO's position changed, ultimately ending in a Support.
- **SB 614** (*Wolk*) This was a gut and amend initiated by the League. The bill is intended to provide an incentive to cities to annex disadvantaged unincorporated communities by creating an option for a funding mechanism using a property tax sharing agreement by affected entities and ensuing tax increment. The bill allows LAFCo to consider, as part of the application, the formation of a new district or the reorganization of an existing district, but only if all of the affected agencies are in agreement. Further, the bill allows a consenting local agency to advance funds to the special district for the sole purposes outlined in the annexation development plan (for specific infrastructure upgrades). There is a ten year sunset on the provisions created by this bill. CALAFCO spent over two months working closely with Senator Wolk's staff and the staff of the Senate Governance & Finance committee on amendments to the bill. All of CALAFCO's concerns were eliminated and ultimately CALAFCO's position was one of Support. The bill was signed into law on September 29.
- **AB 1521** (*Fox*) This bill would have reinstated the VLF payment (through ERAF) and changed the way that the growth in the VLF adjustment amount (property tax in lieu of VLF) is calculated starting in FY 2014-15 to include the growth of assessed valuation, including in an annexed area, from FY 2004-05 to FY 2014-15. Beginning in FY 2015-16, the VLF adjustment amount would have been the jurisdiction's annual change in the assessed valuation. Marked as an urgency bill to take effect immediately, the Governor vetoed the bill stating it would not be prudent to authorize legislation that would result in long term costs to the general fund that this bill would occasion. CALAFCO Support.
- **SB 69** (*Roth*) The bill called for reinstatement of the VLF through ERAF for cities that incorporated between January 1, 2004 and January 1, 2012. There were no provisions for back payments for lost revenue, but the bill did reinstate future payments beginning in the 2014/15 year for cities that incorporated between 1-1-2004 and 1-1-2012. The Governor also vetoed this bill for the same reasons as noted for AB 1521. CALAFCO Support.
- **AB 2156** (*Achadjian*) The bill writes Joint Power Authorities into CKH through definition of both, and as entities from which the LAFCo is authorized to request information for studies, and requires the JPA to respond to the request for information. The bill was signed into law on June 4. CALAFCO Support.
- **AB 1739** (*Dickinson*) and **SB 1168** (*Pavley*) CALAFCO engaged in the months of stakeholder meetings on these two pieces of legislation. With a number of concerns about both bills early on, we shared those concerns and were able to get them written out of both bills. In early July the Board had an opportunity to receive a presentation on these landmark bills from Assm. Dickinson's Legislative Director Les Spahn, ACWA Board member Matt Hurley, and participating co-author of AB 1739 Ryan Bezzera. CALAFCO's concerns were once again heard. As a result of those amendments, our concern was removed and no position was taken. Both bills along with a third bill (SB 1319, Pavley) were signed into law September 16.

For a complete list of CALAFCO bills, please visit the CALAFCO website. Information is updated daily.

The Legislative Committee is currently working on several substantial legislative proposals approved by the Board that will likely be introduced in 2015:

2014



REPORT TO THE MEMBERSHIP

- *Protest Provisions, Phase II:* Retaining the existing protest and election statutes and adding new streamlined provisions that can be followed based upon local conditions and circumstances. The goal of this streamlining is to create a clearer, more purposeful and transparent process when making important electoral-related decisions.
- *Strengthening the relationship between LAFCoS and JPAs:* Building on this year's AB 2156 (Achadjian), JPAs would file their agreements with LAFCo and, should the LAFCo desire, be included in MSR studies.
- *Disincorporations:* The current law is antiquated and in dire need of updating, so a working group from the Legislative Committee was formed to look at this issue.

FINANCIAL POLICIES AND REPORTING

The Association continues to stand on a strong financial base. The Board maintains policies and current filings which are in compliance with all federal and state requirements for 501(c)(3) organizations. The CALAFCO Policy Manual, IRS Form 990 and other key Association documents are available on the CALAFCO web site. The Association also maintains its records with the national non-profit reporting organization, GuideStar (www.guidestar.com). In 2014 CALAFCO once again earned the *GuideStar Exchange Gold Seal* in recognition of its transparency and completeness in documentation.

All financial records are reviewed quarterly by an outside CPA with reports to the Treasurer and the Board. The Board also reviews the annual IRS Form 990 tax filing prepared by the CPA and staff.

2014-15 Budget

The Board continues to manage the financial resources of the Association closely. This year LAFCo dues were increased by the CPI as authorized in the Association Bylaws. While only a 1.5% increase, the Board felt it was necessary to keep up with the increasing costs of operating the Association.

The adopted budget for 2014-15 provides only minor changes from the 2013-14 budget. The close of the fiscal year showed a slightly greater year-end balance than anticipated in the adopted budget, allowing the Association to once again avoid the use of reserve. The approved budget is \$368,273, which includes a \$43,970 contingency.

The Board approved several small allowances for the use of contingency funds this fiscal year to include

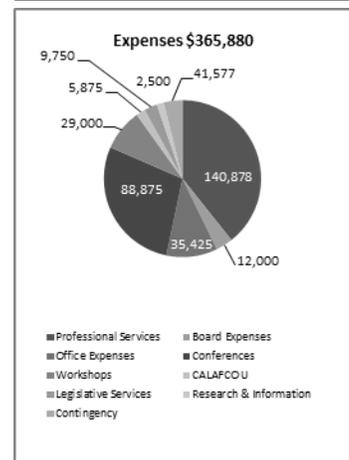
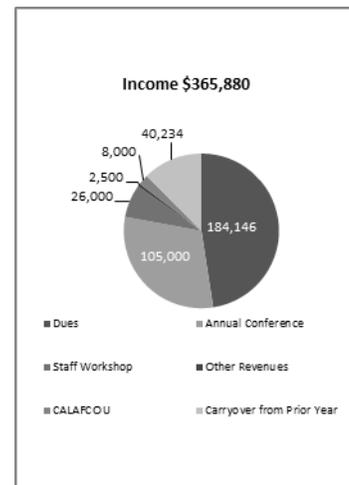
assistance in archiving old Association records, purchasing new office equipment, and the aid of outside legal counsel. In total, the approved funds should not exceed \$5,800 (or 15%) of the total being held in contingency.

For fiscal year 2014-15, there are small increases in rent, professional services, and legislative services expenses in the budget which are offset by increases in revenues from dues and returns from the conference and CALAFCO U as well as a reduction in office and research expenses. The budget is balanced and does not tap any reserve funds.

Restricted Fund Reserve

Since 2005 an important goal established by the Board has been to grow and maintain a fund reserve to support member services in uncertain economic times and to avoid the need to tap members for additional funds, as had been done in the past. With an initial goal of 35% of non-conference operating expenses, the reserve balance at the close of the 2013-14 fiscal year was \$150,754, about 62% of the annual operations budget outside of the Conference and Workshop. The reserve is not part of the annual budget and requires a vote of the Board to use its funds. The Association has not used the fund reserve since the early 2000s. CALAFCO maintains its funds with the Local Agency Investment Fund (LAIF). While the interest rate has remained low again this year, we have not lost any of the principal in our savings or investments. This year the Board amended the organization's policy regarding the reserve fund, changing from having a maximum of 25% held in reserves to having a minimum of 25% held in reserves.

Finally we want to recognize the leadership of our executive director **Pamela Miller** and executive officer **Marjorie Blom** (Stanislaus LAFCo). Added to that is our appreciation for all the contributions of executive



assistant *Jeni Tickler* in the CALAFCO office, deputy executive officers *Steve Lucas* (Butte LAFCo), *Sam Martinez* (San Bernardino LAFCo), and *David Church* (San Luis Obispo LAFCo), Legal Counsel *Clark Alsop* (BB&K), and CPA *Jim Gladfelter* (Alta Mesa Group). These people, along with many other volunteers, associate members, and members of the Board have all

worked together this year to bring many achievements and a strong Association to you, our Member LAFCos and Associate Members.

Sincerely Yours,

The CALAFCO Board of Directors



On the Horizon



2014 CALAFCO University
LAFCo & the Law: Avoiding the Legal Pitfalls and Potholes of CKH
December 8, 2014
Sacramento, CA

2015 STAFF WORKSHOP
April 15 – 17, 2015
Holiday Inn Express and Courtyard Suites
Grass Valley, CA
Hosted by Nevada LAFCo

2015 ANNUAL CONFERENCE
September 2 – 4, 2015
Hyatt Regency
Sacramento, CA
Hosted by Sacramento LAFCo

The Sphere

CALAFCO Journal

CALIFORNIA ASSOCIATION OF LOCAL AGENCY FORMATION COMMISSIONS

1215 K Street, Suite 1650
Sacramento, CA 95814

www.calafco.org



CALAFCO provides educational, information sharing and technical support for its members by serving as a resource for, and collaborating with, the public, the legislative and executive branches of state government, and other organizations for the purpose of discouraging urban sprawl, preserving open-space and prime agricultural lands, and encouraging orderly growth and development of local agencies.

Sharing Information and Resources

CALAFCO GOLD ASSOCIATE MEMBERS

Thank you for your support



The Year In Pictures Scenes from CALAFCO Activities

CALAFCO Annual Conference 2013 Squaw Valley, CA



CALAFCO Annual Staff Workshop 2014 Berkeley, CA



LAFCO 50th Anniversary Symposium Sacramento, CA

Co-sponsored by CALAFCO and the UC Davis Extension for Land Use & Natural Resources



**CALAFCO LEGISLATIVE COMMITTEE
JPA WORK GROUP**

Volunteers

Scott Browne, Counsel, Nevada
Bill Kirby, Commissioner, Placer
Steve Lucas, Executive Officer, Butte
Keene Simonds, Executive Officer, Marin

APPROVED DRAFT PROPOSAL FOR DISCUSSION

August 26, 2014

A. Background

On February 7, 2014, the CALAFCO Board accepted the earlier recommendation of the Legislative Committee to establish a work group tasked with drafting a legislative proposal for discussion establishing a formal relationship between LAFCOs and joint-power authorities (JPAs). The underlying intent is to reconcile the increasing and important role JPAs have in funding/organizing/delivering municipal services in support of urban growth in concert with LAFCOs' mandate to produce accountable and efficient government. The Board, accordingly, has tasked the JPA Work Group with drafting legislation consistent with this referenced intent for future review by the Legislative Committee and possible future action by the Board.

B. Discussion

The JPA Work Group has approved the following draft proposal for discussion by the Legislative Committee and – if agreeable – subsequent consideration by the Board. The draft proposal ultimately involves making three changes as summarized below.

- Expand and add a new requirement for JPAs to file copies of their agreements and amendments with LAFCOs in step with existing reporting to the Secretary of State (Government Code Sections 6503.6 and 6503.8)
- Clarify existing law to allow LAFCOs to include JPAs in municipal service reviews for purposes of assessing the availability and adequacy of governmental services within a defined region if deemed appropriate by local commissions (Government Code Section 56430)
- Clarify existing law to define JPAs as public agencies for purposes of eligible entities to contract for new/extended outside services and confirm applicability of exemptions are determined by LAFCOs. (Government Code Section 56133).

The draft amendment language itself follows.

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1. Amend the “Joint Exercise of Powers Act” to revise Section 6503.6 as well as add Section 6503.8 to include LAFCOs in existing JPA filing requirements.

6503. The agreements shall state the purpose of the agreement or the power to be exercised. They shall provide for the method by which the purpose will be accomplished or the manner in which the power will be exercised.

6503.1. (a) When property tax revenues of a county of the second class are allocated by that county to an agency formed for the purpose of providing fire protection pursuant to this chapter, those funds may only be appropriated for expenditure by that agency for fire protection purposes.

(b) As used in this section, "fire protection purposes" means those purposes directly related to, and in furtherance of, providing fire prevention, fire suppression, emergency medical services, hazardous materials response, ambulance transport, disaster preparedness, rescue services, and related administrative costs.

(c) This section shall not be interpreted to alter any provision of law governing the processes by which cities or counties select providers of ambulance transport services.

6503.5. Whenever a joint powers agreement provides for the creation of an agency or entity that is separate from the parties to the agreement and is responsible for the administration of the agreement, such agency or entity shall, within 30 days after the effective date of the agreement or amendment thereto, cause a notice of the agreement or amendment to be prepared and filed with the office of the Secretary of State. The agency or entity shall furnish an additional copy of the notice of the agreement or amendment to the Secretary of State, who shall forward the copy to the Controller. The notice shall contain:

(a) The name of each public agency that is a party to the agreement.

(b) The date that the agreement became effective.

(c) A statement of the purpose of the agreement or the power to be exercised.

(d) A description of the amendment or amendments made to the agreement, if any. Notwithstanding any other provision of this chapter, any agency or entity administering a joint powers agreement or amendment to such an agreement, which agreement or amendment becomes effective on or after the effective date of this section, which fails to file the notice required by this section within 30 days after the effective date of the agreement or amendment, shall not thereafter, and until such filings are completed, issue any bonds or incur indebtedness of any kind.

6503.6. Whenever an agency or entity files a notice of agreement or amendment with the office of the Secretary of State pursuant to Section 6503.5, the agency or entity shall file a copy of the full text of the original joint powers agreement, and any amendments to the agreement, with the Controller, and within 90 days after the effective date of the agreement or amendment thereto, shall file a copy of the agreement or amendment with the local agency formation commissions in all all affected counties, as defined in Section 56012.

6503.7. Within 90 days after the effective date of this section, any separate agency or entity constituted pursuant to a joint powers agreement entered into prior to the effective date of this section and responsible for the administration of the agreement shall cause a notice of the agreement to be prepared and filed with the office of the Secretary of State. The agency or entity shall also furnish an additional copy of the notice of the agreement to the Secretary of State who shall forward the copy to the Controller. The notice shall contain all the information required for notice given pursuant to Section 6503.5. Notwithstanding any other provision of this chapter, any joint powers agency that is required and fails to file notice pursuant to this section within 90 days after the effective date of this section shall not, thereafter, and until such filings are completed, issue any bonds, incur any debts, liabilities or obligations of any kind, or in any other way exercise any of its powers. For purposes of recovering the costs incurred in filing and processing the notices required to be filed pursuant to this

section and Section 6503.5, the Secretary of State may establish a schedule of fees. Such fees shall be collected by the office of the Secretary of State at the time the notices are filed and shall not exceed the reasonably anticipated cost to the Secretary of State of performing the work to which the fees relate.

6503.8. No later than July 1, 2016, any separate agency or entity constituted pursuant to a joint powers agreement entered into prior to the effective date of this section and responsible for the administration of the agreement shall cause a copy of the agreement to be filed with the local agency formation commissions in all affected counties, as defined in Section 56012.

2. Amend the “Cortese-Knox-Hertzberg Act” to revise Section 56430 to clarify LAFCOs ability to include JPAs in the MSR process

56430. (a) In order to prepare and to update spheres of influence in accordance with Section 56425, the commission shall conduct a service review of the municipal services provided in the county or other appropriate area designated by the commission. The commission shall include in the area designated for service review the county, the region, the subregion, or any other geographic area as is appropriate for an analysis of the service or services to be reviewed, and shall prepare a written statement of its determinations with respect to each of the following:

- (1) Growth and population projections for the affected area.
- (2) The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence.
- (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.
- (4) Financial ability of agencies to provide services.
- (5) Status of, and opportunities for, shared facilities.
- (6) Accountability for community service needs, including governmental structure and operational efficiencies.
- (7) Any other matter related to effective or efficient service delivery, as required by commission policy.

(b) In conducting a service review, the commission shall comprehensively review all of the agencies that provide the identified service or services within the designated geographic area.

The commission may assess various alternatives for improving efficiency and affordability of infrastructure and service delivery within and contiguous to the sphere of influence, including, but not limited to, the consolidation of governmental agencies.

(c) In conducting a service review, the commission may include a review of whether the agencies under review, including any public water system as defined in Section 116275, are in compliance with the California Safe Drinking Water Act (Chapter 4 (commencing with Section 116270) of Part 12 of Division 104 of the Health and Safety Code). A public water system may satisfy any request for information as to compliance with that act by submission of the consumer confidence or water quality report prepared by the public water system as provided by Section 116470 of the Health and Safety Code.

(d) The commission may request information, as part of a service review under this section, from identified public or private entities that provide wholesale or retail supply of drinking water, including mutual water companies formed pursuant to Part 7 (commencing with Section 14300) of Division 3 of Title 1 of the Corporations Code, and private utilities, as defined in Section 1502 of the Public Utilities Code.

(e) In conducting a service review, the commission may include a review of joint-power authorities established under the Join Exercise of Powers Act (commencing with Section 6500) as it deems relevant to fulfilling its purpose and statutory duties.

(ef) The commission shall conduct a service review before, or in conjunction with, but no later than the time it is considering an action to establish a sphere of influence in accordance with Section 56425 or 56426.5 or to update a sphere of influence pursuant to Section 56425.

3. Amend the “Cortese-Knox-Hertzberg Act” to revise Section 56133 to clarify JPAs are eligible entities to contract with cities/districts for outside services under the exemption allowed under subsection (e) as well as clarify LAFCOs role in determining application of exemptions.

56133. (a) A city or district may provide new or extended services by contract or agreement outside its jurisdictional boundaries only if it first requests and receives written approval from the commission in the affected county.

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

(c) The commission may authorize a city or district to provide new or extended services outside its jurisdictional boundaries and outside its sphere of influence to respond to an existing or impending threat to the public health or safety of the residents of the affected territory if both of the following requirements are met:

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

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

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

(e) This section does not apply to any of the following contracts or agreements as determined by the commission:

(1) Contracts or agreements solely involving two or more public agencies, including joint-power authorities, where the public service to be provided is an alternative to, or substitute for, public services already being provided by an existing public service provider and where the level of service to be provided is consistent with the level of service contemplated by the existing service provider.

~~(2) Contracts or agreements~~ ~~-. This section does not apply to contracts~~ for the transfer of nonpotable or nontreated water.

~~(3) -This section does not apply to contracts~~ Contracts or agreements solely involving the provision of surplus water to agricultural lands and facilities, including, but not limited to, incidental residential structures, for projects that serve conservation purposes or that directly support agricultural industries. ~~-. However, prior to extending surplus water service to any project that will support or induce development, the city or district shall first request and receive written approval from the commission in the affected county.~~

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

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

LAFCO *of Monterey County*

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

2014

Commissioners

December 1, 2014

Chair

Steve Snodgrass
Special District Member

CALAFCO Legislative Committee JPA Work Group
Attention: Keene Simonds
c/o California Association of Local Agency Formation Commissions
1215 K Street, Suite 1650
Sacramento, CA 95814

Vice Chair

Sherwood Darington
Public Member

Fernando Armenta
County Member, Alternate

RE: CALAFCO Joint Powers Authority Work Group, Draft Legislative
Proposal, August 26, 2014

Louis R. Calcagno
County Member

Dear Mr. Simonds:

Matt Gourley
Public Member, Alternate

Thank you for this opportunity to comment on the JPA Work Group's draft legislative proposal. LAFCO of Monterey County appreciates the JPA Work Group's efforts to strengthen existing relationships between Joint Power Authorities and LAFCOs. However, we have identified several concerns with the current proposal, for your consideration.

Joe Gunter
Alternate, City Member

Maria Orozco
City Member

One of the proposal's goals is to create a new requirement for Joint Powers Authorities to file copies of their agreements and amendments with LAFCOs. LAFCO of Monterey County is already aware of key local JPAs and their relationships with local agencies. Our staff coordinates directly with JPAs, whenever appropriate, on service and boundary issues that affect cities and special districts. The proposed provision would result in unnecessary and unfunded new requirements for LAFCOs to track and document numerous JPAs.

Warren E. Poitras
Special District Member, Alternate

Ralph Rubio
City Member

Simón Salinas
County Member

Also, the proposal would specifically include Joint Powers Authorities in Municipal Service Reviews. LAFCOs already have this authority under provisions of the Cortese-Knox-Hertzberg (CKH) Act. For example, the CKH Act provides that: "*In conducting a service review, the commission shall comprehensively review all of the agencies that provide the identified service or services within the designated geographic area*" (Section 56430[b], emphasis added). LAFCO of Monterey County exercises its discretionary authority to address relevant JPAs in Municipal Service Reviews, in order to understand the services provided by those JPAs and to analyze their relationships to local agencies. Our authority to obtain information from JPAs was recently reinforced with the passage of Assembly Bill 2156, effective January 1, 2015, specifically authorizing LAFCO to request and receive information. Any additional CKH language that emphasizes Municipal Service Review preparation tasks for JPAs would place an unnecessary and unfunded burden on LAFCOs.

Graig R. Stephens
Special District Member

Staff

Kate McKenna, AICP
Executive Officer

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

P. O. Box 1369
Salinas, CA 93902

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

A final concern is the impact of this proposal on the flexibility of public entities to accomplish their goals. Increased LAFCO oversight of Joint Powers Authorities could have an unintended consequence of impacting JPA members' abilities to enter into (or exit) agreements or meet internal contractual obligations.

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In summary, LAFCOs have adequate existing legal authority to study and consider JPAs as part of a study for any given area, and to directly regulate the services and boundaries

of individual member agencies within JPAs. An increased level of LAFCO involvement with JPAs would result in new, unfunded requirements being placed on LAFCOs when adequate and appropriate provisions already exist. Finally, increased LAFCO involvement could conflict with the goals and contractual arrangements of public entities.

Thank you again for this opportunity to comment on important and valued work done by your Work Group and the CALAFCO Legislative Committee. Please continue to keep us informed throughout the process, and feel welcome to contact Executive Officer Kate McKenna for more detailed discussions.

Sincerely,

Steve Snodgrass
Chair

cc: Pamela Miller, CALAFCO Executive Director

KATE McKENNA, AICP
Executive Officer

LOCAL AGENCY FORMATION COMMISSION
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DATE: December 1, 2014
TO: Chair and Members of the Formation Commission
FROM: Kate McKenna, AICP, Executive Officer
SUBJECT: MID-YEAR WORK PROGRAM REVIEW AND AMENDMENT

SUMMARY OF RECOMMENDATIONS:

It is recommended that the Commission:

1. Receive a report from the Executive Officer;
2. Receive public comment;
3. Consider and adopt a Resolution (Attachment 1) approving a mid-year amendment to the adopted Fiscal Year 2014-2015 work program; and
4. Receive a list of anticipated future agenda items for information.

EXECUTIVE OFFICER'S REPORT:

Attached for action is a recommended change to the Commission's annual work program (Exhibit A of Attachment 1). The change will add several South County districts and one North County district to the list of Municipal Service Reviews and Sphere of Influence studies to be prepared by LAFCO staff in 2015. Also attached, as information, is an updated list of anticipated future agenda items.

Background

Each spring, the Commission adopts an annual work program as a companion to the annual budget. The work program identifies activities that are essential to accomplish legislative purposes, mandates and local priorities. It is routinely reviewed at the mid-point of each fiscal year, and may be updated to reflect current priorities and resources. The Commission also receives monthly reports about upcoming agenda items, as information.

Proposed Amendment To Fiscal Year 2014-2015 Work Program

The current work program places a priority on staff preparation of Municipal Service Reviews and Sphere of Influence studies for three cities and several water, wastewater and solid waste districts, a community services district and a health care district.

Now proposed is the addition of several districts to the list of LAFCO-initiated studies: cemetery, memorial and public recreation districts in South County, and one cemetery district in North County. These include eight cemetery districts (Gonzales, Soledad, Greenfield, King City, San Ardo, San Lucas, Cholame and Castroville), two public recreation districts (Greenfield and Soledad Mission), and one memorial district (Greenfield). It is timely to focus on South County's small, often overlapping and fiscally-stressed districts (including the two South County water districts that are already listed in the work program). Supervisor/Commissioner Salinas' recent training session for special districts was a

Mid-Year Work Program Review and Amendment
December 1, 2014

positive first step in the process. Proposed work program changes are listed on Page One of Exhibit A, in strike through and underline format. We anticipate making substantial progress on these LAFCO-initiated studies by June 30.

Anticipated Agenda Items

A list of anticipated future agenda items is provided in Table 1, the last page of the work program. Staff has updated this list to reflect the proposed work program amendment.

Fiscal Impact

The proposed work program changes can be absorbed with current budget and staffing levels.

Alternative Actions

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

Respectfully Submitted,



Kate McKenna, AICP,
Executive Officer

Attachment: Draft Resolution with Exhibit A: Adopted Fiscal Year 2014-2015 Work Program with Recommended Changes on Page One. A list of updated list of anticipated agenda items is provided on the last page (Table 1).

THE LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

RESOLUTION NO. 14-xx

RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION
AMENDING THE ADOPTED FISCAL YEAR 2014-2015 WORK PROGRAM

WHEREAS, the Budget and Finance Committee of the Local Agency Formation Commission of Monterey County considered a proposed annual work program on February 14, 2014, and made its recommendations to the Commission; and

WHEREAS, the Local Agency Formation Commission of Monterey County considered these recommendations and adopted an annual work program after conducting a duly noticed public hearing on March 24, 2014; and

WHEREAS, upon review of the adopted Fiscal Year 2014-2015 work program's current completion status and emerging opportunities for prioritized review of special districts in the central and south Salinas Valley, the Executive Officer has identified and recommended certain adjustments to the adopted Fiscal Year 2014-2015 work program;

NOW, THEREFORE, the Local Agency Formation Commission of Monterey County hereby approves an amendment to the adopted Fiscal Year 2014-2015 work program as shown in Exhibit A.

UPON MOTION OF Commissioner _____, seconded by Commissioner _____, the foregoing resolution is adopted this 1st day of December, 2014 by the following vote:

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

Steve Snodgrass, Chair
Local Agency Formation Commission of Monterey County

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

Witness my hand this __ day of December, 2014

By: _____
Kate McKenna, AICP, Executive Officer

LAFCO *of Monterey County*

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

FISCAL YEAR 2014-2015 WORK PROGRAM

Adopted March 24, 2014

Recommended Amendment December 1, 2014 (see marked changes on Page 1)

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

2. SPECIAL STUDIES		
TASK	STATUS	COMMENTS
<p>Prepare Municipal Service Reviews and Sphere of Influence Updates for:</p> <ul style="list-style-type: none"> • Carmel Area Wastewater District, • Pajaro/Sunny Mesa Community Services District, • Salinas Valley Memorial Healthcare System, • San Ardo Water District, • San Lucas County Water District, • Boronda County Sanitation District, • Monterey County Regional Sanitation District (MRWPCA), • Monterey Peninsula Water Management District, • Pajaro County Sanitation District, • <u>Independent special districts that provide water, cemetery, memorial, and recreation services in the central and south Salinas Valley area, including:</u> <ul style="list-style-type: none"> ▪ <u>San Ardo and San Lucas County Water Districts,</u> ▪ <u>Gonzales, Soledad, Greenfield, King City, San Lucas, San Ardo, and Cholame Cemetery Districts,</u> ▪ <u>Greenfield Memorial District, and</u> ▪ <u>Soledad Mission and Greenfield Public Recreation Districts.</u> • <u>Castroville Cemetery District</u> • City of Gonzales, • City of Seaside • City of Soledad, and • Marina Coast Water District and Seaside County Sanitation District – Administrative Draft MRS were prepared by LAFCO staff in 2013. Completion schedule to be determined in coordination with the districts. 	<p>Goal is to complete a series of water, wastewater and solid waste mgmt. district MSRs, per a phased, multi-year program adopted by the Commission in 2009. Work on this phase started in 2013, and is planned for completion by June 2015.</p> <p>Additional MSR studies, primarily for cities and CSDs with active SOI plans <u>and other priority areas</u>, will also be started in FY 2014-2015.</p>	<p>Significant Sphere of Influence Updates or other changes proposed by local agencies or area property owners may require changes to the schedule of MSR tasks. MSR schedule could also be affected by staff time required to process applications.</p>

As needed, update and publish LAFCO local agency and resource maps on the LAFCO web site. Also, respond to agency requests for custom mapping of boundary/service information.	ONGOING	Farmland map updates are underway.
As needed, develop and update local policies, procedures, applications, and flowcharts for Spheres of Influence, annexations, reorganizations, and the creation of cities and districts.	ONGOING	Application packet is under review.

3. GOVERNMENT AND COMMUNITY RELATIONS

TASK	STATUS	COMMENTS
Initiate informal meetings to discuss budget and policy issues with Cities, Special Districts, and County, as appropriate.	ONGOING	
Attend meetings of the Special Districts Association and the Special Districts General Managers' Group (quarterly), and provide support for the election of Special District LAFCO Members.	ONGOING	
Attend meetings as requested by the City Managers Group and City Mayors Association.	ONGOING	
Attend meetings as requested by the County of Monterey.	ONGOING	
Provide early notice to County, Cities, and Special Districts of issues that may affect them, and opportunities to participate in the LAFCO process.	ONGOING	
Post public information on the LAFCO website and review website layout, graphics, and content for ease of public use.	ONGOING	Website update is underway.
Encourage and provide early LAFCO participation in Sphere of Influence updates, General Plan updates, City-County-District dialogues, and environmental review activities that affect government boundaries & services.	ONGOING	
Participate in regional activities for which LAFCO has indirect or direct responsibilities, such as ensuring the consideration of Spheres of Influence in the development of the AMBAG Sustainable Communities Strategy, as required by State law.	IN PROGRESS	Commissioner Darington and the Executive Officer serve on an AMBAG advisory committee. Executive Officer also serves on a planning committee.
Participate in community educational opportunities to promote understanding and dialogue with various sectors of the Monterey County economy.	ONGOING	

<p>Promote Monterey LAFCO's interests in statewide issues through active participation in the California Association of Local Agency Formation Commissions (CALAFCO).</p>	<p>ONGOING</p>	<p>The Commission receives a monthly CALAFCO activities report, and participates in policy, legislative and other issues. Commissioners and staff actively participate in CALAFCO conferences, workshops, and courses.</p>
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4. COMMISSION AND COMMITTEE FUNCTIONS

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

5. ADMINISTRATIVE AND HUMAN RESOURCES MANAGEMENT

TASK	STATUS	COMMENTS
<p>Maintain the LAFCO project tracking system.</p>	<p>ONGOING</p>	
<p>Maintain the staff time keeping, cost tracking, and invoicing systems for applications.</p>	<p>ONGOING</p>	
<p>Comprehensively review and document Policies and Procedures for all LAFCO office functions, including human resources rules and regulations.</p>	<p>IN PROGRESS</p>	
<p>Identify and support staff training needs and opportunities, including professional certification, technical training, and ethics/harassment compliance.</p>	<p>ONGOING</p>	

Implement LAFCO's new Records Management Policy, including conversion of paper records to electronic format. This is a multi-year task.	ONGOING	Policy adopted on February 24, 2014.
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6. FINANCIAL MANAGEMENT		
TASK	STATUS	COMMENTS
Review and update the project fee schedule and hourly staffing rates, as needed.	ONGOING	No changes needed at this time.
Continue to review existing financial policies and procedures, and prepare new financial policies and procedures as necessary.	ONGOING	No changes needed at this time.
Continue to coordinate with the County Auditor, to obtain annual local agency contributions to LAFCO. Work with Auditor and Special Districts to implement any update to the cost share formula as may be approved by the Districts in 2014.	ONGOING	Cost collection process was clarified by a 2009 LAFCO policy. A modified cost share formula is under review by Special Districts in 2014.
Complete annual audit for Fiscal Year 2013-2014.	Start August 2014. Complete by December 2014.	Contract for audit services was approved in Feb. 2014.
Conduct periodic review of Benefits, Services and Supplies with the goal of continuing to control costs.	ONGOING	
Continue use of a three-year financial forecast to project upcoming needs and to provide the resources to meet these needs.	ONGOING	This tool is for informal use by the Budget & Finance Committee.

Table 1: Partial List of Anticipated Agenda Items as of December 1, 2014Anticipated Agenda Items Second Half of FY 2014-2015 (January – June 2015)

1. South Monterey County Fire Protection District – Sphere of Influence Amendment and Annexation of 5,000+ acres in South County. (LAFCO Application No. 13-05 was filed on July 10, 2013. Incomplete status, pending the District-County approval of a property tax transfer agreement).
2. Municipal Service Review and Sphere of Influence Update for Carmel Area Wastewater District (Initiated by LAFCO in March 2014).
3. Carmel Area Wastewater District - Annexation of all or significant portions of the District's existing Sphere of Influence near the mouth of the Carmel Valley and potentially other areas. (Application is being prepared; not yet received).
4. Municipal Service Review and Sphere of Influence Update for Pajaro-Sunny Mesa Community Services District (MSR Initiated by LAFCO. SOI application initiated by County and PSMCSD).
5. Municipal Service Review and Sphere of Influence Update for Monterey Regional Waste Management District (Initiated by LAFCO. Hearing expected in early 2015).
6. Municipal Service Review and Sphere of Influence Study for independent special districts that provide water, cemetery, memorial, and recreation services in the central and south Salinas Valley (to be initiated by LAFCO).
7. Municipal Service Review and Sphere of Influence Study for the Castroville Cemetery District (to be initiated by LAFCO).
8. Prepare a comprehensive set of Policies and Procedures for all LAFCO office functions, including human resources rules and regulations.
9. Municipal Service Review for Marina Coast Water District (Initiated by LAFCO. Administrative draft was prepared by LAFCO staff and reviewed with District in 2013. In February 2014, MCWD formed an ad hoc committee to meet with Seaside County Sanitation District to resolve ongoing issues regarding establishment of an appropriate boundary between the two districts. MSR and SOI adoption schedule is dependent on the districts).
10. Municipal Service Review for the Seaside County Sanitation District (Initiated by LAFCO. Administrative draft MSR was prepared by LAFCO staff and reviewed with District. As of December 2014, SCSD is coordinating with MCWD to resolve ongoing engineering and feasibility issues, and then will arrange a stakeholders meeting to discuss a proposed Sphere of Influence. MSR and SOI adoption schedule is dependent on the two districts).
11. Marina Coast Water District – Sphere of Influence Amendment and Annexation of Portions of the Former Fort Ord to Provide Water and Wastewater Services (to be initiated by District. See MSR discussion above).
12. Seaside County Sanitation District – Sphere of Influence Amendment to Include Portions of the Former Fort Ord to Provide Wastewater Services (to be initiated by District. See MSR discussion above).
13. Municipal Service Review for the City of Seaside (Will be initiated by LAFCO at such time as warranted by schedule for potential SOI Amendment, see description below).
14. City of Seaside – Sphere of Influence Amendment and Annexation of the Proposed Monterey Downs Project, Horse Park and Central Coast Veterans Cemetery (to be initiated by City).

15. Municipal Service Review and Sphere of Influence Update for Monterey County Regional Sanitation District *(to be initiated by LAFCO)*.
16. Municipal Service Review and Sphere of Influence Update for Monterey Peninsula Water Management District *(to be initiated by LAFCO)*.

Anticipated Agenda Items with No Timeline Estimate

17. Municipal Service Review and Sphere of Influence Update for City of Soledad *(will potentially be initiated by LAFCO, if determined necessary depending on the scope of subareas under consideration in #2, below)*.
18. City of Soledad – Sphere of Influence Amendment and Annexation of Miravale IIB Subdivision. *(Additional potential inclusions: Existing 10-Unit Residential Development Near Gabilan Drive, Front Street freeway interchange safety improvements, 4.35-acre expansion area within the “Soledad Entry Commercial Annexation,” Metz Road bypass, Los Coches Adobe vicinity; possibly others)*.
19. City of Greenfield – Potential Commercial/Industrial and Residential Annexation Proposals (Franscioni, Scheid, Rich, and others). (Initial Preliminary Discussion)
20. City of Marina – Annexation of Portions of the former Fort Ord within the City’s Sphere of Influence.
21. County Service Area 15 (Serra Village/Toro Park) – Possible reorganization of government structure and services.
22. Soledad Community Health Care District – Comprehensive Sphere of Influence Amendment and Annexation. May include a Municipal Services Review update.
23. Mission Soledad Rural Fire Protection District – Sphere of Influence Amendment and Annexation to include build-out of the proposed Paraiso Springs Resort.

LOCAL AGENCY FORMATION COMMISSION
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KATE MCKENNA, AICP
Executive Officer

DATE: December 1, 2014
TO: Chair and Members of the Commission
FROM: Kate McKenna, AICP, LAFCO Executive Officer
SUBJECT: SANTA LUCIA COMMUNITY SERVICES DISTRICT – PROPOSED ACTIVATION
OF THE DISTRICT’S LATENT POWER TO PROVIDE BROADBAND
COMMUNICATION SERVICES (LAFCO FILE NO. 14-04)

SUMMARY OF RECOMMENDATIONS:

It is recommended that the Commission conduct a public hearing and adopt the attached draft resolution (Attachment 1):

1. Considering the finding made by the Santa Lucia Community Services District that the proposal is exempt from environmental review pursuant Sections 15303 and 15304 of the California Environmental Quality Act (CEQA) Guidelines;
2. Activating the District’s latent power to provide broadband communication services, and
3. Authorizing the Executive Officer to hold Conducting Authority Proceedings on Thursday, January 8, 2015 at 4:00 p.m. in the LAFCO office.

EXECUTIVE OFFICER’S REPORT:

Background

The Santa Lucia Community Services District is requesting activation of its latent power to provide broadband communication services (high-speed internet and voice-over-internet technology) throughout its district boundaries. The District currently provides water, wastewater, road maintenance, storm drainage, fire protection, security and transportation services within its approximately 20,000-acre territory, located in the Carmel Valley area as shown in Attachment 2.

No public agency currently provides broadband services within the District. Private broadband services (AT&T DSL and satellite internet) are currently available in portions of the District’s territory. However, these limited existing services do not meet current and anticipated future needs of the District and its residents, and private providers have not expressed interest in making the necessary infrastructure investments to provide enhanced services within this hilly and sparsely populated district.

Access to comprehensive, districtwide broadband communications would allow the District to implement more efficient, modern equipment to control its private water system and other District infrastructure. District residents would also benefit from higher levels of internet service and more reliable access to emergency communications.

LAFCO’s scope of responsibility is limited to authorizing the District to provide broadband services. Future development proposals to construct broadband-related communication facilities and equipment will be subject to the County of Monterey’s land use regulations and permitting processes.

Authorization of a Latent Power

The District is requesting that LAFCO authorize a latent power. A latent power is a function, or class of services, allowed for a district under State law but not currently authorized for that specific individual district. The Cortese-Knox-Hertzberg Act, Section 56021, provides that a district must seek LAFCO approval before exercising latent powers. Section 61100(af) of Community Services District Law identifies deployment of broadband facilities and services as a type of service that a community services district may provide within its boundaries, subject to LAFCO approval.

Section 61100(af) requires that “The district shall first make a reasonable effort to identify a private person or entity willing to deploy service. The authority granted by this subdivision shall expire when a private person or entity is ready, willing, and able to acquire, construct, improve, maintain, and operate broadband facilities and to provide broadband services, and to sell those services at a comparable cost and quality of service as provided by the district.”

In its application to LAFCO, the District has demonstrated a reasonable prior effort to identify a willing private entity to deploy enhanced broadband services. The District published a Request for Proposals on June 16 and June 20 2014 in the Monterey County Herald and solicited responses through July 17, 2014. Additional efforts were made through direct written contacts to broadband providers Mimoso, AT&T, Livewire and Comcast. The District received no responses.

Pursuant to Community Services District Law, Section 61107(b), LAFCO shall not authorize activation of a latent power if it determines that another local agency already provides substantially similar services in the area proposed to be served. AT&T DSL and satellite internet services currently provide some limited broadband coverage within the District’s boundaries. However, no public agency provides broadband services within the District. No public or private entity provides the enhanced, comprehensive districtwide broadband services that the District is seeking to deploy if LAFCO approves the proposed latent power activation.

Analysis for a Change of Organization

In 2008, the Cortese-Knox-Hertzberg Local Government Reorganization Act was amended to define the authorization of latent powers as a “Change of Organization.” The Commission must consider fifteen factors in the review of a proposal for a change of organization (Government Code section 56668). These factors are discussed in Sections 2 through 16 of the attached draft resolution (Attachment 1). As outlined in the draft resolution, consideration of these factors supports the proposed activation of latent powers.

Public Agency Referrals and Public Noticing

LAFCO referred the proposal to public agencies for review and comment in September 2014. In November 2014, the application was legally noticed in the Monterey County Herald for a December 1, 2014 LAFCO public hearing. Notice of the hearing was mailed to all property owners and registered voters within the District and within 300 feet of the District boundaries, posted on the LAFCO website, County Government Center and LAFCO office, and mailed to all known interested agencies and organizations. Therefore, LAFCO has fully complied with all requirements and procedures for public agency referrals and public noticing.

District/County Tax Transfer

The County Administrative Office has determined that a tax transfer is not required for this change of organization because no change would be made to the boundaries of the District and the District is not requesting a reallocation of taxes.

Environmental Determination

The District, acting as lead agency, has determined that this proposal is exempt from the requirements of the California Environmental Quality Act pursuant to CEQA Guidelines section 15303 Minor Construction of New Facilities and 15304 Minor Alterations to Land. LAFCO's authorization of the District's latent power to provide broadband services is consistent with the scope of the District's CEQA determination. As noted in the Background section, above, LAFCO's scope of responsibility is limited to authorizing the District to provide broadband services. Future development proposals to construct broadband-related communication facilities and equipment will be subject to the County of Monterey's land use regulations and permitting processes.¹

Agency and Public Comments

LAFCO has received no negative comments on the District's proposal. The Monterey County Planning Department indicated that no land use departments or County agencies had comments on the application after their review. Monterey County Regional Fire Protection District has confirmed that the District's future broadband services will not interfere or conflict with emergency communication frequencies.

Fees

LAFCO collected a deposit of \$3,000 toward the cost of processing this application. In accordance with the LAFCO Fee Schedule, LAFCO will charge the full cost of the processing. Actual costs above the initial deposit will be required to be paid prior to the issuance of the Certificate of Completion.

Recommended Conditions of Approval

The recommended conditions of approval contained in Section 18 of the draft resolution are:

- a. Services provided by the Santa Lucia Community Services District shall conform to the provisions of Community Services District Law;
- b. The proposal is approved subject to the applicant's payment of all fees incurred in the processing of the application consistent with the LAFCO fee schedule.

The applicant is also required to defend LAFCO if legal action is initiated because of the approval of this application. This requirement is contained in Section 24 of the draft resolution. No conditions require review by the U.S. Department of Justice or the State Board of Equalization. Activation of a district's latent power with no boundary changes involved does not require review by these agencies.

Reconsideration

Pursuant to Government Code 56895, after the Commission has adopted a resolution making determinations, any person or affected agency may file a written request with the LAFCO Executive

¹ If authorized to provide broadband services, the District plans to select a local service provider to develop a more specific master plan to best provide this service to the District. The scope of future physical infrastructure needed to deploy enhanced broadband services in the District is not yet known. The District's initial investigations indicate that up to six sites may be needed for communications equipment. Depending on further study and final site locations, each site's improvements may include antennae installation on foundations, electrical lines and fiber-optic cables, and extension of service roads for maintenance and repair. The District plans to utilize a portion of its existing capital reserves (approximately \$3.3m as of June 30, 2014 in the District's most recent audit report) to construct the required infrastructure. To amortize the estimated \$250,000 in up-front costs and to fund ongoing operations and maintenance, the District will charge monthly service fees and/or propose a parcel-based benefit assessment district; the latter would be subject to a Proposition 218 election.

Officer requesting amendments to, or reconsideration of, the resolution. The person or agency shall file the written request within 30 days of the adoption of the resolution.

Conducting Authority (“Protest”) Proceedings

State law requires a subsequent Conducting Authority hearing for a change of organization unless all property owners give their prior written approval of the proposal. State law requires that this second hearing follow the 30-day reconsideration period of the Commission’s approval of a resolution making determinations. Given the number of parcels and owners affected, obtaining written consent of all property owners was not practical for this change of organization.

Once the Conducting Authority hearing is noticed, registered voters and landowners within the Santa Lucia Community Services District have an ability to file written protests. Written protests may also be submitted at the protest hearing. Following the close of the protest hearing, according to Government Code section 57075(a), the Commission shall order the change of organization or reorganization subject to confirmation by the registered voters residing within the affected territory if written protests have been filed and not withdrawn by either of the following: 1) At least 25 percent, but less than 50 percent, of the registered voters residing in the affected territory, or 2) At least 25 percent of the number of owners of land who also own at least 25 percent of the assessed value of land within the affected territory. The proposed change of organization or reorganization shall be abandoned if the Commission finds that written protests filed and not withdrawn prior to the conclusion of the hearing represent 50 percent or more of the voters residing in the territory.

Because no known controversy exists and no significant protest is anticipated to the District’s proposal, staff recommends that the Commission delegate the Conducting Authority hearing to the Executive Officer with a proposed date of January 8, 2015 at 4:00 pm in the LAFCO office. After satisfaction of any remaining conditions of approval, a Certificate of Completion will be recorded following this hearing unless the threshold for sufficient protest is met.

Conclusion

The proposed activation of powers is consistent with the factors to be considered in the review of a proposal for the activation of latent powers. These factors, and an analysis of the proposal’s consistency with them, are included in the attached draft resolution (Attachment 1). Staff, therefore, recommends adoption of the attached draft resolution to approve the District’s proposal to activate the latent power to provide broadband communication services.

ALTERNATIVE ACTIONS

The Commission may consider these or other alternatives:

1. Deny the requested activation of latent powers, in which case the item should be continued to the January 26, 2015 Commission meeting with direction to staff to prepare a new draft resolution based on the Commission’s findings for denial, or
2. Modify, delete, or add any findings, determinations, or conditions of approval.

Respectfully Submitted,

Kate McKenna, AICP
Executive Officer

Attachments:

1. Draft Resolution
2. Map of Santa Lucia Community Services District

cc: Forrest Arthur, General Manager, Santa Lucia Community Services District

TKB:dm:km

RESOLUTION NO. 14 – 0X

RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY ACTIVATING THE SANTA LUCIA COMMUNITY SERVICES DISTRICT'S LATENT POWER TO PROVIDE BROADBAND COMMUNICATION SERVICES (LAFCO FILE NO. 14-04)

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

WHEREAS, the Santa Lucia Community Services District currently exercises the following powers as allowed by the Community Services District Law (Government Code section 61000 et seq.), and pursuant to LAFCO Resolution 98-08:

- Water Supply [Government Code section 61100 (a)];
- Wastewater [Government Code section 61100 (b)];
- Storm Drainage [Government Code section 61100 (b)];
- Fire Protection [Government Code section 61100 (d)];
- Security [Government Code section 61100 (j)]; and
- Road Maintenance [Government Code section 61100 (l)];
- Transportation Services [Government Code section 61100 (p)]; and

WHEREAS, the Cortese-Knox-Hertzberg Act, Section 56021, provides that a district must seek LAFCO approval before exercising latent powers; and

WHEREAS, Section 61100(af) of Community Services District Law identifies deployment of broadband facilities and services as a type of service that a community services district may provide within its boundaries, subject to LAFCO approval; and

WHEREAS, the Santa Lucia Community Services District held a duly noticed public hearing and passed Resolution No. 14-09 dated August 25, 2014, requesting that LAFCO activate the District's latent power to provide broadband communication services within District boundaries in accordance with the requirement of law [per Government Code Section 61100 (af) and CKH Sections Sections 56824.10, 56824.12, and 56824.14]; and

WHEREAS, an application was filed by the Santa Lucia Community Services District, and accepted by the Executive Officer of the Local Agency Formation Commission, pursuant to Title 6, Division 3, commencing with Section 56000, et seq. of the Government Code; and

WHEREAS, no public agency currently provides broadband services within the District. Private broadband services (AT&T DSL and satellite internet) are currently available in portions of the District's territory. However, these limited existing services do not meet current and anticipated future needs of the District and its residents, and private providers have not expressed interest in making the necessary infrastructure investments to provide enhanced services; and

WHEREAS, a Certificate of Filing was issued for the application on November 3, 2014; and

WHEREAS, the Executive Officer, pursuant to Government Code section 56658, set December 1, 2014 as the hearing date on the proposal and gave the required notice of hearing; and

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

WHEREAS, the Commission, on December 1, 2014, heard from interested parties, considered the proposal and the report of the Executive Officer and considered the factors determined by the Commission to be relevant to the proposal, including, but not limited to, factors specified in Government Code section 56668; and

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

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

Section 1. The foregoing recitals are true and correct.

Section 2. The Santa Lucia Community Services District is the California Environmental Quality Act (CEQA) Lead Agency for this proposal. LAFCO is a Responsible Agency. In its August 25, 2014 resolution initiating the proposed consolidation, the Santa Lucia Community Services District's Board of Directors resolved that the proposal is categorically exempt from CEQA pursuant to CEQA Guidelines section 15303 Construction of Small Facilities and 15304 Minor Alterations to Land. The Commission has considered the categorical exemption adopted by District and determined that LAFCO's authorization of the District's latent power to provide broadband services is consistent with the scope of the District's CEQA determination.

Section 3. The Commission has considered all of the factors set forth in Government Code section 56668 in its review of the latent power request, as follows:

- a. *Population and population density; land area and land use; per capita assessed valuation; topography, natural boundaries, and drainage basins; proximity to other populated areas; the likelihood of significant growth in the area, and in adjacent incorporated and unincorporated areas, during the next 10 years (Gov. Code § 56668(a).)*

The Santa Lucia Preserve, ("The Preserve") encompasses 20,000 square acres of hills and valleys south of Carmel Valley in an area formerly known as Rancho San Carlos and includes 298 estate properties and preserved open spaces managed by the Santa Lucia Conservancy. The proposal by the Santa Lucia CSD is to provide enhanced broadband communication services to the Preserve that no private carriers have expressed interest in providing. Such service is meant to enhance public safety and communication services through modern technology and will not negatively affect existing populations or land uses.

- b. *The need for organized community services; the present cost and adequacy of governmental services and controls in the area; probable future needs for those services and controls; probable effect of the proposed incorporation, formation, annexation, or exclusion and of alternative courses of action on the cost and adequacy of services and controls in the area and adjacent areas. (Gov. Code § 56668(b).)*

The Santa Lucia Community Services District is the only governmental agency in the Santa Lucia Preserve that is capable of providing enhanced broadband communication services to meet current and future needs. After a reasonable effort by the District to identify a private person or entity willing to deploy service, no business expressed interest in providing enhanced broadband services within the District. The District has requested the ability to provide the platform for such service to meet the public health and safety needs of the community and to provide modern communications.

The District plans to utilize a portion of its existing capital reserves (approximately \$3.3m as of June 30, 2014 in the District's most recent audit report) to construct the required infrastructure. To amortize

these up-front costs and to finance operations and maintenance, the District will charge monthly service fees and/or propose a parcel-based benefit assessment district, subject to a Proposition 218 election.

- c. *The effect of the proposed action and of alternative actions, on adjacent areas, on mutual social and economic interests, and on the local governmental structure of the county. (Gov. Code § 56668(c).)*

The activation of a latent power will have no effect on adjacent properties, or on mutual social and economic interests, or on local governmental structure of the County.

- d. *The conformity of both the proposal and its anticipated effects with both the adopted commission policies on providing planned, orderly, efficient patterns of urban development, and the policies and priorities set forth in Section 56377. (Gov. Code § 56668(d).)*

The activation of a latent power to provide enhanced broadband communication services will allow the District to provide improved communications that facilitate the public welfare and safety, and will not impose development contrary to the enjoyment of open spaces or use of agricultural lands.

- e. *The effect of the proposal on maintaining the physical and economic integrity of agricultural lands, as defined in Section 56106. (Gov. Code § 56668(e).)*

The proposal will have no impact on maintaining the physical and economic integrity of agricultural lands. There are no commercial agricultural uses in the Santa Lucia Preserve.

- f. *The definiteness and certainty of the boundaries of the territory, the nonconformance of proposed boundaries with lines of assessment or ownership, the creation of islands or corridors of unincorporated territory, and other similar matters affecting the proposed boundaries. (Gov. Code § 56668(f).)*

No boundaries will be changed by the exercise of a latent power to provide enhanced communication services across the Community Service District area.

- g. *A regional transportation plan adopted pursuant to Section 65080 [of the Government Code] and consistency with city or county general and specific plans. (Gov. Code § 56668(g).)*

The activation of latent powers will not change traffic volumes, flows or capacity and therefore is not covered by the Regional Transportation Plan. Telecommunications facilities are consistent with allowed uses in the unincorporated areas of Monterey County, subject to applicable County zoning requirements such as the issuance of Use Permits.

- h. *The sphere of influence of any local agency, which may be applicable to the proposal being reviewed. (Gov. Code §§ 56375.5, 56668(h).)*

The Santa Lucia Community Services District lies within Monterey County Regional Fire Protection District (MCFPD) and Sphere of Influence. LAFCO solicited comment from the MCFPD and received no negative comments.

- i. *The comments of any affected local agency or other public agency. (Gov. Code § 56668(i).)*

Through the Monterey County Resource Management Agency's "clearinghouse" function, the land use departments and agencies of Monterey County have reviewed the application and have no comments. Monterey County Regional Fire Protection District has confirmed that the District's future broadband services will not interfere or conflict with emergency communication frequencies.

- j. *The ability of the newly formed or receiving entity to provide the services which are the subject of the application to the area, including the sufficiency of revenues for those services following the proposed boundary change. (Gov. Code § 56668(j).)*

The Santa Lucia Community Services District is an existing entity proposing to provide broadband communications capabilities through the activation of a new latent power and has anticipated the probable cost of initially providing these new enhanced communication services as follows: a)

Estimated Capital Cost of installing the infrastructure would be approximately \$225,000; b) Annual repair and maintenance estimate \$25,000; and c) Monthly service cost of ISP and other direct operating costs: \$150.00 - \$400.00 per month per connection, depending on level of service. The District plans to utilize a portion of its existing capital reserves (approximately \$3.3m as of June 30, 2014 in the District's most recent audit report) to construct the required infrastructure. No boundaries are proposed for adjustment.

- k. *Timely availability of water supplies adequate for projected needs as specified in Section 65352.5. (Gov. Code § 56668(k).)*

No water will be used for the activation of these latent powers. No significant amount of water will be used to provide broadband communications services to the Santa Lucia Community Services District.

- l. *The extent to which the proposal will affect a city or cities and the county in achieving their respective fair shares of the regional housing needs as determined by the appropriate council of governments consistent with Article 10.6 (commencing with Section 65580) of Chapter 3 of Division 1 of Title 7. (Gov. Code § 56668(l).)*

The proposal will not affect the County's ability to achieve, or not achieve, its respective fair share of regional housing needs.

- m. *Any information or comments from the landowner or owners, voters, or residents of the affected territory. (Gov. Code § 56668(m).)*

LAFCO has received no comments from property owners, voters, or residents of the affected territory. In the LAFCO application though, the District has expressed that the latent powers proposal is the result of many requests for such an improved communications service to better protect the health, welfare and safety of the territory.

- n. *Any information relating to existing land use designations. (Gov. Code § 56668(n).)*

The area is designated RC-40-D-S Resource Conservation, 40 acre minimum parcel size, Design Control and Site Plan Review zoning districts. The Property is also subject to the allowances of the Rancho San Carlos Comprehensive Development Plan.

- o. *The extent to which the proposal will promote environmental justice. As used in this subdivision, "environmental justice" means the fair treatment of people of all races, cultures, and incomes with respect to the location of public facilities and the provision of public services. (Gov. Code § 56668(o).)*

There are no economic justice issues applicable to the proposal.

- p. *The exchange of property tax. (Revenue and Taxation Code § 99.01.)*

The County Administrative Office has determined that a tax transfer is not required for this change of organization because no change would be made to the boundaries of the District and the District is not requesting a reallocation of taxes.

Section 4. Pursuant to Section 61100(af) of the Community Services District Law, "The authority granted by this subdivision {61100(af)} shall expire when a private person or entity is ready, willing, and able to acquire, construct, improve, maintain, and operate broadband facilities and to provide broadband services, and to sell those services at a comparable cost and quality of service as provided by the district. At that time, the district shall do one of the following:

- (1) Diligently transfer its title, ownership, maintenance, control, and operation of those broadband facilities and services at a fair market value to that private person or entity.
- (2) Lease the operation of those broadband facilities at a fair market value to that private person or entity."

Section 5. This proposal is approved subject to the following terms and conditions:

- (1) Services provided by the Santa Lucia Community Services District shall be consistent with the Community Services District Law commencing with Government Code section 61000, including the provisions of Section 61100(af);
- (2) The proposal is approved subject to the applicant's payment of all fees incurred in the processing of the application consistent with the LAFCO fee schedule.

Section 6 As required by Section 56824.14(a), the Commission has determined that the District will have sufficient revenue from capital reserves, planned service charges and/or adoption of parcel fees to build and operate the new broadband service.

Section 7. The applicants shall defend at their sole expense any action brought against LAFCO, the Commission and its staff, because of the approval of this application. The applicants will reimburse LAFCO for any court costs and attorneys' fees which may be required by a court to pay as a result of such action. LAFCO may, at its discretion, after consultation with the applicants, participate in the defense of any such action; but such participation shall not relieve applicants of their obligations under this condition. The obligation on the part of the applicants to indemnify LAFCO is effective upon the adoption of this resolution and does not require any further action.

Section 8. The activation of a latent power to provide enhanced broadband communications to the residents of the Santa Lucia Community Services District, consistent with Government Code section 61100(af), is hereby approved. The Executive Officer is hereby authorized and directed to mail certified copies of the resolution in the manner and as provided in Section 56882 of the Government Code.

Section 9. A Certificate of Completion shall not be issued until all terms and conditions have been met.

Section 10. If a Certificate of Completion for a change of organization or reorganization has not been filed within one year after the Commission approves a proposal for that proceeding, the proceeding shall be deemed abandoned unless prior to the expiration of that year the Commission authorizes an extension of time for that completion. The extension may be for any period deemed reasonable to the Commission for completion of necessary prerequisite actions by any party. If a proceeding has not been completed because of the order or decree of a court of competent jurisdiction temporarily enjoining or restraining the proceedings, this shall not be deemed a failure of completion and the one-year period shall be tolled for the time that order or decree is in effect [Government Code section 57001].

Section 11. The affected territory meets the definition of "inhabited territory" as defined in Government Code section 56046. All property owners within the affected territory have not consented in writing to the proposal. In accordance with Government Code section 57000, Conducting Authority proceedings are therefore required. The Commission hereby authorizes the Executive Officer to hold Conducting Authority proceedings on January 8, 2015 at 4:00 pm in the offices of LAFCO of Monterey County.

UPON MOTION OF Commissioner _____, seconded by Commissioner _____, the foregoing resolution is adopted this 1st day of December, 2014 by the following vote:

AYES: Commissioners
NOES: Commissioners
ABSENT: Commissioner

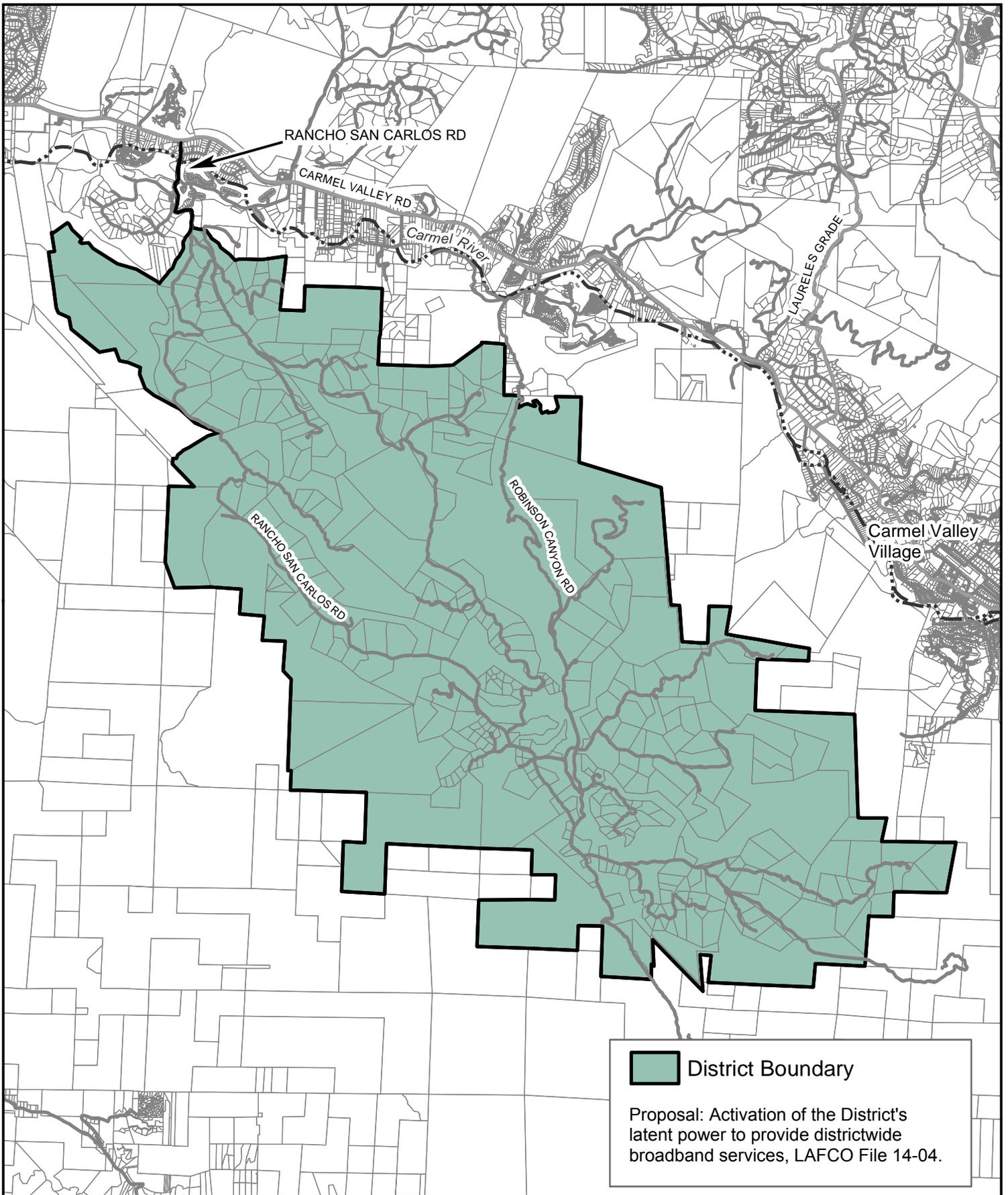
Steve Snodgrass, Chair
Local Agency Formation Commission of Monterey County

ATTACHMENT 1

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 December, 2014

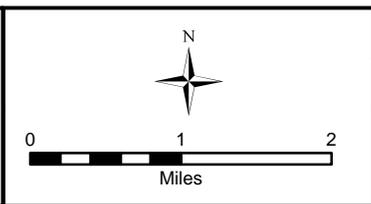
By: _____
Kate McKenna, AICP, Executive Officer



LAFCO of Monterey County
 LOCAL AGENCY FORMATION COMMISSION

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SPECIAL DISTRICTS

**SANTA LUCIA
 COMMUNITY SERVICES DISTRICT**

Last LAFCO-Approved Change: 10/22/2002
 Coterminus Sphere of Influence Adopted 10/28/2002
 Map Prepared: 10/30/2014



**CASTROVILLE
COMMUNITY
SERVICES DISTRICT**

LAFCO

JUN 24 2014

P.O. BOX 1065

OFFICE: 11499 GEIL STREET

CASTROVILLE, CA 95012

FAX (831) 633-3103

24-HOUR TELEPHONE: (831) 633-2560

June 20, 2014

LAFCO Commissioners and Alternates
LAFCO of Monterey County
P.O. Box 1369
Salinas, CA 93902

Dear LAFCO Commissioners and Alternates:

I am writing to thank LAFCO for the outstanding effort in consolidating the Moss Landing County Sanitation District into the Castroville Community Services District. A special thanks to Kate McKenna, AICP, Executive Officer and Darren McBain, Senior Analyst. Kate and Darren's professional attitude and commitment to excellence enabled the consolidation to be completed the process nine months earlier than initially anticipated and far under the cost projected.

In addition, this was a complicated and detailed process, one that could only be accomplished by two very hardworking, diligent, and professional individuals. LAFCO should be very proud of the high standards they maintain.

Again, many thanks for a fine job and for providing the District with such a smooth transition. Should you have any further questions or concerns, please do not hesitate to contact me.

Sincerely,

J. Eric Tynan
General Manager
Castroville Community Services District

MONTEREY COUNTY



BOARD OF SUPERVISORS ■ 168 West Alisal Street, 3rd Floor, Salinas, CA 93901
SIMÓN SALINAS, SUPERVISOR ■ District Three ■ Chief of Staff, Christopher M. Lopez
Telephone: (831) 755-5033 ■ Fax: (831) 796-3022 ■ District3@co.monterey.ca.us

SEP 30 2014

LAFCO

September 26, 2014

Kate McKenna
LAFCO Executive Officer
132 W. Gabilan Street, Suite 102
Salinas, CA. 93901
P.O. Box 1369 / 93902


Dear Ms. McKenna,

I would like to thank you for your time and assistance in making the Special Districts Training a success. My office received many positive comments and excellent feedback about the event.

The attendees now have a greater understanding of the services your agency provides. The purpose of the event was to inform all special district commissioners and members in the third supervisorial district of the policies, and responsibilities that govern special districts. I believe these goals were achieved thanks in large part to your support and dedication.

Again, thank you for taking the time out of your busy schedule to educate our special districts members and staff.

Sincerely,


Simón Salinas
3rd District Supervisor
County of Monterey