

**Updated Report**

September 23, 2013

To: Members, Formation Commission  
Los Trancos County Water District  
Los Trancos County Water District residents

From: Martha Poyatos, Executive Officer

Subject: Updated Special Report: Los Trancos County Water District Organizational Alternatives

Executive Summary:

The following informational report **updates the September 5 report and** responds to direction from the Commission to outline solutions to address the unprecedented situation of the Los Trancos County Water District, originally formed as a water district, which subsequently sold the water system and continues to exist as a district collecting property tax. **Revisions to the September 5 report are shown in underline bold italics. At the September 11 LAFCo meeting the Commission received the report and directed that LAFCo staff redistribute the report with corrections and new information and schedule a workshop for the community in November at a location convenient to the Los Trancos and Vista Verde communities.** Following that workshop, staff will work with the District, community and affected agencies in application to LAFCo for one of the alternatives outlined below. Staff emphasizes that the issues addressed in this report are complex, requiring compound solutions and support from a variety of agencies in addition to the District and community.

Background:

The District is governed by a locally elected five member board of directors that adopts a budget appropriating revenue on other services and programs including land stewardship, water movement control and fire safety. These services are undertaken by the District without obtaining LAFCo approval as required by State law as detailed below and are services that could be provided by other agencies that share the same territory.

One of the primary concerns for LAFCo is that the Cortese Knox Hertzberg Local Government Reorganization Act (CKH Act), under which LAFCos operate, does not contemplate the continuance of a district that no longer provides the primary service for which it was formed

and as noted above, the CKH Act includes a requirement that a district must obtain LAFCo approval before activating new service. Other issues of concern include District spending practices that are not sustainable in the long term and a clear overlap or duplication of service provision with existing agencies including Woodside Fire Protection District, California Water Service Company, Midpeninsula Regional Open Space District and the County of San Mateo. Discussion below offers solutions including establishing successor agencies that could succeed to property tax revenue and carryout specific services such as storm water runoff prevention, fire prevention and land stewardship.

Concerns from Los Trancos Woods residents include duplication of efforts and appropriate use of tax revenues, conversion of a once volunteer staffed district to paid staff, expenditures that exceed annual revenues, disposition of District owned lands so that they remain undeveloped, the District diverging from the original goal of land stewardship to other goals, mechanisms that would result in dissolution of the district and maintain property tax revenues for local uses such as storm water runoff and fire safety. An inquiry has also been made regarding whether property tax could be reduced for property in current District boundaries if the District is dissolved.

To assist the Commission, the District and affected residents and tax payers in understanding the governance alternatives that exist, the discussion below includes the history of the district, LAFCo authority and current law regarding organizational change and activation of new services.<sup>1</sup> This report refers to the 2006 Municipal Service Review and Sphere Update which may be found on the LAFCo website. Where appropriate this report provides updated information including the District's 2013-14 Adopted Budget. The report also references a Grand Jury Report, State Legislative Analyst's Reports and other correspondence.

Governance alternatives are summarized below. For the most part these alternatives could be initiated by the District Board, residents or voters of the district by 10% registered voter or landowner petition, the County Board of Supervisors, the governing body of any public agency that shares territory with the District or by LAFCo. One exception is that only the District can apply to LAFCo to activate new services.

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<sup>1</sup> Much of this information was provided to the District at the time of the 2006 Municipal Service Review and most recently in a January 2012 letter to the District,

### Governance Alternatives

- Continued existence of the District with application to LAFCo for a sphere of influence amendment and activation of new services (Only the District Board can initiate this type of application)
- Dissolution of the District with long term successor agencies to receive a share of the District's property tax for the purposes of: fire safety (Woodside Fire Protection District), community specific stormwater runoff (County of San Mateo), Land Stewardship (County of San Mateo, Town of Portola Valley, Midpeninsula Open Space District, Woodside Fire Protection District), Water conservation (CalWater already has a water conservation program, see discussion below)
- Dissolution of the District with no long-term successor for property tax revenue or services in which case property tax would be redistributed proportionately to all agencies currently receiving a share of the property tax within district boundaries.

Staff was also asked to identify alternatives aside from organizational change available to the Commission if a District fails to comply with State law requiring LAFCo approval for activation of new services. In this regard, aside from initiation of an application by the District, another affected agency or LAFCo or residents, legal action would be an alternative. In LAFCo's case, the Commission does not budget for initiation of litigation.

### LAFCo:

LAFCo is an independent commission with jurisdiction over the boundaries of cities and special districts, extension of service outside agency boundaries and activation of services not previously provided. LAFCo adopts spheres of influence or plans for the boundaries of cities and special districts, conducts municipal service reviews and processes applications for annexation, extension of service outside boundaries, consolidation, formation, dissolution, incorporation and activation of new services.

Los Trancos County Water District:

The Los Trancos County Water District is an independent district formed in 1954 to improve water service to a portion of Los Trancos Woods. Subsequent annexations resulted in the District including all of Los Trancos Woods and Vista Verde and most recently the newly developed Blue Oaks Subdivision (Note that no property tax was transferred to the District when the Blue Oaks Subdivision<sup>2</sup> was annexed.) The territory in the District which includes Los Trancos Woods, Vista Verde and Blue Oaks has a population of 1,064. The Elections Division reports 556 registered voters. Each neighborhood is represented by a neighborhood association. The District is governed by five board members elected by the registered voters in District boundaries. The area is characterized by steep terrain and narrow, winding roads and is heavily wooded. With the exception of about 65 homes in Los Trancos Woods and all homes in Blue Oaks, homes are served by septic systems. In 2005, the District sold the water system to California Water Service Company (CalWater) for \$125,000 but continued in existence continuing to collect property tax and initially issuing water rebates and maintaining District lands as described below.

As an unincorporated area with several overlapping special districts, the study area receives municipal type services from the County, several special districts and CalWater, a private utility company. All territory in the Los Trancos County Water District is within the boundaries of the Woodside Fire Protection District and Midpeninsula Regional Open Space District. The Blue Oaks Subdivision is also within the boundaries of the Town of Portola Valley and West Bay Sanitary District. As noted above, Blue Oaks does not contribute property tax to LTCWD and is excluded from the programs currently funded by the District. Unincorporated Los Trancos Woods and Vista Verde are in the sphere of influence of the Town of Portola Valley and the West Bay Sanitary District. As noted above, approximately 65 homes in the unincorporated area have been annexed to the West Bay Sanitary District in order to connect to sewer and abandon in adequate septic systems. Water service is provided CalWater. Unincorporated areas receive road service from the County of San Mateo and police service from the San Mateo County Sheriff. The Sheriff's Department also provides service to the Town of Portola Valley by contract. The following table summarizes service delivery patterns.

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<sup>2</sup> The Blue Oaks Developers extended a zero interest loan to the District in the amount of \$617,763 which the District used to fund infrastructure improvements. The loan provides that quarterly payments of \$2,250 are due at such time that 32 homes are constructed and quarterly payments increase to \$2,750 at such time that 36 homes are constructed. The Town of Portola Valley last reported that there are now a total of 33 lots in the subdivision. Of these, 25 are occupied or under construction and close to occupancy. Of the 8 vacant lots, one is anticipated to be constructed later this year, and two are active inquiries. The timing on the rest is uncertain.

Service/Jurisdiction	Los Trancos/Vista Verde	Blue Oaks
Water	CalWater	CalWater
Sewer	Septic/West Bay Sanitary	West Bay Sanitary District
Fire & Emergency Response	Woodside Fire Protection Dist.	Woodside Fire Protection District
Police/Sheriff	County of San Mateo Sheriff	Sheriff via Contract with Town of PV
Roads/Storm Water	County of San Mateo	Town of Portola Valley
Street Lights	None	None
Park & Recreation, Open Space <sup>3</sup>	County of San Mateo Midpeninsula Regional Open Space District	Town of Portola Valley Midpeninsula Regional Open Space District

### 2006 LAFCo Municipal Service Review and Sphere of Influence Update

The Los Trancos County Water District (LTCWD) was the subject of a LAFCo<sup>4</sup> municipal service review (MSR) and sphere of influence (SOI) update in 2006. The MSR is a State-mandated study that is required prior to LAFCo reviewing or updating the SOI. The SOI is the plan for the boundaries and governance of a city or special district. At the time of the 2006 MSR/SOI Update, LTCWD had sold its water system to California Water Service Company (CalWater) but continued to exist and collect property tax, using it to issue water rebates by transferring funds to CalWater to administer the rebates by reducing water bills. At the time the rebate formula was based on units of water consumed.

During the MSR/SOI the District expressed concern about disposition of the three District owned parcels including a small lake and the desire to retain these lands in an undeveloped state for the benefit of district residents. The LAFCo MSR/SOI highlighted the District’s practice of rebates as inconsistent with best practices in water conservation<sup>5</sup> and the use of property tax for this purpose as inconsistent with legislative intent that property tax be used for non-enterprise services such as public safety and passive recreation, identified potential successor agencies that could become stewards of the lands and receive District property tax for the purposes of land stewardship, fire safety and other services to benefit the community. These agencies included the County of San Mateo, Woodside Fire Protection District, Midpeninsula Regional Open Space District and Town of Portola Valley.

The MSR also cited State law (Government Code Section 56824.10-56824.14) that requires districts to apply to LAFCo for authorization to activate services that are authorized under

<sup>3</sup> The County of San Mateo operates regional parks including Huddart and Wunderlich Parks. Midpeninsula Regional Open Space District operations regional open space preserves and trails in adjacent areas including Los Trancos Open Space, Monte Bello Open Space and Coal Creek Open Space. Town of Portola Valley facilities include playing fields and trails nearby. Please see Map-Attachment D.

<sup>4</sup> LAFCo is a State-mandated independent commission with jurisdiction over the boundaries of cities and special districts and the activation or divestiture of services by special districts. See Attachment A – LAFCo Fact Sheet.

<sup>5</sup> The rebate on water consumption was discontinued in 2012. Currently the District budgets for interior and exterior water conservation incentives/rebates. Please see budget discussion below.

District enabling legislation but not previously provided. These include fire protection, sanitary sewers, land reclamation and park and recreation. (Note that recent revisions to Section 54824.10 require LAFCo approval for divestiture of service.) The MSR/SOI resulted in the Commission reaffirming the District's sphere designation of dissolution, citing the fact that the District no longer operated a water system and that overlapping agencies could become successor to District lands<sup>6</sup> and property tax for the benefit of District residents. More recently the District indicates an intention to comply with Sections 56824.12-56824.14 which would also require a request to amend the District's sphere of influence.

#### Civil Grand Jury Report:

In 2009 the 2008-09 Civil Grand Jury released the report "A Water District with No Water" (Attachment C) in which the Grand Jury recommended LAFCo work directly with the District in identifying an agency that would take over ownership and management of the District's three properties and directed the District to seek advice from legal counsel on approaches to transfer the District's property tax to overlapping agencies for the benefit of District residents after dissolution. The District partially disagreed with the Grand Jury report citing their assessment of resident sentiment at the time opposing dissolution. The LAFCo response acknowledged LAFCo's ability to *facilitate* collaboration between the District and potential successor agencies but that the outcome was dependent upon the willingness of the District and successor agencies to participate in the process because LAFCo does not have authority to force overlapping agencies to become successor(s). LAFCo staff subsequently organized a meeting of representatives of the District, County Parks, Midpeninsula Regional Open Space District, Town of Portola Valley and Woodside Fire Protection District and no agency expressed willingness to pursue becoming successor to District lands or property tax revenue.

#### State Legislative Analyst's Office

Two reports by the State Legislative Analyst's Office cite the example of Los Trancos County Water District in the context of an agency that continues to receive property tax while not providing the service for which the tax was originally intended.

The report Parole Realignment and the 2008-09 Budget<sup>7</sup> contained the following language regarding use of property tax:

*Example: Los Trancos County Water District In 1954, residents of a hilly, rural area in San Mateo County created an enterprise special district to provide water service and levied a property tax rate to help pay for this service. In 2005, the water district sold its entire water distribution system to a private company (a change that resulted in lower water service charges to the*

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<sup>6</sup> District lands include a 10,000 square foot parcel near Los Trancos Creek that was formerly used as a pump station, a 3.78 acre residentially zoned parcel on Lake Road formally used as a reservoir but was drained and contains a storage shed and a 1.72 acre parcel also located on Lake Road that includes a small lake.

<sup>7</sup> [http://www.lao.ca.gov/analysis\\_2008/2008\\_pandi/pi\\_anl08007.aspx](http://www.lao.ca.gov/analysis_2008/2008_pandi/pi_anl08007.aspx)

*area's residents). Although the water district no longer provides water service, the district did not dissolve or request that its property tax revenues be redistributed or eliminated. The water district continues to receive property taxes pursuant to current law. The district uses about one-half of these revenues to provide tax rebates to its residents and the rest for activities unrelated to water delivery.*

The Los Trancos County Water District was again referenced in: "The 2008-09 Budget: Perspectives and Issues – Report from the Legislative Analyst's Office to the Joint Legislative Budget Committee"<sup>8</sup>

More recently, in November 29, 2012 the Legislative Analyst's Office Report "Understanding California's Property Tax"<sup>9</sup> contained the following:

*Limited Responsiveness to Modern Needs and Preferences: An effective tax allocation system ensures that local tax revenue is allocated in a way that reflects modern needs and preferences. In many ways, California's property tax allocation system—which remains largely based on allocation preferences from the 1970s—does not meet this criterion. California's population and the governance structure of many local communities have changed significantly since the AB 8 system was enacted. For example, certain areas with relatively sparse populations in the 1970s have experienced substantial growth and many local government responsibilities have changed. One water district in San Mateo County—Los Trancos Water District—illustrates the extent to which the state's property tax allocation system continues to reflect service levels from the 1970s. Specifically, this water district sold its entire water distribution system to a private company in 2005, but continues to receive property tax revenue for a service it no longer provides.*

#### December 12, 2011 Meeting between LTCWD & LAFCo:

In December 2011 a meeting took place between the LAFCo Chair Linda Craig, the Executive Officer and LAFCo Legal Counsel and the LTCWD Board President, legal counsel and a Board Member to discuss the process of application to activate new service. Attachment A is a letter summarizing the discussion and the process for application for activation of service. The letter also discusses dissolution of the District establishing zones of benefit for the purpose of drainage maintenance and fire safety and disposition of District owned lands.

The following section provides an outline of alternatives and processes and takes into consideration the concern of the Los Trancos and Vista Verde communities for susceptibility to wildfires and the need for escape route clearing and fuel load reduction, storm water runoff causing damage to roads and private property, maintenance of District owned lands in an

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<sup>8</sup> [www.lao.ca.gov/analysis\\_2008/2008\\_pandi/pandi\\_08.pdf](http://www.lao.ca.gov/analysis_2008/2008_pandi/pandi_08.pdf)

<sup>9</sup> <http://www.lao.ca.gov/reports/2012/tax/property-tax-primer-112912.aspx>

undeveloped and fire safe condition in the long term and a process for community input in these areas.

### Review of Key Issues

Local Agency Formation Commissions (LAFCo) operate pursuant to the Cortese Knox Hertzberg Local Government Reorganization Act of 2000 contained in Government Code Sections 56000 and 57000 et seq. (CKH Act). Under the CKH Act, Government Code Section 56375, LAFCOs are responsible for approving, modifying, or disapproving changes of organization including activation of new services. The provision requiring LAFCo approval for activation of new service became effective in San Mateo County in 1996 when special district members were seated on LAFCo. At the time, the CKH Act required that in any county where special district members were added to LAFCo membership, special districts were required to provide an inventory of active services. Any subsequent activation of new service would require approval by LAFCo. Since that time several changes to language concerning activation of new services have been implemented. Please see Exhibit A for a compilation of references to exercise of new functions or services in the CKH Act.

In 2000, the language concerning activation of new services was amended to require LAFCo approval for activation of any new services in all counties regardless of special district representation. In 2009 Assembly Bill 2484 was enacted to define “exercise of new or different functions or classes of services” as a change of organization subject to LAFCo approval. This results in a requirement that LAFCo process an application for activation of new services in the same way as it would a change of organization, including the following activities and considerations

### LTCWD 2013-14 Budget:

The District Board rejected the 2006 LAFCo recommendation that the District should be dissolved and the finding that the District must apply to LAFCo for activation of inactive services. Since the 2006 LAFCo MSR/SOI, District annual property tax revenues have grown from \$213,857 in 2006-07 to \$290,000 in the current fiscal year. In the same period, District expenditures have grown from \$113,144<sup>10</sup> to \$368,500 in the 2013-14 Adopted Budget. The increase reflects a combination of annual one-time expenditures including consultant studies including a study regarding slide repair of Ramona Road, the work for which has been undertaken by the County of San Mateo.

Ongoing expenditures include the rebate/offset, water efficiency rebates, annual salary of Program Manager and program expenditures in the areas of Land Management Services, Water Movement Control Services, Water Use Efficiency Services, Watershed Fire Protection Services and Financial Management and Budget.

The District’s Adopted 2013-14 Budget includes revenue sources of property tax also labeled

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<sup>10</sup>Data from 2006-07 from State Controller’s “Special Districts Annual Report – Fiscal Year 2006-07.”

“Direct Public Support” estimated at \$290,000, interest earnings of \$500 and a fund balance of \$171,066 for a total of \$461,566.

Adopted expenditures total \$368,500 including \$50,000 for Program Coordinator which is allocated to the various expense accounts including Water Use Efficiency, Emergency Preparedness Lands, Water Movement Control and Contract Services. \$34,100 is appropriated for other contract administrative services (recording secretary, temporary services, bookkeeping and accounting, etc.) \$9,200 for operating costs such as insurance, election, etc. Combined, these general administrative or management expenses total ~~\$176,000~~ \$100,500 or ~~61%~~ 34% of annual property tax revenue. Other program expenditures (reduced by program coordinator salary) include \$16,800 for Water Use Efficiency, \$109,500 for Emergency Preparedness, \$18,700 for Lands, \$123,000 for Water Movement Control and \$3,700 for Operations (subscriptions, postage, telephone, etc.)

In the 2013-14 Fiscal Year, projected spending will reduce Fund Balance by \$78,000 resulting in ending fund balance of \$93,066.

#### Blue Oaks Loan:

As noted in Footnote 2, the District received a zero interest loan in the amount of \$617,762 from the Developers of Blue Oaks Subdivision with a provision that no payments would be due until such time that thirty-two houses are constructed. At such time, the District is required to make quarterly payments of \$2,250. Once thirty-six homes are complete the District is required to make quarterly payments of \$2,750. No payment is due at this time. There are now only a total possible of 33 single family lots. Of these, 25 are occupied or under construction and close to occupancy. Of the 8 vacant lots, one just received design approval and will likely move to construction later this year. The timing on completion of the balance of the homes is uncertain. However, this liability remains, is included in District’s financial statements and would succeed to a successor agency if the District is dissolved.

#### Budget Document and Audit:

The District’s Adopted 2013-14 Budget on the following pages Attachment b. The District’s June 2012 Audit is Attachment C.

#### Rebates/Incentives (Water Savings Technologies, Shake Roof, Water Movement Control)

These District’s rebates and incentives for water efficiency and fire protection offer a stark contrast to industry standard rebate and emergency preparedness programs of CalWater and Woodside Fire Protection District as described below.

The 2013-14 LTCWD Budget includes \$16,800 for Water Use Efficiency including \$10,900 for rebates, \$20,000 for Eucalyptus and Pine Removal Residential Program, \$38,000 for Fire Safety Residential Program totaling \$85,700 or 29% of property tax revenues for the 2013-14 fiscal

year. The District's website does not have a link for the current year incentive book but the link to the 2012-13 Conservation and Safety Coupon Incentive Book includes incentives as follows: up to \$2,000 for upgrading an outdoor irrigation system, up to \$1,200 for replacing an old irrigation controller with weather-based smart controller, up to \$1,000 for replacing lawn with low water use, native plantings, up to \$500 for adding or restoring mulch, up to \$300 for replacing a toilet with a high efficiency toilet, up to \$300 by replacing an old washer or dishwasher with a qualified clothes and dish washer, up to \$300 for a rainwater harvesting system, up to \$50 for faucet replacement, up to \$3,500 for Eucalyptus removal, up to \$2,000 for replacing shake roof with flame retardant materials, up to \$750 for defensible space clearing, up to \$750 for Sudden Oak Death Prevention, up to \$250 for installation of automatic gas shut-off valves, up to \$75 for roof and gutter cleaning. **Other rebates include "conforming culverts initiative" that incentivizes repair of driveway culverts and "downslope protection initiative" that offers financial assistance for properties receiving substantial water drainage from public flows to convey water back to the public drainage system.**

CalWater rebates include: up to \$125 for high efficiency clothes washer, up to \$100 for high efficiency toilet and up to \$125 for smart irrigation controller.

Consistent with other fire districts, the Woodside Fire Protection District does not offer rebate programs as described above. The District has a limited chipper program that cannot accommodate eucalyptus. The District offers training programs (CPR and first aid) and coordinates the Citizens Emergency Response and Preparedness Program (CERRP) which was established in 1997 to promote community based disaster preparedness and response in the Woodside Fire Protection District. The program includes the Towns of Woodside and Portola Valley and the surrounding unincorporated areas of Ladera, Vista Verde, Los Trancos Woods, and Emerald Lake. The WFPD has been divided into 25 Divisions and the Divisions are, in turn, divided into Neighborhood teams. The District's objective is to have everyone living in the WFPD be a member of a Neighborhood Team.

The LTCWD rebates and incentives are unique in that they employ 29% of district resources to incentivize conservation and fire prevention activities on private property. Governance alternatives detailed below do not assume continuance of this level of incentives or rebates because they are not consistent with accepted practices of neighboring or overlapping agencies. In addition, funding these incentives/rebates detracts from the District's ability to respond to demonstrated community needs such as stormwater runoff, land management and emergency fire and medical response.

#### **Property Tax Reduction if District is Dissolved**

LAFCo has been asked if the property tax bills for parcels in district boundaries could be reduced if the District is dissolved. While there may legal provisions for districts to reduce what excess property tax, there are reasons that make this unpractical. Proposition 13 set property tax at 1% of assessed value and Revenue and Tax Code includes provisions for redistribution of the 1% property tax upon boundary change or reorganization. The record for the District and

the community demonstrates severe stormwater runoff problems, the need for enhanced fire safety and a desire to maintain district owned lands in a natural state. Reduction/refund of property tax, if possible, would reduce property tax available to address these important needs.

Also, Government Code Section 57450 which addresses dissolution of a district includes various provisions regarding disposition of assets. Section 56668 includes conditions LAFCo may adopt in approving a dissolution, including establishing long term successor agency(ies).

Section 57454 states: *No inhabitant, property owner, taxpayer, consumer, or user within the territory of a dissolved district shall be entitled to either of the following:*

*(a) All or any part, or to any payment on account of the moneys or funds, including cash on hand and moneys due but uncollected, or any property, real or personal, of the dissolved district.*

*(b) Any refund by reason of any taxes, assessments, service charges, rentals, or rates collected prior to the effective date of dissolution.*

Government Code Section 56886 includes provisions that would allow LAFCo to condition dissolution of a district on establishment of successor agencies to continue services and succeed to property tax for that purpose. Examples that are described below would include conditioning dissolution on formation of County Maintenance District (Road Zone) that would succeed to a portion of the District's property tax for the purpose storm water runoff that currently erodes the condition of roads. Likewise, the Woodside Fire Protection District could establish zone of benefit in which property tax transferred from the dissolved District to WFPD could be segregated for the benefit of fire and emergency response in Los Trancos Woods/Vista Verde.

#### Disposition of District-owned Lands - Updated

District lands include:

- Parcel 1 is a 10,000 square foot (0.23 acre) parcel located on Lo Los Trancos Creek below Ramona road, formerly used as pump station. The District indicates that CalWater has expressed interest as a site to potentially pump water from the Creek and the District has offered CalWater right of first refusal on the property.
- Parcel 2 is a 3.78 acre parcel located along Lake Road. It was formally a reservoir and drained in the 70's and includes an old District storage shed.
- Parcel 3 is a 1.72 acre parcel located along Lake Road and Old Spanish Trail and includes a reservoir of approximately 1 million gallon capacity. This reservoir along with the former reservoir on Parcel 2 used to be filled by pumped from Los Trancos Creek. However, water has not been pumped from the Creek since the 1970's. The District indicates that this reservoir currently fills seasonally in part from underground springs and in part from rainfall.

Potential Successors to these lands include but are not limited to Mipeninsula Regional Open Space District, Town of Portola Valley, County of San Mateo, Woodside Fire Protection District and Peninsula Open Space Trust. While these lands are not within the Town of Portola Valley

the lake is adjacent to Portola Valley Open Space lands. There would be no requirement that all parcels succeed to the same owner. Concerns about the lands remaining in a natural state could be address by easements which are under the jurisdiction of the San Mateo County Planning Department. Disposition of the lands to address community concerns could be a condition of LAFCo approval.

**In addition, upon review of District owned lands it became apparent that three parcels with water infrastructure that should have been deeded to CalWater as part of the agreement of sale, have not been transferred to CalWater. This has been brought to the attention of CalWater and the District.**

### **Summary of Alternatives**

#### **Continued existence of the District and process for sphere amendment and activation of latent powers or reorganization of district**

The required steps to apply to LAFCo for activation of new service include:

- 1) Environmental review by the District - Discretionary actions by public agencies are subject to the California Environmental Quality Act (CEQA) any time an underlying activity will result in a direct or indirect physical change to the environment. A lead agency has the principal responsibility for carrying out or approving a project consistent with the provisions of CEQA. This includes determining whether the underlying activity qualifies as a project under CEQA. If the activity is deemed to be a project, the lead agency must decide if an exemption applies or if additional environmental review is needed, such as preparing an initial study. A responsible agency relies on the lead agency's environmental document and determination in making its own CEQA finding. Because the District would first adopt a resolution of application, and plan for providing service including a budget, the District would be lead agency and LAFCo would be responsible agency. Following completion of an initial study, the District would either prepare a negative declaration or Certificate of Exemption.
- 2) District adopts resolution of application to LAFCo for sphere amendment and activation of new services accompanied by completed application form and plan for providing service and budget. This should also include provisions for long term funding of the Blue Oaks Loan.
- 3) District submits application and fees to LAFCo.
- 4) LAFCo application triggers property tax negotiations - California Revenue and Taxation Code Section 99(b)(6) requires the adoption of a property tax exchange agreement by the affected local agencies before a commission can consider a proposed change of organization. As noted above, Revenue and Tax Code provides that Counties shall negotiate on behalf of districts after consulting with the District. In cases where there is no transfer of service responsibility between the County and a District, the appropriate action is to adopt a resolution of zero property tax transfer.

- 5) Once property tax resolution is adopted and submitted to LAFCo and all other necessary materials are complete, application can be certified as complete and scheduled for hearing.
- 6) Commission may approve, approve with modifications or conditions, or deny the application. The Commission must consider alternative service provision including existing agencies that contain the territory.
- 7) If approved, and Commission adopted conditions are met, the LAFCo Executive Officer schedules a protest hearing. At the conclusion of the protest hearing the proposal shall be terminated if written protest is received by 50% or more of the registered voters residing in the District; order the proposal subject to confirmation of voters if written protest is submitted by 25% but less than 50% of the registered voters or 25% but less than 50% of the number of landowners owning more than 25% but less than 50% of the land in the district; or approve the annexation without election if written protest is submitted by less than 25% of the voters or less than 25% of the number of landowners owning less than 25% of the land in the District.

Reorganization/Dissolution of the District with Long-term successor(s) to continue services and be successor to property tax

Dissolution of the District could result in continuance of allocation of property tax for local purposes by establishing successor agencies for this purpose. This would involve, application for dissolution of the District and establishment of the territory of the dissolved district as a zone of benefit of the County of San Mateo as a drainage maintenance district and/or a zone of benefit of the Woodside Fire Protection District, or a combination of both with these agencies being successor to district services, assets and liabilities. Both of these scenarios recognize the overlapping authority of the County of San Mateo in regard to roads and storm water management and the Woodside Fire District in regard to fire prevention. These alternatives could also take into consideration disposition of District owned lands including transfer to another public agency including Town of Portola Valley, Midpeninsula Regional Open Space District, Woodside Fire Protection District, the County of San Mateo or a combination of these agencies. Dissolution would also require a successor agency become successor to the Blue Oaks Loan and set aside funds for this purpose. *(Please see Exhibits D and E of Attachment A regarding pertinent code sections for maintenance districts and zones of benefit.)*

Dissolution of District with No Long-term Successor:

This alternative would result in the District being dissolved and the County being designated Short-term successor for the purpose of winding down the affairs of the District. Once all obligations are satisfied property tax of the District would be redistributed proportionately to all agencies currently receiving a share of the 1% property tax in District boundaries. This alternative is complicated by the outstanding Blue Oaks Loan and would require that funds be set aside for the purpose of repayment when the loan comes due prior to redistributing property tax.

Dissolution Process:

1. Dissolution can be initiated by resolution of the Los Trancos County Water District, County of San Mateo, any overlapping District or by petition of 10% of registered voters or landowners.
2. LAFCo holds noticed public hearing.
3. LAFCo may approve, approve with conditions or with modifications or deny.
4. If approved, LAFCo holds protest hearing.
  - a) However, If the dissolution is initiated by the District, LAFCo may approve the dissolution without protest hearing or election.
  - b) If initiated by any other local agency, the Commission or by petition, LAFCo must hold a protest hearing and an election is not required if less than majority protest is received. If there is a majority written protest the proceedings are terminated.

Conclusion:

The Commission received the September 5 report at the September 11 meeting, received public comment and directed staff to hold a public workshop for the Los Trancos/Vista Verde Community. **The workshop will be held in November and advance notice of the date, time and place will be provided to the community. The Commission additionally directed that materials at the workshop include general estimates of how current property tax funds of the District could be transferred to successor agencies to carry out services such as storm water runoff control and fire prevention and safety for the benefit of the community. This additional information will be compiled and made available prior to the workshop.**

Once that the workshop is completed staff can work with the District, community and affected agencies to pursue a LAFCo application.

Distribution: Members, Formation Commission  
Los Trancos County Water District  
County Manager  
SMC DPW  
Woodside Fire Protection District  
MROSD  
Town of Portola Valley

Attachments:

Attachment A	December 2012 LAFCo letter to District including Exhibits
Attachment B	District Budget
Attachment C	District Audit
Attachment D	Vicinity map of District parcels and surrounding open space lands

SAN MATEO



## LOCAL AGENCY FORMATION COMMISSION

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January 3, 2012

David Smernoff, President  
Los Trancos County Water District  
162 Los Trancos Circle  
Portola Valley, CA 94028

Dear President Smernoff:

This follows up on our meeting of December 12, 2011 where you requested information regarding the procedures for Los Trancos County Water District ("District") to apply for LAFCo approval of activation of new services, or, in the alternative, the process for a potential reorganization.

I have gathered information in response to your request, taking into consideration that State policy created LAFCos with the goal of providing for efficient delivery of municipal service, orderly formation and development of local government and the elimination of overlapping service responsibility.

One of the primary concerns of LAFCo is the District's unique and unprecedented situation in that it was originally formed as a water district, but subsequently sold the water system and continues to exist as a water district. Cortese Knox Hertzberg Local Government Reorganization Act (CKH Act), under which LAFCos operate provides for the dissolution of a district where it is determined that services are no longer needed and does not contemplate the continuance of a district that no longer provides the primary service for which it was formed. To assist in understanding the issues at stake with respect to the District, the discussion below reviews current law and recent changes relating to activation of new services that were not discussed at our meeting on December 12.

### Review of LAFCo Issues

Local Agency Formation Commissions (LAFCo) operate pursuant to the Cortese Knox Hertzberg Local Government Reorganization Act of 2000 contained in Government Code Sections 56000 and 57000 et seq. (CKH Act). Under the CKH Act, Government Code Section 56375, LAFCos are responsible for approving, modifying, or disapproving changes of organization including activation of new services. The provision requiring LAFCo approval for activation of new service became effective in San Mateo County in 1996 when special district members were seated on LAFCo. At the time, the CKH Act required that in any county where special district members were added to LAFCo membership, special districts were required to provide an inventory of active services. Any subsequent activation of new service would require approval by LAFCo. Since that time several changes to language concerning activation of new services have been

implemented. Please see Exhibit A for a compilation of references to exercise of new functions or services in the CKH Act.

In 2000, the language concerning activation of new services was amended to require LAFCo approval for activation of any new services in all counties regardless of special district representation. In 2009 Assembly Bill 2484 was enacted to define "exercise of new or different functions or classes of services" as a change of organization subject to LAFCo approval. This results in a requirement that LAFCo process an application for activation of new services in the same way as it would a change of organization, including the following activities and considerations:

- 1) Property tax exchange agreement between the special district and affected county<sup>1</sup> is required before certifying the application as complete.
- 2) Commission evaluation of the proposal is subject to factors contained in Section 56668 (See Exhibit B) and requires the Commission to make a determination that the district will have sufficient revenues to fund the proposed new services.
- 3) Commission action must be consistent with the District's sphere of influence pursuant to Section 56375.5
- 4) Pursuant to Section 56375(a) (1), LAFCos are also authorized to establish conditions set forth in Section 56886 (See Exhibit C) in approving changes of organization as long as they do not directly regulate land uses.
- 5) Amendments to Government Code Section 56824.10-14 include a process by which a special district can apply to LAFCo for exercise of services authorized by enabling legislation but not previously provided. These provisions include a District adopted resolution of application to LAFCo with an application and a plan for service with information on the estimated cost to provide service, alternative providers of the service, a plan for financing service and alternatives to the proposed service plan. In addition, environmental review is necessary to comply with the California Environmental Quality Act (CEQA). Application procedures are detailed in Section 56824.14 and discussed below.

### Los Trancos County Water District

The Los Trancos County Water District (LTCWD) was formed in 1954 pursuant to State Water Code Section 30000<sup>2</sup> in order to improve water service to a portion of Los Trancos Woods, an unincorporated area now in the sphere of influence of the Town of Portola Valley. Subsequent annexations included the balance of unincorporated Los Trancos Woods and Vista Verde, and other areas including the Blue Oaks Subdivision in the Town of Portola Valley. District territory is generally located west of I-280 and bounded by Alpine Road and the Santa Clara County boundary.

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<sup>1</sup> Note that the property tax negotiation is based on transfer of service responsibility and Revenue and Tax Code Section 99 provides that the County shall negotiate on behalf of special districts.

<sup>2</sup> Section 30000 of State Water Code provides for provision of water, sanitary sewer, garbage collection, fire protection service and recreation services related to district owned lands.

In 1985 the Commission adopted a "zero" sphere of influence for the District indicating that the District could be dissolved and service transferred to the Town of Portola Valley<sup>3</sup>. In 1997, the Blue Oaks Subdivision was annexed to the District without amending the sphere of influence because the Commission found that annexation would not preclude implementation of the zero sphere of influence. This annexation was processed with a County adopted resolution of zero property tax transfer because there was no transfer of service responsibility between the County and the District.

Since the time of the sphere of influence determination, little or no activity has taken place in regard to annexation of Los Trancos Woods to the Town of Portola Valley; however increasing wholesale water costs and the small service area of the District resulted in the District selling the water system to California Water Service Company (CalWater)<sup>4</sup> in April of 2005. The sale resulted in transfer of the District's 278 connections to the CalWater Service Area of over 17,000 connections and lowering rates for former Los Trancos customers. With the sale of the system, the District no longer operated the water system or set rates. Subsequently AB2236 was enacted to remove Los Trancos County Water District from the membership of the Bay Area Water Users and Conservation Agency, a conglomerate of water agencies who purchase wholesale water from San Francisco Public Utilities Commission.

Upon sale of the water system, the District implemented a program in which the property tax collected by the District was used to fund rebates to water customers of CalWater. The original rebate methodology was based on consumption. This was later amended and reduced to a flat rate following the 2006 LAFCo municipal service review. The Municipal Service Review included information on the District's desire to continue to exist with the goal of having the three District-owned properties including two undeveloped parcels and a parcel with a lake remain undeveloped. The service review also included information on an outstanding loan of approximately \$617,000 from the developers of the Blue Oaks Subdivision that would become due upon construction of 32 of the proposed homes. At the time of the 2006 service review the Town of Portola Valley reported that 15 homes had been constructed and provided a conservative estimate of build out time of ten years. This liability is included in the District's balance sheet for the year ended June 30, 2011 and would be a consideration in evaluating a plan for service and budget in an application for activation of new services or for a reorganization proposal.

The LAFCo municipal service review identified the Town of Portola Valley, the Woodside Fire Protection District and the Midpeninsula Regional Open Space District as potential successors to district owned lands and identified that since the District no

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<sup>3</sup> The Draft report incorrectly stated that the sphere designation was zero with a finding that CalWater should assume the service of the District. District comments address other issues that would be more appropriately addressed in the actual sphere of influence review.

<sup>4</sup> CalWater is an investor owned water company. It is not a special district and is therefore not subject to the CKH Act requirements for municipal service and sphere of influence review or LAFCo boundary regulation.

longer provided the service for which it was formed, it should consider dissolution. The service review identified the effects of dissolution including establishing a short or long term successor of District assets and liabilities. The Sphere of Influence Update conducted following the municipal service review resulted in the Commission reaffirming a sphere of influence of dissolution.

The service review also identified that the District had no active powers at the time of the service review and that activation of new services required application to LAFCo pursuant to Section 56824.10-14. It is LAFCo's understanding that at the time of the service review and later in 2008, the District believed that services related to water were not subject to LAFCo approval because the District was formed prior to creation of LAFCOs and the ordinance of formation gave the District broad powers with regard to water.

Since the municipal service review, the District Board has continued to meet and plan activities in the areas of land stewardship and improvements, surface water movement control, and fire fuel clearing/fire prevention, funding these activities with district property tax revenue. The Board has also conducted resident surveys and commissioned reports on water movement control and a geotechnical engineering study of slope stability adjacent to 281 Ramona Road.

When representatives of the District met with LAFCo representatives on December 12, District representatives requested information on application procedures for exercise of new powers as well as reorganization of the District.

#### Summary of process for activation of latent powers or reorganization of district

The required steps to apply to LAFCo for activation of new service include:

- 1) Environmental review by the District - Discretionary actions by public agencies are subject to the California Environmental Quality Act (CEQA) any time an underlying activity will result in a direct or indirect physical change to the environment. A lead agency has the principal responsibility for carrying out or approving a project consistent with the provisions of CEQA. This includes determining whether the underlying activity qualifies as a project under CEQA. If the activity is deemed to be a project, the lead agency must decide if an exemption applies or if additional environmental review is needed, such as preparing an initial study. A responsible agency relies on the lead agency's environmental document and determination in making its own CEQA finding. Because the District would first adopt a resolution of application and plan for providing services, the District would be lead agency and LAFCo would be responsible agency. Following completion of an initial study, the District would either prepare a negative declaration or Certificate of Exemption.
- 2) District adopts resolution of application to LAFCo for sphere amendment and activation of new services accompanied by completed application form and plan for providing service.

- 3) District submits application and fees to LAFCo.
- 4) LAFCo application triggers property tax negotiations - California Revenue and Taxation Code Section 99(b)(6) requires the adoption of a property tax exchange agreement by the affected local agencies before a commission can consider a proposed change of organization. As noted above, Revenue and Tax Code provides that Counties shall negotiate on behalf of districts after consulting with the District. In cases where there is no transfer of service responsibility between the County and a District, the appropriate action is to adopt a resolution of zero property tax transfer.
- 5) Once property tax resolution is adopted and submitted to LAFCo and all other necessary materials are complete, application can be certified as complete and scheduled for hearing.
- 6) Commission may approve, approve with modifications or conditions, or deny the application.
- 7) If approved, and Commission adopted conditions are met, the LAFCo Executive Officer schedules a protest hearing. At the conclusion of the protest hearing the proposal shall be terminated if written protest is received by 50% or more of the registered voters residing in the District; order the proposal subject to confirmation of voters if written protest is submitted by 25% but less than 50% of the registered voters or 25% but less than 50% of the number of landowners owning more than 25% but less than 50% of the land in the district; or approve the annexation without election if written protest is submitted by less than 25% of the voters or less than 25% of the number of landowners owning less than 25% of the land in the District.

### **Alternative to Activation of Latent Powers - Reorganization**

Another alternative for the District is that of reorganization, which includes the following:

- a) Application for reorganization into another type of special district such as a community services district with enabling legislation that authorizes the broad set of municipal powers of that of a city (excluding land use control).
- b) Application for dissolution of the District and establishment of the territory of the dissolved district as a zone of benefit of the County of San Mateo as a drainage maintenance district or a zone of benefit of the Woodside Fire Protection District, or a combination of both with these agencies being successor to district services, assets and liabilities. Both of these scenarios recognize the overlapping authority of the County of San Mateo in regard to roads and storm water management and the Woodside Fire District in regard to fire prevention. These alternatives could also take into consideration disposition of District owned lands including transfer to another public agency including Town of Portola Valley, Midpeninsula Regional Open Space District, Woodside Fire Protection District, the County of San Mateo or a combination of these agencies. (Please see Exhibits D and E regarding pertinent code sections for maintenance districts and zones of benefit.)

January 3, 2012  
David Smernoff, President

Other factors and conditions that may come into play in approving any proposals from the District include an accounting of the assets and liabilities of the District including the outstanding loan, and actions of successor agencies that may be necessary to implement zones of benefit. Both activation of powers and reorganization would involve the basic steps of environmental review, resolution of application, preparation of a plan for service, application to LAFCo and if approved, protest proceedings outlined above.

I hope that this adequately provides you with an overview of the LAFCo process and the options available to the District so that you may address with your Board the proper way to proceed. Please feel free to contact me if you have any further questions or require clarification of anything written here.

Sincerely,



Martha Poyatos  
Executive Officer

C:           Members, Formation Commission  
              County Manager  
              San Mateo County Department of Public Works  
              Town of Portola Valley  
              Woodside Fire Protection District  
              Midpeninsula Regional Open Space District

Attachments:

Exhibit A   CKH Act Sections pertaining to Activation of New Service  
Exhibit B   Factors LAFCo must consider in reviewing a proposal  
Exhibit C   LAFCo Conditions  
Exhibit D   Streets & Highways Code 5820-5826 (Maintenance District)  
Exhibit E   Health & Safety Code 13950 (Zones of Benefit)

## Latent Powers – Cortese Knox Hertzberg Citations

**"Change of organization" 56021.** "Change of organization" means any of the following:

- (a) A city incorporation.
- (b) A district formation.
- (c) An annexation to \*\*\* a city.
- (d) An annexation to a district.
- (e) A detachment from a city.
- (f) A detachment from a district.
- (g) A disincorporation of a city.
- (h) A district dissolution.
- (i) A consolidation of cities.\*\*\*
- (j) A consolidation of special districts.
- (k) A merger \*\*\* of a \*\*\* city and a district.
- (l) Establishment of a subsidiary district.

**(m) \*\*\* The exercise of new or different functions or classes of services, or divestiture of the power to provide particular functions or classes of services, within all or part of the jurisdictional boundaries of a special district as provided in Article 1.5 (commencing with Section 56824.10) of Chapter 5 of Part 3 of this division).**

**(Amended by Stats. 2011, Ch. 300)**

**56050.5 "Latent service or power" means those services, facilities, functions, or powers authorized by the principal act under which the district is formed, but that are not being exercised, as determined by the commission pursuant to subdivision (i) of Section 56425.**

**(Added by Stats. 2011, Ch. 300)**

56425 (i) When adopting, amending, or updating a sphere of influence for a special district, the commission shall \*\*\* **do all of the following:**

**Districts; written statements \*\*\*(1) Require existing districts to file written statements with the commission specifying the functions or classes of services provided by those districts.**

**(2) Establish the nature, location, and extent of any functions or classes of services provided by existing districts.**

**(Amended by Stats. 2011, Ch. 31 and Ch. 513)**

**56653.** (a) Whenever a local agency or school district submits a resolution of application for a change of organization or reorganization pursuant to this part, the local agency shall submit with the resolution of application a plan for providing services within the affected territory.

(b) The plan for providing services shall include all of the following information and any additional information required by the commission or the executive officer:

- (1) An enumeration and description of the services to be

extended to the affected territory.

(2) The level and range of those services.

(3) An indication of when those services can feasibly be extended to the affected territory.

(4) An indication of any improvement or upgrading of structures, roads, sewer or water facilities, or other conditions the local agency would impose or require within the affected territory if the change of organization or reorganization is completed.

(5) Information with respect to how those services will be financed.

**56654.** (a) A proposal for a change of organization or a reorganization may be made by the adoption of a resolution of application by the legislative body of an affected local agency, except as provided in subdivision (b).

**Notice of intention** (b) Notwithstanding Section 56700, a proposal for a change of organization that involves the exercise of new or different functions or classes of services, or the divestiture of the power to provide particular functions or classes of services, within all or part of the jurisdictional boundaries of a special district, shall only be initiated by the legislative body of that special district in accordance with Sections 56824.10, 56824.12, and 56824.14.

#### **Article 1.5. New or Different Services**

##### **New or different services;**

##### **resolution of application**

**56824.10.** Commission proceedings for the exercise of new or different functions or classes of services or divestiture of the power to provide particular functions or classes of services, within all or part of the jurisdictional boundaries of a special district, pursuant to subdivision (b) of Section 56654, may be initiated by a resolution of application in accordance with this article.

##### **District's proposal to provide new or different services**

**56824.12.** (a) A proposal by a special district to provide a new or different function or class of services or divestiture of the power to provide particular functions or classes of services, within all or part of the within all or part of the jurisdictional boundaries of a special district, pursuant to subdivision (b) of Section 56654 shall be made by the adoption of a resolution of application by the legislative body of the special district and shall include all of the matters specified for a petition in Section 56700, except paragraph (6) of subdivision (a) of Section 56700, and be submitted with a plan for services prepared pursuant to Section 56653. The plan for services for purposes of this article shall also include all of the following information:

**Plan for services** (1) The total estimated cost to provide the new or different function or class of services within the special district's

jurisdictional boundaries.

(2) The estimated cost of the new or different function or class of services to customers within the special district's jurisdictional boundaries. The estimated costs may be identified by customer class.

(3) An identification of existing providers, if any, of the new or different function or class of services proposed to be provided and the potential fiscal impact to the customers of those existing providers.

(4) A written summary of whether the new or different function or class of services or divestiture of the power to provide particular functions or classes of services, within all or part of the jurisdictional boundaries of a special district, pursuant to subdivision (b) of Section 56654, will involve the activation or divestiture of the power to provide a particular service or services, service function or functions, or class of service or services.

(5) A plan for financing the establishment of the new or different function or class of services within the special district's jurisdictional boundaries.

(6) Alternatives for the establishment of the new or different functions or class of services within the special district's jurisdictional boundaries.

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(b) The clerk of the legislative body adopting a resolution of application shall file a certified copy of that resolution with the executive officer. Except as provided in subdivision (c), the commission shall process resolutions of application adopted pursuant to this article in accordance with Section 56824.14.

**Noticed public hearing on district's application**

(c) (1) Prior to submitting a resolution of application pursuant to this article to the commission, the legislative body of the special district shall conduct a public hearing on the resolution. Notice of the hearing shall be published pursuant to Sections 56153 and 56154.

(2) Any affected local agency, affected county, or any interested person who wishes to appear at the hearing shall be given an opportunity to provide oral or written testimony on the resolution.

**Commission review and approval**

**56824.14.** (a) The commission shall review and approve \*\*\* with or without amendments, wholly, partially, or conditionally, **or disapprove** proposals for the establishment of new or different functions or class of services, or the divestiture of the power to provide particular functions or class of services, within all or part of the jurisdictional boundaries of a special district, after a public hearing called and held for that purpose. The commission shall not approve a proposal for the establishment of new or different functions or class of services within the jurisdictional boundaries

of a special district unless the commission determines that the special district will have sufficient revenues to carry out the proposed new or different functions of class of services except as specified in paragraph (1).

(1) The commission may approve a proposal for the establishment of new or different functions or class of services within the jurisdictional boundaries of a special district where the commission has determined that the special district will not have sufficient revenue to provide the proposed new or different functions or class of services, if the commission conditions its approval on the concurrent approval of sufficient revenue sources pursuant to Section 56886. In approving a proposal, the commission shall provide that if the revenue sources pursuant to Section 56886 are not approved, the authority of the special district to provide new or different functions or class of services shall not be established.

(2) Unless otherwise required by the principal act of the subject special district, or unless otherwise required by Section 57075 or 57076, the approval by the commission for establishment of new or different functions or class of services, or the divestiture of the power to provide particular functions or class of services, shall not be subject to an election.

(b) At least 21 days prior to the date of that hearing, the executive officer shall give mailed notice of the hearing to each affected local agency or affected county, and to any interested party who has filed a written request for notice with the executive officer. In addition, at least 21 days prior to the date of that hearing, the executive officer shall cause notice of the hearing to be published in accordance with Section 56153 in a newspaper of general circulation that is circulated within the territory affected by the proposal proposed to be adopted.

(c) The commission may continue from time to time any hearing called pursuant to this section. The commission shall hear and consider oral or written testimony presented by any affected local agency, affected county, or any interested person who appears at any hearing called and held pursuant to this section.

**(Amended by Stats. 2011, Ch. 300)**

**56700.** (a) A proposal for a change of organization or a reorganization may be made by petition. The petition shall do all of the following:

- (1) State that the proposal is made pursuant to this part.
- (2) State the nature of the proposal and list all proposed changes of organization.
- (3) Set forth a description of the boundaries of affected territory accompanied by a map showing the boundaries.
- (4) Set forth any proposed terms and conditions.
- (5) State the reason or reasons for the proposal.
- (6) State whether the petition is signed by registered voters or

owners of land.

(7) Designate up to three persons as chief petitioners, setting forth their names and mailing addresses.

(8) Request that proceedings be taken for the proposal pursuant to this part.

(9) State whether the proposal is consistent with the sphere of influence of any affected city or affected district.

**56668.** Factors to be considered in the review of a proposal shall include, but not be limited to, all of the following:

(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.

(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. "Services," as used in this subdivision, refers to governmental services whether or not the services are services which would be provided by local agencies subject to this division, and includes the public facilities necessary to provide those services.

(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.

(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.

(e) The effect of the proposal on maintaining the physical and economic integrity of agricultural lands, as defined by Section 56016.

(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.

(g) A regional transportation plan adopted pursuant to Section 65080, and consistency with city or county general and specific plans.

(h) The sphere of influence of any local agency which may be applicable to the proposal being reviewed.

(i) The comments of any affected local agency or other public agency.

(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  
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the proposed boundary change.

(k) Timely availability of water supplies adequate for projected needs as specified in Section 65352.5.

(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.

(m) Any information or comments from the landowner or owners, voters, or residents of the affected territory.

(n) Any information relating to existing land use designations.

(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

**Conditions:**

**56885.** The commission may, at any time, authorize any legislative body holding a hearing pursuant to this division, to continue the hearing to a date or dates extending beyond the dates specified in this division.

**56885.5.** (a) In any commission order giving approval to any change of organization or reorganization, the commission may make that approval conditional upon any of the following factors:

- (1) Any of the conditions set forth in Section 56886.
- (2) The initiation, conduct, or completion of proceedings for another change of organization or a reorganization.
- (3) The approval or disapproval, with or without election, as may be provided by this division, of any resolution or ordinance ordering that change of organization or reorganization.
- (4) With respect to any commission determination to approve the disincorporation of a city, the dissolution of a district, or the reorganization or consolidation of agencies which results in the dissolution of one or more districts or the disincorporation of one or more cities, a condition prohibiting an agency being dissolved from taking any of the following actions, unless it first finds that an emergency situation exists as defined in Section 54956.5:
  - (A) Approving any increase in compensation or benefits for members of the governing board, its officers, or the executive officer of the agency.
  - (B) Appropriating, encumbering, expending, or otherwise obligating, any revenue of the agency beyond that provided in the current budget at the time the dissolution is approved by the commission.

(b) If the commission so conditions its approval, the commission may order that any further action pursuant to this division be continued and held in abeyance for the period of time designated by the commission, not to exceed six months from the date of that conditional approval.

(c) The commission order may also provide that any election called upon any change of organization or reorganization shall be called, held, and conducted before, upon the same date as, or after the date of any election to be called, held, and conducted upon any other change of organization or reorganization.

(d) The commission order may also provide that in any election at which the questions of annexation and district reorganization or incorporation and district reorganization are to be considered at the same time, there shall be a single question appearing on the

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ballot upon the issues of annexation and district reorganization or incorporation and district reorganization

## **STREETS AND HIGHWAYS CODE**

### **SECTION 5820-5856**

5820. As used in this article, "maintenance district" means an assessment district which a county board of supervisors or the legislative body of a city has created pursuant to this chapter.

This chapter, except Sections 5850 to 5853, inclusive, applies to the creation of maintenance districts by, and maintenance districts created by, the legislative body of a city. For such purpose, the references in this chapter to a county or a county officer shall be deemed to refer, respectively, to a city or a city officer performing the same duties.

5821. The board of supervisors may, in its resolution declaring its intention to order work done or improvements made or by separate resolution, declare its intention to order that the expenses of maintaining and operating any or all of said improvements or any or all other improvements such as are permitted to be constructed herein, including the cost of necessary repairs, replacements, fuel, power, electrical current, care, supervision, and any and all other items necessary for the proper maintenance and operation thereof, shall be assessed, either partly or wholly, upon the real property or upon the land only lying within the district to be benefited by and to be assessed to pay the cost of the construction of said improvement, or upon such district as the board of supervisors shall determine will be benefited by the maintenance and operation of the improvements proposed to be maintained; the amounts so assessed to be levied and collected in the same manner and by the same officers as taxes for county purposes are levied and collected.

5821.1. The board of supervisors may, in its resolution declaring its intention to order work done or improvements made, declare its intention to order the territory within which the work is to be done or improvements constructed annexed to an existing maintenance district formed under the provisions of this chapter or under the provisions of Chapter 4, Part 3, Division 5, of the Health and Safety Code.

The resolution of intention may describe the territory to be annexed as having the same boundaries as those of the district to be assessed for the cost of constructing the improvements.

5821.2. If the board of supervisors in its resolution of intention declares its intention to order the territory within which the improvements are to be constructed annexed to an existing maintenance district, the notice of improvement shall likewise give notice of such declaration of intention and that protests against such

annexation may be filed and will be heard in accordance with the provisions of this chapter at the time and place provided for the hearing on the resolution of intention to perform the work.

The board of supervisors shall acquire jurisdiction to order the annexation of such territory to an existing maintenance district by giving notice within the territory proposed to be annexed in the same manner prescribed in this division for the acquiring of jurisdiction to order the construction of improvements, and within the district to which such territory is proposed to be annexed by giving notice as is provided to be given in such district by Section 5838.

5821.3. In the event that an ordinance requires the installation of a sewer, drainage, or street lighting system by a subdivider, the resolution of intention may state that the territory owned by the subdivider comes under the terms of such ordinance and order that such territory be formed into a maintenance district, or annexed to an existing maintenance district, without notice and hearing.

5822. The resolution of intention shall describe the boundaries of the district which is to be assessed for such maintenance and operation, or if the improvements or any part thereof to be maintained or operated are constructed in the same proceeding, it may describe the maintenance district as having the same boundaries as those of the district to be assessed for the cost of constructing the improvement. In either case the maintenance district may be designated by a name by which it may thereafter be referred to in all subsequent proceedings, including proceedings for the levy and collection of taxes.

5823. The maintenance district may include property lying within one or more cities if the consent of the legislative body of each such city to the formation of such district expressed by resolution, is first obtained before the resolution of intention is adopted by the board of supervisors.

5824. At any time not later than the hour for hearing objections to the proposed work as provided in this division, or at any time not later than the time fixed in the resolution of intention for the hearing of objections, if the resolution of intention provides for maintenance only, any person permitted by the provisions of this division to make written protest against the proposed work or against the extent of the district to be assessed therefor, or both, may make like protest and in like manner against the ordering of the formation of the maintenance district or against the extent of the maintenance district, or both.

5824.1. If the resolution of intention contemplates annexation of the territory within which the improvements are to be constructed to

an existing maintenance district, written protests against such annexation or the extent thereof may be filed by any interested person.

5825. The board of supervisors, in addition to hearing protests against the proposed work and the extent of the district to be assessed therefor, shall hear and pass upon all protests against the formation of the maintenance district and against the extent thereof, and shall hear and pass upon all protests against the annexation of the territory within which the improvements are to be constructed to an existing maintenance district, and its decision shall be final and conclusive.

5826. If the board of supervisors finds that the protest against the formation of the maintenance district is made by the owners of more than one-half of the area of the property included within such district, no further proceedings shall be taken, unless the protests are overruled by an affirmative vote of four-fifths of the members of the board of supervisors, for a period of six months from the date of the decision of the board of supervisors on the hearing. The board of supervisors may adjourn the hearing from time to time.

5827. If the board of supervisors, in its resolution of intention, declares its intention to order a maintenance district formed, the notice of improvement shall likewise give notice of such declaration of intention and that protests against such maintenance district may be filed and will be heard in accordance with the provisions of this chapter.

5828. The board of supervisors shall acquire jurisdiction to order that the maintenance district be formed in the same manner prescribed in this division for the acquiring of jurisdiction to order the construction of improvements, and it may thereupon by resolution order the formation of such a maintenance district, which order may be contained in the resolution ordering the construction of the work in those cases where such work is provided to be done in the resolution of intention.

5828.1. When the board of supervisors adopts a separate resolution declaring its intention to form a maintenance district for sanitary sewers or for street lighting, the clerk shall be directed to give notice of the hearing. The notice shall have the heading "Notice of the proposed formation of \_\_\_\_ Sewer (or Street Lighting) Maintenance District," stating the name of the proposed district. It shall:

(a) State the time and place for the hearing.

(b) Set forth the exterior boundaries of the territory proposed to be organized into a district.

In lieu of a description, the boundaries of the territory proposed to be included may be shown by means of a diagram printed upon the notice. The board shall direct the clerk to publish the notice and shall also direct the clerk to post the notice in three public places in the proposed district at least 10 days prior to the date set for the hearing. The heading of each posted notice shall be in letters not less than one inch in height. Notice by mail is not required.

5829. Upon adoption of the resolution ordering the formation of the maintenance district or the annexation of territory to an existing maintenance district, the legislative body adopting the resolution shall comply with the requirements of Chapter 8 (commencing with Section 54900) of Part 1 of Division 2 of Title 5 of the Government Code. Thereafter, the property included within such district shall be segregated on the assessment roll under the designation contained in the resolution.

5829.1. Any district may contract with the Federal Government of the United States or any branch thereof, or any county, city and county, municipal corporation, district or other public corporation, or with any person, firm or corporation, for the joint use of any sewer or sewers or other works or facilities for handling, treatment and disposal of sewage or industrial waste from the district and such other area as may be designated in said contract, when in the judgment of the legislative body of said district it is for the best interest of the district so to do. Any such contract may provide for the maintenance and operation of such sewer or sewers, or other works or facilities, and for the payment by or for the parties thereto of such proportionate part of the cost of the maintenance and operation of such sewer or sewers or other works or facilities as may be stated in said contract, the payment to be made at such time and in such amount as may be provided by said contract. Any such contract may provide for the joint use of any sewer or sewers, or works or facilities for the handling, treatment or disposal of sewage or industrial waste upon such terms and conditions as may be agreed upon by the parties thereto, and for the flowage, treatment or disposal of sewage or industrial waste from such area for each of the parties thereto as may be described in said contract.

Any district which has acquired or constructed or which proposes to acquire or construct, any sewer or sewers, or works or other facilities for the handling, treatment or disposal of sewage, may contract with the Federal Government of the United States or any branch thereof, or with any county, city and county, municipal corporation, district or other public corporation or with any person, firm or corporation for the use of any such sewer or sewers, works or facilities by any such county, city and county, municipal corporation, district or other public corporation, or for the flowage, treatment or disposal of sewage or industrial waste from any area designated by such person, firm or corporation so contracting, upon such terms and conditions as may be provided in said contract.

5830. The board of supervisors shall thereafter, in each year, prior to the time of fixing the county tax rate, estimate the cost of maintaining and operating the improvements to be maintained and operated within the maintenance district during the ensuing year. The board of supervisors shall decide whether or not the cost of maintaining and operating the improvement shall be borne wholly or partially by the maintenance district and shall, in addition to all other taxes, fix a special tax rate for the real property within the maintenance district, or for lighting purposes levy an assessment on each parcel of real property within the maintenance district on the basis of the estimated benefit to the parcel, sufficient to raise an amount of money to cover the expense of maintaining the improvements during the ensuing year, or such portion of the amount as the board of supervisors shall determine shall be borne by the maintenance district, and the board of supervisors shall levy a special assessment tax or, for lighting purposes, an assessment each year upon the real property in the maintenance district sufficient to pay such expense, or the portion thereof, which shall be paid by the maintenance district.

5830.1. Whenever the board of supervisors levies an assessment authorized by Section 5830 for purposes of lighting maintenance, the assessment shall be levied pursuant to Chapter 6.1 (commencing with Section 54701) of Part 1 of Division 2 of Title 5 of the Government Code.

5831. The special assessment tax shall be levied and collected at the same time and in the same manner as the general tax levy for county purposes and when collected shall be paid into the county treasury to the credit of the fund of the maintenance district and be used for the payment of the expenses of the district. The board of supervisors may control and order the expenditure thereof for such purposes.

5832. The board of supervisors may determine that the whole or any part of the expense of such maintenance shall be paid by the county. If the county is to contribute toward the expenses of such maintenance the resolution of intention shall so provide. When such provision is made the execution of the contract for maintenance shall create an obligation in the county to make the contribution provided for in the resolution.

5832.5. The board of supervisors may temporarily transfer moneys to the maintenance district fund from other funds in which such moneys are not immediately needed. The money so transferred shall bear interest at a rate to be fixed by the board and shall be used for the purposes provided in this chapter and be retransferred from the maintenance district fund out of the first available receipts.

5832.6. If a maintenance district is organized in any year too late for the levy of a special assessment tax or an assessment, as the case may be, in that year or in the next ensuing year, the board of supervisors is hereby authorized to transfer funds of the county not immediately needed for county purposes to the maintenance district fund of the district to be used for the payment of the expenses of the district until such time as special assessment tax or assessment, as the case may be, receipts are available therefor. The board of supervisors shall include in the levy of special assessment taxes or assessments for the district for the first fiscal year in which a tax or an assessment may be levied, a sum sufficient to repay to the county the amounts so transferred to the district for the portion or portions of the preceding fiscal year or years for which no levy of taxes or assessments was made for that purpose and the amounts so transferred shall be retransferred to the county treasury from the maintenance district fund of the district out of the first available receipts from the tax or assessment levy.

5832.7. Any area of a maintenance district, or of a temporary zone formed pursuant to Section 5855 in a district, which is included in a city by annexation or incorporation after a loan has been made shall continue to be taxed or assessed for the repayment of its proportionate share of the unpaid balance of the loan.

5832.8. (a) The board of supervisors may adopt an ordinance proposing the imposition of a special tax for the purpose of maintaining improvements. Such ordinance shall be submitted to the voters of the maintenance district and shall take effect upon approval of two-thirds of the voters of the district voting on the ordinance. The approval of the voters may be secured at a district or countywide election, or by a ballot mailed to each registered voter in the district. The election shall be conducted pursuant to the provisions of the Elections Code.

(b) The ordinance submitted to the voters for approval pursuant to the provisions of subdivision (a) shall specify the terms of the special tax to be imposed which shall include the manner in which the obligation of each taxpayer is determined, when the special tax is to be levied, and the method of collection. The ordinance may also specify that the special tax imposed by the ordinance may be adjusted annually by the percentage change in the total appropriations subject to limitation of the local government for purposes of Article XIII B of the California Constitution.

(c) Upon approval of the voters under subdivision (a), the board may levy the special tax as authorized by the ordinance, until superseded by a new ordinance adopted pursuant to the provisions of subdivision (a), or until repealed pursuant to an ordinance adopted by the board.

(d) The provisions of this section shall apply only to maintenance districts located wholly within the Town of Portola Valley.

5833. The board of supervisors of the county in which a maintenance district is formed shall:

(a) Make and enforce all rules and regulations necessary for the administration, operation and government of such district.

(b) Execute all contracts and make all necessary provisions for the maintenance and operation of the district, except that the board of supervisors may authorize a designated county officer to make, execute and administer contracts for the installing, maintaining and servicing a system of lights in accordance with standards adopted by the board of supervisors and in accordance with this chapter.

(c) Appoint and employ all necessary agents, superintendents, engineers and labor for the proper performance of the work.

(d) Perform all other acts necessary or proper to accomplish the purposes of this chapter.

5835. Nothing in this chapter shall be construed as prohibiting the county itself from maintaining and operating any or all of the improvements when ordered by the board of supervisors and from purchasing the materials and supplies and employing the labor necessary for those purposes.

5835.1. "Sewers" as used in this chapter includes lateral and collecting sewers, septic tanks, and all other means of handling, gathering, and disposing of sewage in the district.

5835.2. "Maintenance of sewers" as used in this chapter includes the extension and enlargement of sewers within the district, and the acquisition or construction of other works or improvements useful in the proper operation of those sewers.

5835.3. "Maintenance" as used in this chapter in relation to lighting systems, includes the replacement of any obsolete equipment with new modern equipment found by the board of supervisors or legislative body of a city to be necessary for the proper operation of the district. The replacement of any such obsolete equipment with any such new modern equipment, except for work done by a utility district or a private utility company under contract with the maintenance district, shall be subject to the requirements of Article 56 (commencing with Section 20840) of Chapter 1 of Part 3 of Division 2 of the Public Contract Code.

5835.4. The board of supervisors of any lighting maintenance district may provide for the establishment of an accumulative capital outlay fund for the replacement of obsolete lighting system

equipment. The fund shall be held in reserve until appropriated in whole or in part to a specific project.

At any time after the creation of the fund, the board may transfer to it any unencumbered surplus funds remaining on hand at the end of the fiscal year after the payment of the expenses of the district.

5835.5. Pursuant to a resolution adopted by its board of supervisors, a county may lend any available county funds to a county maintenance district for the replacement of obsolete equipment, or to defray unusual maintenance costs. Any such loan may be restricted for use in a temporary zone formed under the provisions of Section 5855 in a district. The loan shall bear interest at a rate to be fixed by the board of supervisors, and shall be repaid in approximately equal installments over a period not to exceed 10 years. Any funds lent to the district, or zone, are appropriated for the purposes for which the loan was made. Any area of a district, or of a temporary zone in a district, which is included in a city by annexation or incorporation after a loan has been made shall continue to be taxed or assessed for the repayment of its proportionate part of the unpaid balance of the loan.

If a zone is formed to be responsible for the loan, the board of supervisors shall, in the first fiscal year in which a special tax or assessment may be levied in the zone, and in each succeeding year of the duration of the zone, levy a special tax or assessment upon the taxable property in the zone for the purpose of repaying with interest the amount lent to the district by the county. When the loan has been repaid, the zone shall terminate.

In case of emergency, the board of supervisors may also borrow funds from another maintenance district and the board of supervisors may lend available district funds to another maintenance district. Such loans shall be subject to the same terms and conditions as loans made from county funds.

5836. The title to all property acquired by a maintenance district shall be vested in the county. Upon the dissolution of the district by reason of all of its territory being included within a city, such property shall thereupon become the property of such city, and if all of the district is included within more than one city then such property shall be subject to the disposition of the board of supervisors of the county. Such disposition shall be between the several cities in such manner as to the board seems most just and equitable.

5837. The boundaries of any maintenance district may be altered, and contiguous or noncontiguous territory whether it is within incorporated or unincorporated territory may be annexed thereto. If incorporated territory is sought to be annexed, consent thereto shall first be obtained from the legislative body of the city.

The board of supervisors may by resolution fix a time and place for hearing upon the question of annexation of such territory to an existing maintenance district. The resolution shall describe the

boundaries of the territory proposed to be annexed.

The board of supervisors may by resolution determine that each parcel of the territory annexed or to be annexed to a sewer maintenance district should pay its proportionate share of the cost of outfall and/or pumping plant construction previously paid for by other properties within said district and shall in said resolution fix the amount to be contributed by each said parcel. No parcel so annexed or to be annexed shall be issued a permit to connect to the sewer until the full amount of contribution so fixed has been paid. Any contribution whether heretofore or hereafter collected for such purposes shall be deposited in the county treasury to the credit of said district, or shall be held in trust until the parcel is included within the boundaries of the district at which time such contributions shall be transferred to the credit of said district.

The date set for the hearing on the proposed annexation shall be at least three weeks from and after the date of the adoption of the resolution setting the hearing.

5838. The board of supervisors shall cause notice of the time, place, and purpose of the hearing to be given by mail to each owner whose name and address appears on the last equalized assessment roll and who owns real property within the boundaries of the territory sought to be annexed. The notice shall contain the name and telephone number of a local department or agency designated by the board of supervisors to answer inquiries regarding the hearing proceedings. The person directed by the board of supervisors to mail the notices shall file, upon the completion of the mailing, an affidavit setting forth the time and manner of the compliance with this section.

In addition, the board of supervisors shall cause notices of the hearing to be posted in three conspicuous places within the territory proposed to be annexed.

The notices shall be headed "Notice of hearing" in letters not less than one inch in height and shall contain a description of the territory proposed to be annexed and a statement of the time and place of the hearing. In lieu of the description the boundaries of territory proposed to be annexed may be shown by means of a diagram printed upon the notice. The notice shall be posted not less than 10 days prior to the date set for the hearing.

In proceedings for annexation to sewer, lighting, or drainage maintenance districts, the board of supervisors shall direct its clerk to publish a notice once a week for two successive weeks in the newspaper of general circulation that the board deems most likely to give notice of hearing to the inhabitants. Such notice shall state the time and place of the hearing and shall contain a description of the territory proposed to be annexed or, in lieu of such description, the boundaries of the territory proposed to be annexed may be shown by means of a diagram. Such publication together with the posting of notices of hearing may be deemed adequate notice and no mailed notice need be required.

5839. At the time fixed for the hearing or to which it may be continued, the board of supervisors shall hear and pass upon the proposal and any objections which may be filed to the inclusion of any property within the proposed annexation.

## Exhibit D

The board of supervisors may, by order entered upon its minutes, determine that such territory or any part thereof may be annexed to the district and may order that the boundaries of the district be altered to include such territory if one or more of the following facts exist:

- (a) The territory to be annexed will be benefited by annexation.
- (b) The annexation will allow economies and efficiencies in the administration or operation of an existing lighting system in the territory to be annexed.

5840. If any portion of the territory annexed to a maintenance district comprises a portion of another maintenance district formed under the provisions of this chapter, a highway lighting district organized pursuant to Part 4 (commencing with Section 19000) of Division 14, or a sewer maintenance district formed under the provisions of Chapter 4 (commencing with Section 4860), Part 3, Division 5 of the Health and Safety Code, the annexation of such territory shall not become complete unless and until any outstanding contract of the other district of which such territory is a part has expired or such contract, with the consent of the parties thereto, has been modified or canceled so as to relieve the other district of further obligation to pay for future contract obligations within the portion of the territory so withdrawn, and the funds of such other district remaining on hand upon the completion of such annexation shall have been apportioned between the maintenance district to which the territory was annexed and the other district from which it was withdrawn. The division of such funds shall be prorated in the proportion that the assessed value of the real property of the territory so withdrawn bore to the total assessed value of the real property within the district prior to such withdrawal.

5841. If the territory annexed to a maintenance district includes within its boundaries all of another maintenance district formed under the provisions of this chapter, a highway lighting district organized pursuant to Part 4 (commencing with Section 19000) of Division 14, or a sewer maintenance district formed under the provisions of Chapter 4 (commencing with Section 4860), Part 3, Division 5 of the Health and Safety Code, upon such annexation becoming complete by the adoption of the order of the board of supervisors, the prior existing district so annexed shall thereupon be dissolved. Any funds of the district remaining on hand at the time of the annexation shall be transferred to the maintenance district to which such territory is annexed and any contracts or obligations of the previously existing district shall become the obligations of the maintenance district to which it is annexed.

5841.5. Notwithstanding any other provision of law, subsequent to annexation of such territory and dissolution of the annexed district, the maintenance district shall assume all of the assets and liabilities of the dissolved district and shall be entitled to all of the property tax revenues to which the territory annexed would have

been entitled had the territory not been so annexed.

5842. If, after the formation of a maintenance district, additional improvements of the same type or nature are constructed within the boundaries of such district, the board of supervisors shall adopt a resolution declaring its intention that the cost of maintaining and operating such additional improvements shall be borne by the existing maintenance district. It shall fix a time and place for a hearing on such resolution, at which hearing any and all persons having any objections to the things proposed to be done may appear and be heard. The resolution shall contain a statement of the estimated annual cost of maintaining and operating such additional improvements.

5843. Notice of the hearing on the resolution shall be given to the persons within the existing maintenance district in the manner prescribed by Section 5838. Mailed notice shall be required with respect to additional improvements for a lighting maintenance district where the annual cost to such district of such additional improvements is more than two thousand five hundred dollars (\$2,500). At the hearing the board of supervisors shall hear and pass upon any and all protests to the maintaining and operating of such additional improvements by the existing maintenance district and its decision shall be final and conclusive. At the conclusion of the hearing the board of supervisors may by order, entered upon its minutes, make the expenses of maintaining and operating such additional improvements a charge upon the existing maintenance district.

5843.5. Notwithstanding any other provisions of this chapter, the board of supervisors, upon its own motion or upon receipt of a petition signed by 20 or more taxpayers of an existing lighting maintenance district asking for the installation and maintenance of additional lights, may, by order entered upon its minutes, make the expenses of the installation and maintenance of the additional lights a charge upon the existing district if the board determines that it will be just and equitable, and in the public interest for the additional cost, if any, to be paid by the district as a whole. If sufficient funds are available or will be available from a tax levy already made or after the tax levy has been made, the board may proceed with the installation of the additional lights.

5844. Any portion of any maintenance district which will not be benefited by remaining within the district, may be withdrawn therefrom. The board of supervisors may by resolution entered upon its minutes fix a time for a hearing on the question of the withdrawal of any portion of a maintenance district which will not be benefited by remaining within the district.

5845. The time for the hearing shall be not less than 10 nor more than 30 days after the date of the adoption of the resolution. The board of supervisors shall at least five days prior to the time so fixed cause a notice of such hearing to be published by one insertion in such daily, weekly or semiweekly newspaper printed, published and circulated in the county, as the board deems most likely to give notice to the inhabitants of the district of the proposed withdrawal. Copies of the notice also shall be posted at least one week prior to the date fixed for the hearing in three conspicuous places within that portion of the maintenance district sought to be withdrawn and in three conspicuous places within the remaining portion of the district.

5846. Any person interested may appear at the hearing and object to the withdrawal of said portion from the maintenance district, or may object to the continuance of the remaining territory as a maintenance district. The board of supervisors shall consider and pass upon all objections and if it finds that the portion of the district sought to be withdrawn will not be benefited by remaining within the maintenance district and that the remaining territory not sought to be withdrawn will be benefited by continuing as a maintenance district, then it shall order such withdrawal and the continuance of the remaining territory as a maintenance district.

5847. No withdrawal of territory under the provisions of Section 5846 or 5853 shall become effective unless and until any outstanding contract of the maintenance district from which a portion is sought to be withdrawn has expired, or such contract, with the consent of the parties thereto, has been modified or canceled so as to relieve such maintenance district of further obligation to pay for future maintenance within the territory so withdrawn.

5847.5. Any maintenance district created to finance any work which might also be constructed or maintained by a county sanitation district, may become a part of a county sanitation district after the board of supervisors of the county within which the maintenance district is located has, after a hearing held pursuant to the County Sanitation District Act (Chapter 3 (commencing with Section 4700), Part 3, Division 5 of the Health and Safety Code), determined by resolution that such inclusion is for the best interest of the maintenance district and the governing body of the maintenance district consents to the inclusion by resolution adopted by the affirmative vote of a majority of its members.

5847.6. A maintenance district included in a county sanitation district pursuant to Section 5847.5 is not dissolved by such inclusion, but may continue to function in the same manner that it functioned before the inclusion.

5848. Any maintenance district may be dissolved by the board of supervisors. The board of supervisors upon its own motion may adopt a resolution declaring its intention to dissolve the maintenance district and may fix a time for a hearing upon such dissolution. The time for such hearing shall be not less than 10 days nor more than 30 days after the date of the adoption of such resolution, and the clerk of the board of supervisors shall, at least 15 days prior to the time so fixed, publish notice of such hearing by one insertion in a daily, weekly or semiweekly newspaper printed, published and circulated in the county, and cause printed copies of such notice to be posted in three conspicuous places within the maintenance district.

5849. At the time appointed for such hearing, or at any time to which it is adjourned, the board of supervisors shall hear and pass upon the question of dissolution and all objections and protests and may grant or deny the same, and its decision thereon shall be final and conclusive. If the board of supervisors upon such hearing determines that the maintenance district shall be dissolved, the board of supervisors shall, by resolution, order the dissolution of the district and the district shall thereupon be dissolved. The maintenance and operation of the improvements of such district may be continued thereafter until the funds collected for the purpose of maintaining and operating them have been expended for that purpose.

5850. Upon the inclusion of all of the territory of a maintenance district within one or more cities, either by reason of annexation proceedings or by reason of the incorporation of one or more cities, and upon dissolution of such district, all funds paid into the county treasury to the credit of such district shall be paid over by the board of supervisors of such district as prescribed in this chapter.

5851. If the whole district is so included within one city, the district shall continue in existence for all purposes until a copy of a resolution adopted by the city requesting dissolution of the district or requesting transfer of jurisdiction over the district and the funds of the district to the city is filed with the board of supervisors whereupon the district shall be dissolved or jurisdiction over the district shall be transferred by resolution of the board of supervisors to the city, as requested by the resolution adopted by the city, and such funds shall be paid to the treasurer of that city and administered by the legislative body of the city for the benefit of the district.

5852. If a part only of the district is so included within one city and the remaining part of the district is so included within one or

more other cities, so that no portion of the district remains within unincorporated territory of the county, the district shall continue in existence for all purposes until a copy of a joint resolution adopted by all of the cities requesting dissolution of the district is filed with the board of supervisors whereupon the district shall be dissolved. The proportionate part of such funds shall be paid to the treasurer of each such city as the assessed valuation of the real property of the portion of the district included therein bore, before being so included, to the total assessed valuation of the real property of the district, and such funds shall be administered by the legislative bodies of such cities for the benefit of the district. Any one city may withdraw its territory from the district in the manner provided by Section 5853.

5853. Whenever any portion of a district is included within a city by reason of incorporation, annexation, or otherwise, such portion shall continue to remain a part of the district for all purposes until a copy of a resolution adopted by the city requesting exclusion of such territory from the district is received by the board of supervisors. Upon the withdrawal of any territory of a district, all property acquired for the district and all unencumbered funds on the date of withdrawal, including all taxes levied and collected by the district in any year in which taxes are levied and collected by the district after the date of withdrawal on property withdrawn from the district, shall be divided between the city and the remaining district in proportion to the assessed value of the real property of the territory so withdrawn and the portion remaining. For the purpose of this article, the unencumbered funds are the sum of money, uncollected taxes, and other uncollected amounts belonging to or due such district, in excess of an amount sufficient to pay all claims and accounts against the district.

5854. The board of supervisors may by resolution change the name of any maintenance district to conform with a change in the street name or other designation which the district bears. The clerk of the board of supervisors shall file in the office of the county assessor and with the State Board of Equalization a certified copy of every such resolution, and upon such filing the name of the district shall be changed for all purposes.

5855. Where the board of supervisors or legislative body has so declared in its resolution of intention to order the formation of a maintenance district or any annexation thereto, the board of supervisors or legislative body may, in its resolution ordering the formation of a maintenance district or any annexation thereto, order the district divided into tax assessment zones. Tax assessment zones may be formed at a time other than at the formation of the district or any annexation thereto if pursuant to the same procedure of resolution, notice, and hearing as are applicable under this chapter to the annexation of territory.

No district shall be divided into zones unless the board of supervisors or legislative body finds that a tax assessment zone

requires special services or special facilities in addition to those provided generally by the maintenance district or the replacement of obsolete equipment, and that the tax levy is commensurate with the special benefits to be provided in the zone. The boundaries of tax assessment zones may be changed or a zone may be dissolved in the same manner that a zone may be formed in an existing district.

When a zone is formed for the purpose of the construction or installation of special facilities in addition to those provided generally by the district or to replace obsolete equipment, the board of supervisors or legislative body may provide at the time of formation for the automatic dissolution of the zone upon payment of all assessments attributable to the special facilities.

5856. If a maintenance district is divided into zones, the board of supervisors or legislative body may determine what portion of the amount of money to be secured from the levy of taxes shall be secured from each zone within the district.

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## HEALTH AND SAFETY CODE

### SECTION 13950-13956

13950. (a) Whenever a district board determines that it is in the public interest to provide different services, to provide different levels of service, or to raise additional revenues within specific areas of the district, it may form one or more service zones pursuant to this chapter.

(b) The district board shall initiate proceedings for the formation of a new zone by adopting a resolution which shall do all of the following:

- (1) State that the proposal is made pursuant to this chapter.
- (2) Set forth a description of the boundaries of the territory to be included in the zone.
- (3) State the different services, different levels of service, or additional revenues which the zone will provide.
- (4) Set forth the methods by which those services or levels of service will be financed.
- (5) State the reasons for forming the zone.
- (6) Propose a name or number for the zone.
- (7) Fix the date, time, and place for the public hearing on the formation of the zone.

(c) The district board shall publish notice of the hearing, including the information required by subdivision (b), pursuant to Section 6061 of the Government Code in one or more newspapers of general circulation in the district. The district board shall mail the notice to all owners of property within the proposed zone. The district board shall post the notice in at least three public places within the territory of the proposed zone.

(d) At the hearing, the district board shall hear and consider any protests to the formation of the zone. At the conclusion of the hearing, the district board may adopt a resolution ordering the formation of the zone.

13951. A district board may change the boundaries of a service zone or dissolve a zone by following the procedures in Section 13950.

13952. A local agency formation commission shall have no power or duty to review and approve or disapprove a proposal to create a service zone, a proposal to change the boundaries of a zone, or a proposal to dissolve a zone.

13953. As determined by the district board, a service zone may provide any service at any level within its boundaries which the district may provide.

13954. As determined by the district board and pursuant to the

requirements of this part, a service zone may exercise any fiscal powers within its boundaries that the district may exercise.

13955. Any taxes, special taxes, assessments, or fees which are intended solely for the support of services within a zone shall be levied, assessed, and collected only within the boundaries of the zone.

13956. To assist it in the operation of a service zone, the district board may appoint one or more advisory groups composed of persons who reside in or own property in the zone.

**Los Trancos County Water District**  
**Budget Overview**  
 July 2013 through June 2014

	<u>Jul '13 - Jun 14</u>
<b>Ordinary Income/Expense</b>	
<b>Income</b>	
43400 · Direct Public Support	
43405 · Property Tax Revenue	290,000.00
<b>Total 43400 · Direct Public Support</b>	<u>290,000.00</u>
45000 · Investments	
45030 · Interest-Savings, Short-term CD	500.00
<b>Total 45000 · Investments</b>	<u>500.00</u>
<b>Total Income</b>	290,500.00
<b>Expense</b>	
61100 · Water Use Efficiency	
60904 · WUE Rebate - Exterior	4,500.00
61102 · WUE Rebate - Interior	6,300.00
61104 · Education and Promotion	1,000.00
61105 · Rainwater Harvesting	5,000.00
61106 · WUE - Other	0.00
61115 · Program Coordinator	1,500.00
<b>Total 61100 · Water Use Efficiency</b>	<u>18,300.00</u>
61200 · Emergency Preparedness	
61205 · Fire Safety Escape Routes	34,000.00
61207 · Fire Safety Community Buffer	7,000.00
61208 · Fire Safety Residential Program	38,000.00
61210 · Eucalyptus/Pine Resident Prgrm	20,000.00
61212 · Outside Contract Services	5,000.00
61213 · Education and Promotion	5,500.00
61215 · Program Coordinator	5,500.00
<b>Total 61200 · Emergency Preparedness</b>	<u>115,000.00</u>
62800 · Lands	
62802 · Fuel load reduction/SOD treatme	4,000.00
62803 · Maintenance	6,400.00
62809 · Stewardship Evaluation	3,000.00
62815 · Program Coordinator	1,000.00
62840 · Capital Projects	5,000.00
62850 · Contingency	0.00
62890 · Utilities - Water	300.00
<b>Total 62800 · Lands</b>	<u>19,700.00</u>

Attachment B

8:23 AM

08/24/13

Accrual Basis

**Los Trancos County Water District**  
**Budget Overview**  
July 2013 through June 2014

	<u>Jul '13 - Jun 14</u>
<b>62900 - Water Movement Control</b>	
62901 - Mapping, Drafting, Engineering	43,000.00
62903 - Water testing	0.00
62904 - Ramona Road Study	75,000.00
62905 - Residential Incentive Program	5,000.00
62915 - Program Coordinator	30,000.00
<b>Total 62900 - Water Movement Control</b>	<u>153,000.00</u>
<b>64800 - Contract Services</b>	
64801 - Recording Secretary	7,500.00
64802 - Temporary Services	2,500.00
64805 - Bookkeeping	9,000.00
64807 - Program Coordinator	12,000.00
64810 - Accounting Fees	5,100.00
64840 - Legal Fees	10,000.00
64850 - Outside Contract Services	2,000.00
<b>Total 64800 - Contract Services</b>	<u>48,100.00</u>
<b>65000 - Operations</b>	
65010 - Books, Subscriptions, Reference	300.00
65020 - Postage, Mailing Service	200.00
65030 - Printing and Copying	500.00
65040 - Supplies	500.00
65050 - Telephone, Telecommunications	500.00
65060 - Technology	1,500.00
65070 - Marketing and Communications	200.00
<b>Total 65000 - Operations</b>	<u>3,700.00</u>
<b>65100 - Other Types of Expenses</b>	
65105 - Insurance, Liability	5,000.00
65120 - Insurance - D and O	0.00
65130 - Election Costs	2,000.00
65150 - Memberships and Dues	750.00
65155 - Grants and Donations	1,000.00
65180 - LAFCO	150.00
65190 - Departing Gifts	300.00
<b>Total 65100 - Other Types of Expenses</b>	<u>9,200.00</u>

8:23 AM

08/24/13

Accrual Basis

**Los Trancos County Water District**  
**Budget Overview**  
**July 2013 through June 2014**

	<u>Jul '13 - Jun 14</u>
68300 - Travel and Meetings	
68310 - Conference, Convention, Meeting	756.00
68320 - Travel	744.00
<b>Total 68300 - Travel and Meetings</b>	<u>1,500.00</u>
<b>Total Expense</b>	<u>368,500.00</u>
<b>Net Ordinary Income</b>	<u>-78,000.00</u>
<b>Net Income</b>	<u><u>-78,000.00</u></u>

**LOS TRANCOS COUNTY WATER DISTRICT**

FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010

\* \* \*

**LOS TRANCOS COUNTY WATER DISTRICT**

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**JUNE 30, 2011 AND 2010**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Los Trancos County Water District  
Portola Valley, California

We have audited the accompanying financial statements of the business-type activities of the Los Trancos County Water District (the "District") as of and for the years ended June 30, 2011 and 2010, which collectively comprise all of the District's basic financial statements. These financial statements are the responsibility of the Los Trancos County Water District's management. Our responsibility is to express opinions on these financial statements based on our audits.

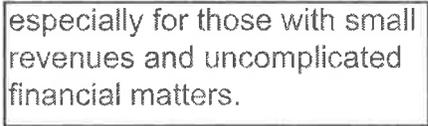
We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly the financial position of the Los Trancos County Water District, as of June 30, 2011 and 2010, the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The District has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is required supplementary information to, although not a part of, the basic financial statements. This is a practice common among many special districts.

October 10, 2011  
Redwood City, California

especially for those with small revenues and uncomplicated financial matters.



**LOS TRANCOS COUNTY WATER DISTRICT**

**BALANCE SHEETS  
JUNE 30, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Investments	\$ 233,621	\$ 209,352
Property Taxes Receivable	<u>-</u>	<u>6,844</u>
Total Current Assets	<u>233,621</u>	<u>216,196</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 233,621</u></u>	<u><u>\$ 216,196</u></u>
<b>LIABILITIES &amp; NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	<u>\$ 15,641</u>	<u>\$ 8,000</u>
Total Current Liabilities	<u>15,641</u>	<u>8,000</u>
<b>LONG-TERM LIABILITIES</b>		
Notes Payable	<u>617,762</u>	<u>617,762</u>
Total Long-Term Liabilities	<u>617,762</u>	<u>617,762</u>
Total Liabilities	<u>633,403</u>	<u>625,762</u>
<b>NET ASSETS</b>		
Unrestricted	(399,782)	(409,566)
Total Net Assets	<u>(399,782)</u>	<u>(409,566)</u>
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<u><u>\$ 233,621</u></u>	<u><u>\$ 216,196</u></u>

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

**LOS TRANCOS COUNTY WATER DISTRICT**

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
FOR EACH OF THE FISCAL YEARS ENDED  
JUNE 30, 2011 AND JUNE 30, 2010

	<u>2011</u>	<u>2010</u>
OPERATING EXPENSES:		
Administrative expenses	\$ 7,876	\$ 5,685
Services and supplies	23,546	17,755
Insurance	6,169	4,131
Property management	24,760	17,507
Water conservation	4,867	18,563
Water movement	52,677	40,734
Emergency preparedness	107,184	84,969
Water cost discount program	45,680	80,000
	<u>272,759</u>	<u>269,344</u>
Total operating expenses		
OPERATING LOSS	<u>(272,759)</u>	<u>(269,344)</u>
NON-OPERATING INCOME		
Property taxes	276,445	252,270
Miscellaneous collections	5,070	4,381
Interest income	1,028	1,517
	<u>282,543</u>	<u>258,168</u>
Total non-operating income (expense)		
NET INCOME	9,784	(11,176)
NET ASSETS - BEGINNING OF YEAR	<u>(409,566)</u>	<u>(398,390)</u>
NET ASSETS - END OF YEAR	<u>\$ (399,782)</u>	<u>\$ (409,566)</u>

Fire Safety

connection fee discount

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

**LOS TRANCOS COUNTY WATER DISTRICT**

STATEMENTS OF CASH FLOWS  
FOR EACH OF THE YEARS ENDED  
JUNE 30, 2011 AND JUNE 30, 2010

	<u>2011</u>	<u>2010</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Payments for administrative expenses	\$ (7,876)	\$ (5,685)
Payments for services and supplies	(15,905)	(9,755)
Payments for insurance	(6,169)	(4,131)
Payments for property management	(24,760)	(17,507)
Payments for water conservation	(4,867)	(18,563)
Payments for water movement	(52,677)	(40,734)
Payments for emergency preparedness	(107,184)	(84,969)
Payments for water cost discount program	(45,680)	(80,000)
	<u>(265,118)</u>	<u>(261,344)</u>
Net cash used in operating activities		
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Property tax received	283,289	245,426
Miscellaneous collections	<u>5,070</u>	<u>4,381</u>
Net cash provided by noncapital financing activities	<u>288,359</u>	<u>249,807</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest received on investments	<u>1,028</u>	<u>1,517</u>
Net cash provided by investing activities	<u>1,028</u>	<u>1,517</u>
Net increase (decrease) in cash and cash equivalents	24,269	(10,020)
Cash and cash equivalents, beginning of year	<u>209,352</u>	<u>219,372</u>
Cash and cash equivalents, end of year	<u>\$ 233,621</u>	<u>\$ 209,352</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating loss	\$ (272,759)	\$ (269,344)
Adjustments to reconcile operating loss to cash provided by (used in) operating activities:		
Increase in accounts payable	<u>7,641</u>	<u>8,000</u>
Net cash used in operating activities	<u>\$ (265,118)</u>	<u>\$ (261,344)</u>

Fire Safety

connection fee discount

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

**LOS TRANCOS COUNTY WATER DISTRICT**

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010

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1. **ORGANIZATION**

Los Trancos County Water District (the District) is a California Special District originally organized to provide water services to Vista Verde, Los Trancos Woods, Blue Oaks, and nearby areas within San Mateo County. The District was formed in January 1955. It ceased operating pumping plants at various locations in April 2005 when the District sold their water transmission and distribution system to California Water Service for \$125,000. Also included was Los Trancos' water supply assurance. This sale consists of all mains, services, tanks, pumps, rights of way and other related assets. The district has retained their property, approximately 5 acres mol in three parcels, and will continue to collect property tax revenue from the County, and use the revenue to maintain their property and make it available to the community, promote water conservation and provide a minimum connection fee credit for residents who do so, to make the watershed fire safe, to improve water movement control and other projects that the community deems beneficial that are within the Water Code.

District

, (insert comma

District

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies followed by the District are summarized below:

Fund Accounting – The District follows enterprise fund accounting principles as appropriate to local special governmental units of this type.

Proprietary Funds – Proprietary fund operating revenues, such as charges 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. Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in proprietary fund financial statements to the extent they do not conflict or contradict guidance of the GASB. Governments also have the option of following subsequent private sector guidance for their business type activities and enterprise funds. The District has elected to not follow subsequent private sector guidance.

Basis of Accounting – The financial statements reflect accrual basis accounting in which income is recognized when earned and expenses are recognized when incurred. Property and equipment are capitalized and depreciated as discussed below.

Revenues and Expenses – Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The District does not have any operating revenues.

Property and Equipment – All property and equipment are valued at historical cost or estimated historical cost if historical cost is not available. Depreciation of property and equipment is computed by the straight-line method over the estimated useful lives ranging from five to thirty-eight years. The District does not have any property and equipment.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**LOS TRANCOS COUNTY WATER DISTRICT**

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010

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3. **CASH AND INVESTMENTS**

Cash and investments as of June 30, 2011 and June 30, 2010 were as follows:

	<u>2011</u>	<u>2010</u>	<u>Rating</u>
Union Bank of California:			
Checking	\$ 7,097	\$ 8,700	NA
Local Agency Investment Fund	<u>226,524</u>	<u>207,496</u>	Not Rated
 Total Cash and Investments	 <u>\$ 233,621</u>	 <u>\$ 216,196</u>	

The California Government Code requires California banks and savings and loan associations to secure a district's deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of a district's deposits. California law also allows financial institutions to secure a district's deposits by pledging first trust deed mortgage notes having a value of at least 150% of a district's total first trust deed mortgage notes having a value of at least 150% of a district's total deposits. The deposits include uninsured and/or uncollateralized deposits held by trustees for the District.

The District's deposits are insured up to \$250,000 per depositor per bank by Federal Deposit Insurance Corporation (FDIC). The bank balances, before reconciling items, for the checking account at June 30, 2011 and June 30, 2010 were \$7,097 and \$8,700, respectively. Differences between book balances and bank balances are a result of reconciling items such as deposits in transit and outstanding checks. As of June 30, 2011 and June 30, 2010, the District's Union Bank accounts were fully insured by FDIC.

External Investment Pool

The District invests in the California State Treasurer's Local Agency Investment Fund (LAIF). LAIF, established in 1977, is regulated by California Government Code Section 16429 and under the day to day administration of the State Treasurer. As of June 30, 2011 and June 30, 2010, LAIF had approximately \$71 billion and \$71 billion in investments, respectively.

LAIF determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available, and on amortized cost of best estimate for those securities where market value is not readily available. The District's investments with LAIF at June 30, 2011 and June 30, 2010, included a portion of the pooled funds invested in structured notes and asset-backed securities. These investments are described as follows.

Structured Notes are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and / or that have embedded forwards or options.

Asset-Backed Securities, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2011 the District had \$226,524 invested in LAIF, which had invested 5.01% of the pool investments funds in Structured Notes and Asset-Backed Securities. The District valued its investments with LAIF by multiplying its account balance with a fair value factor determined by LAIF. This factor is the result of dividing all LAIF participants' total aggregate fair value (66,489,270,508) by total aggregate amortized cost (66,384,617,119) resulting in a factor of 1.001576470.

**LOS TRANCOS COUNTY WATER DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010**

As of June 30, 2010 the District had \$207,496 invested in LAIF, which had invested 5.42% of the pool investments funds in Structured Notes and Asset-Backed Securities. The District valued its investments with LAIF by multiplying its account balance with a fair value factor determined by LAIF. This factor is the result of dividing all LAIF participants' total aggregate fair value (69,555,776,591) by total aggregate amortized cost (69,441,630,091) resulting in a factor of 1.001643776.

Marketing Investments to Fair Value (GASB 31)

Under GASB 31, the District must adjust the carrying value of its investments to reflect their fair market value at each fiscal year end, and it must include the effects of these adjustments in income for that fiscal year. The District has determined the adjustment to fair market value is immaterial as of both June 30, 2011 and June 30, 2010.

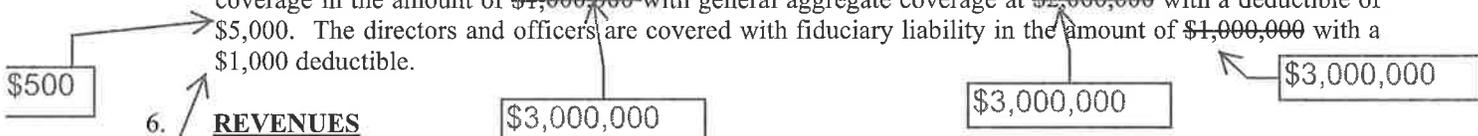
4. **CHANGES IN LONG-TERM LIABILITIES**

The \$617,762 Loan from Developers does not have scheduled payments due at this time. No payments are due on the loan until thirty-two houses in the Property have been constructed. After such time as 32 houses have been constructed, the District will pay off the loan at the rate of \$9,000 on a quarterly basis of \$2,250. The first payment of \$2,250 will be due at the end of the first full calendar quarter during which at least 32 houses were constructed and are paying for water service for the entire quarter. After such time as thirty-six houses have been constructed, the District will pay off the loan at the rate of \$11,000 per year, on a quarterly basis of \$2,750. The loan is secured by developer fees. The District did not make any loan principle or interest payments for the years ended June 30, 2011 and 2010.

No interest charges incur for the lifetime of this loan.

5. **INSURANCE**

The District carries insurance coverage through Farallon Associates. The insurance policy includes liability coverage in the amount of \$1,000,000 with general aggregate coverage at \$2,000,000 with a deductible of \$5,000. The directors and officers are covered with fiduciary liability in the amount of \$1,000,000 with a \$1,000 deductible.



6. **REVENUES**

~~During the fiscal year ended June 30, 2011, the District collected \$276,445 of property tax revenues, of which \$16,739 was property tax revenues from fiscal year ended June 30, 2009.~~

BUDGET WORKSHEET 6/9/12 update		YTD	FY 11-12 Budget	Budgeted but not received/ spent	Projected Income & unspent Expenses	Projected Q4 Income/ Expenses	FY12-13 Reserves
Income- LAIF + Checking							117,997
Total 43400 · Direct Public Support		262,366	272,878	10,512	10,512	10,512	
Total 45000 · Investments		620	1,200	580	0	0	
<b>Total Income</b>		<b>262,986</b>	<b>274,078</b>	<b>11,092</b>	<b>273,498</b>	<b>10,512</b>	
Expense							
Total 61100 · Water Use Efficiency		20,517	21,000	483	0	483	
Total 61200 · Emergency Preparedness		86,624	92,000	5,376	5,376	-0	
Total 61900 · Offset Program		40,000	40,000	0	0	0	
Total 62800 · Lands		11,760	23,000	11,240	11240	0	
Total 62900 · Water Movement Control		167,422	165,000	-2,422	-2,422	0	
64800 · Contract Services							
64801 · Recording Secretary		2,500	5,000	2,500	2,500	0	
64805 · Bookkeeping		6,000	6,150	150	150	0	
64806 · Operations Manager		0	30,000	30,000	30,000	0	
64810 · Accounting Fees		4,845	4,750	-95	-95	0	
64840 · Legal Fees		6,707	15,000	8,293	7993	300	
Total 64800 · Contract Services		20,052	60,900	40,848	40,548	300	
65000 · Operations							
65010 · Books, Subscriptions, Reference		30	1	-29	-29	0	
65020 · Postage, Mailing Service		615	50	-565	-65	0	
65030 · Printing and Copying		1,505	4,800	3,295	3295	0	
65040 · Supplies		2,279	900	-1,379	-1379	0	
65060 · Technology		2,104	2,500	396	396	0	
65070 · Marketing and Communications		209	4,000	3,791	3791	0	
Total 65000 · Operations		6,742	12,251	5,509	6009	0	
65100 · Other Types of Expenses							
65105 · Insurance, Liability		4,170	4,500	330	330	0	
65120 · Insurance - D and O		2,205	3,000	795	795	0	
65130 · Election Costs		1,098	2,000	902	902	0	
65150 · Memberships and Dues		722	644	-78	-78	0	
65155 · Grants and Donations		1,000	1,000	0	0	0	
65160 · Other Costs		27	0	-27	-27	0	
65180 · LAFCO		139	136	-3	-3	0	
65190 · Departing Gifts		507	200	-307	-307	0	
Total 65100 · Other Types of Expenses		9,869	11,480	1,611	1612	0	
Total 68300 · Travel and Meetings		82	600	518	518	0	
<b>Total Expense</b>		<b>363,068</b>	<b>426,231</b>	<b>63,163</b>	<b>62,881</b>	<b>782</b>	
<b>Net Ordinary Income</b>		<b>-100,082</b>	<b>-152,153</b>	<b>-52,071</b>		<b>9,730</b>	<b>9,730</b>
<b>Net Income</b>		<b>-100,082</b>	<b>-152,153</b>	<b>-52,071</b>		<b>9,730</b>	
Year End Reserves							<b>127,727</b>
Updated 4/30/2012							

Los Trancos County Water District  
Profit & Loss Budget Overview  
July 2012 through June 2013  
TOTAL

	<u>Jul '12 - Jun 13</u>
<b>Ordinary Income/Expense</b>	
<b>Income</b>	
43400 · Direct Public Support	
43405 · Property Tax Revenue	280,723.66
<b>Total 43400 · Direct Public Support</b>	<u>280,723.66</u>
45000 · Investments	
45030 · Interest-Savings, Short-term CD	325.00
<b>Total 45000 · Investments</b>	<u>325.00</u>
<b>Total Income</b>	281,048.66
<b>Expense</b>	
61100 · Water Use Efficiency	
60904 · WUE Rebate - Exterior	18,300.00
61102 · WUE Rebate - Interior	5,250.00
61104 · Education and Promotion	2,500.00
61105 · Rainwater Harvesting	5,600.00
<b>Total 61100 · Water Use Efficiency</b>	<u>31,650.00</u>
61200 · Emergency Preparedness	
61205 · Fire Safety Escape Routes	33,500.00
61207 · Fire Safety Community Buffer	12,000.00
61208 · Fire Safety Residential Program	38,000.00
<b>Total 61200 · Emergency Preparedness</b>	<u>83,500.00</u>
62800 · Lands	
62802 · Fuel load reduction/SOD treatme	3,000.00
62803 · Maintenance	8,775.00
62807 · Water Emergency Security	1,680.00
62808 · Red Shed	3,000.00
62890 · Utilities - Water	200.00
<b>Total 62800 · Lands</b>	<u>16,655.00</u>
62900 · Water Movement Control	
62901 · Mapping, Drafting, Engineering	17,700.00
62903 · Water testing	7,000.00
62904 · Ramona Road Study	70,000.00
62905 · Residential Incentive Program	40,000.00
<b>Total 62900 · Water Movement Control</b>	<u>134,700.00</u>

Los Trancos County Water District  
Profit & Loss Budget Overview  
July 2012 through June 2013  
TOTAL

Jul '12 - Jun 13

64800 · Contract Services

64801 · Recording Secretary	7,400.00
64802 · Temporary Services	1,600.00
64805 · Bookkeeping	6,000.00
64807 · Program Coordinator	24,000.00
64810 · Accounting Fees	4,900.00
64840 · Legal Fees	12,000.00
<b>Total 64800 · Contract Services</b>	<b>55,900.00</b>

65000 · Operations

65010 · Books, Subscriptions, Reference	60.00
65020 · Postage, Mailing Service	120.00
65030 · Printing and Copying	2,500.00
65040 · Supplies	3,820.00
65060 · Technology	600.00
<b>Total 65000 · Operations</b>	<b>7,100.00</b>

65100 · Other Types of Expenses

65105 · Insurance, Liability	4,180.00
65120 · Insurance - D and O	2,210.00
65150 · Memberships and Dues	722.00
65155 · Grants and Donations	1,000.00
65180 · LAFCO	139.00
<b>Total 65100 · Other Types of Expenses</b>	<b>8,251.00</b>

68300 · Travel and Meetings

68310 · Conference, Convention, Meeting	120.00
<b>Total 68300 · Travel and Meetings</b>	<b>120.00</b>

**Total Expense** 337,876.00

**Net Ordinary Income** -56,827.34

**Net Income** -56,827.34

FY 11-12 Reserves	127,727
FY 12-13 Reserves	70,900

**RESOLUTION NO. \_\_\_\_**

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE LOS  
TRANCOS COUNTY WATER DISTRICT AUTHORIZING THE  
DISTRICT TO ADOPT A RECORDS RETENTION SCHEDULE**

**WHEREAS**, Government Code § 26200 et seq. authorize the Board of Directors of the Los Trancos County Water District ("District") to adopt a records retention schedule which sets forth the duration that District records must be retained and authorizes the destruction or disposition of any records at the conclusion of the record retention period specified in the schedule; and

**WHEREAS**, the District has prepared a records retention schedule, which is attached hereto and incorporated by reference as Exhibit A to this resolution, which schedule represents an inventory of all records maintained by the District, the retention period for each type of record, the media options and applicable legal requirements; and

**WHEREAS**, the District's record retention schedule will protect useful and vital records, identify historically valuable records, and assure the prompt and systematic disposal of records that are obsolete; and

**WHEREAS**, this Board of Directors wishes to adopt the records retention schedule that has been presented to this Board for its consideration.

**NOW, THEREFORE**, the District does **RESOLVE** as follows:

1. District's records retention schedule which is attached hereto and incorporated by reference as Exhibit A to this resolution is hereby adopted and approved.

2. The District or the District's designee is authorized to retain the records pursuant to the schedule, and thereafter to destroy or otherwise dispose of documents that exist beyond the records retention periods specified in Exhibit A.

3. The term "records" as used herein shall include documents, instructions, books, microforms, electronic files, maps, GIS maps, magnetic tape, optical media, or papers as defined by the California Public Records Act.

4. Upon adoption by the Board of Directors of the Los Trancos County Water District, this resolution shall supersede any previous resolution pertaining to the adoption of records retention schedule, destruction or disposition of the records of the District.

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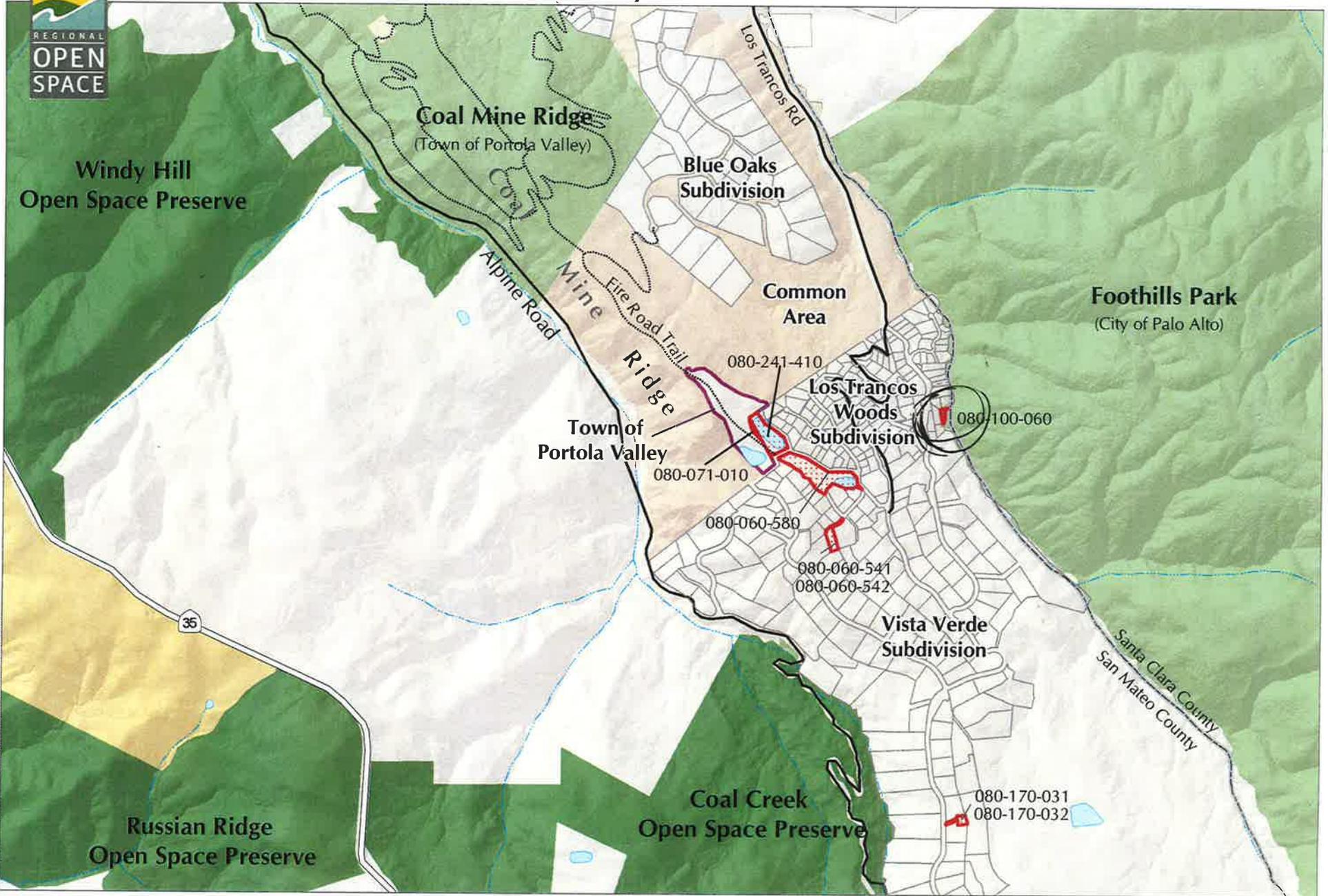
**PASSED** and **ADOPTED** this \_\_\_\_ day of \_\_\_\_\_, 2012.

By: \_\_\_\_\_  
David Smernoff, President

ATTEST:

\_\_\_\_\_  
Cindy Rojas, Recording Secretary

# Los Trancos County Water District Parcels



G:\Projects\Los\_Trancos\Los Trancos Water District Parcels.mxd

Attachment D

Los Trancos County Water District	Land Trust	Private	Portola Valley Trails	 0 0.125 0.25 0.5 Miles
MROSD	Other Public Open Space	Private - Common Area		