



A G E N D A

Wednesday, September 19, 2012

2:30 p.m.

Board of Supervisors' Chambers

Hall of Justice and Records

400 County Center, First Floor

Redwood City, California 94063

1. Roll Call
2. Consent Agenda*
 - a) Approval of Action Minutes: July 18, 2012
3. Public Comment for Items not on the Agenda

NEW MATTERS

4. Update on Status of Municipal Service Reviews and Sphere of Influence Updates for Cities of San Mateo, Foster City, Burlingame, Town of Hillsborough, Highlands Recreation District and County Governed Crystal Springs County Sanitation District and Burlingame Sewer Maintenance District
5. Consideration of Amendment of 2012-2013 LAFCo Budget Based on Adjusted 2011-2012 Fund Balance
6. Consideration of Adoption of Agreement with County of San Mateo for Office Space, Supplies, Personnel and Legal Services
7. Consideration of Letter of Support to Study Feasibility of Transfer of Cordilleras Mutual Water Company and Miscellaneous San Francisco Public Utility Commission Retail Customers to the City of Redwood City

*All items on the consent agenda may be approved by one roll call vote unless a request is made at the beginning of the meeting that an item be withdrawn. Any item on the consent agenda may be transferred to the regular agenda.

8. Applications Received and not yet Certified for Hearing

- a) LAFCo File No. 12-06—Sphere of Influence Amendment and Annexation of 830 Los Trancos Road (Santa Clara County) to the West Bay Sanitary District

9. Legislative Update

10. Commissioner/Staff Reports

- a) Update on Special District Selection Committee Ballots for Alternate Special District Member

11. Adjournment

NOTICE: State law requires that a participant in a LAFCo proceeding who has a financial interest in the decision and who has made a campaign contribution of more than \$250 to any Commissioner in the past year must disclose the contribution. If you are affected, please notify commission staff before the hearing. Also, pursuant to Government Code Sections 56700.1 and 81000 et seq. any person or combination of persons who directly or indirectly contribute \$1000 or more or expend \$1000 or more in support of or opposition to a change of organization or reorganization that has been submitted to the Commission must comply with the reporting and disclosure requirements of the Political Reform Act of 1974.

Access for the Disabled:

LAFCo meetings are accessible to people with disabilities. Individuals who need special assistance or a disability-related modification or accommodation (including auxiliary aids or services) to participate in this meeting; or who have a disability and wish to request an alternative format for the agenda, meeting notice, agenda packet or other writings that may be distributed at the meeting, should contact the LAFCo Executive Officer at least 5 working days before the meeting at ph# (650) 363-4224, fax (650) 363-4849 or e-mail mpoyatos@co.sanmateo.ca.us. Notification in advance of the meeting will enable the LAFCo staff to make reasonable arrangements to ensure accessibility to this meeting and the materials related to it.

SAN MATEO



LOCAL AGENCY FORMATION COMMISSION

455 COUNTY CENTER, 2ND FLOOR • REDWOOD CITY, CA 94063-1663 • PHONE (650) 363-4224 • FAX (650) 363-4849

September 12, 2012

TO: Members, Formation Commission

FROM: Martha Poyatos, Executive Officer

SUBJECT: Update on Status of Municipal Service and Sphere of Influence Reviews

LAFCo staff is currently preparing municipal service reviews and sphere updates for the Cities of San Mateo, Foster City, Burlingame and Town of Hillsborough, Highlands Recreation District and County-governed Crystal Springs County Sanitation District and Burlingame Hills Sewer Maintenance District. These central county cities and districts share commonalities through sewage treatment plants and/or fire and emergency response service sharing. Each city's service review and sphere update is a standalone document and includes service review and sphere update for County-governed districts serving unincorporated territory in the city's sphere. Each city service review also includes discussion of governance alternatives for consolidation of sewer service. For these reasons, while they are separate documents, they merit consideration by the Commission at the same meeting cycle. While reports for San Mateo, Foster City and related districts are nearing completion, additional time is needed to complete reports for Hillsborough, Burlingame and the Burlingame Hills Sewer Maintenance District. Staff anticipates that reports will be ready for consideration at the November meeting.

The following provides a complete update on completed and pending municipal service and sphere of influence reviews for San Mateo County's 20 cities, 22 independent special districts and 10 County-governed districts.¹ With the exception of the Coastside municipal service review prepared by consultants, service review reviews have been prepared by LAFCo staff in collaboration with the agencies under study. Agencies are listed regionally, reflecting historic sphere review cycle and to best reflect common service areas and spheres of influence.

San Mateo LAFCo Municipal Service Reviews Completed (40):

Regional Independent Special Districts:

San Mateo County Mosquito & Vector Control District, 2nd review completed
 Midpeninsula Regional Open Space District
 San Mateo County Harbor District
 San Mateo County Resource Conservation District
 Sequoia Health Care District
 Peninsula Health Care District

¹ Requirement for service review and sphere update for county-governed districts depends on the enabling legislation of the district.

Completed out of order by request:

Half Moon Bay Fire Protection District (I) ²
Point Montara Fire Protection District (I)
Town of Colma
Colma Highway Lighting District (CG)
Colma Fire Protection District (I)
Broadmoor Police Protection District (I)

South County

Los Trancos County Water District
Skyline County Water District
Town of Atherton, Atherton Channel Drainage District
Town of Portola Valley
Town of Woodside
Ladera Recreation District (I)
Menlo Park Fire Protection District (I)
Woodside Fire Protection District (I)

Coastside

City of Half Moon Bay
Coastside County Water (I)
Granada Sanitary District (I)
Montara Water & Sanitary District (I)
CSA 6 (Princeton by the Sea) (street lighting, water for landscaping, flood control) (CG)
CSA 10 (Montara) (Inactive) (CG)
CSA 12 (Montara/Moss Beach) (Inactive) (CG)

Rural Coast

CSA 11 (water) (Pescadero) (CG)
CSA 7 (water) (Sam McDonald) (CG)

South County

City of Menlo Park
West Bay Sanitary District (I)
East Palo Alto Sanitary District (I)
City of East Palo Alto
City of Redwood City
County Service Area No. 8 (CG)
City of San Carlos
Devonshire County Sanitation District (CG)

² I = Independent Special District with locally elected governing board, CG = County-governed special district with Board of Supervisors as governing body, Subsidiary district = district of limited powers in which City council is the ex officio board of directors of the district.

Scenic Heights County Sanitation District (CG)
City of Belmont, Belmont Fire Protection District (Subsidiary)
Mid-Peninsula Water District (I)

Agencies with Service Reviews Remaining to be Completed (20)

CENTRAL COUNTY – Target Completion: November/January

City of San Mateo
County Service Area No. 1 (CG)
Crystal Springs Co. Sanitation District (CG)
Highlands Recreation District (CG)
City of Foster City
Estero Municipal Improvement Dist. (Subsidiary of Foster City)
Town of Hillsborough
City of Burlingame
Burlingame Hills Sewer Maintenance District

NORTH COUNTY – March/May

City of Millbrae
City of San Bruno
City of South San Francisco
Westborough Water District (I)
City of Brisbane
Guadalupe Municipal Improvement District (Subsidiary of City of Brisbane)
Bayshore Sanitary District (I) (portions of Daly City & Brisbane)
City of Daly City
No. San Mateo Co. Sanitation (Subsidiary of City of Daly City)
City of Pacifica
North Coast County Water District (I)

Service reviews consolidate cities with County-governed districts in the City's sphere. The time required to complete reviews has varied depending upon several factors including type of agency under study, unique circumstances such as contractual relationships or operational situations, as well as other LAFCo workload demands.

Of the reviews completed, some positive outcomes include: the Point Montara and Coastsides Fire Protection District service review resulted in consolidation of the Districts, the Skyline County Water District resulted in the District initiating transfer of service to CalWater and dissolution of the District, the Redwood City Municipal Service Review brought to light the potential to transfer Cordilleras Mutual Water Company to the City of Redwood City and most recently the San Mateo County Mosquito and Vector Control service review and sphere update highlighted several improvements in budget practice and resource sharing, many of which were implemented by the District. Staff will be prepared to answer questions concerning ongoing municipal service reviews at your September 19 meeting.

SAN MATEO



LOCAL AGENCY FORMATION COMMISSION

455 COUNTY CENTER, 2ND FLOOR • REDWOOD CITY, CA 94063-1663 • PHONE (650) 363-4224 • FAX (650) 363-4849

September 12, 2012

TO: Members, Formation Commission

FROM: Martha Poyatos, Executive Officer

SUBJECT: Recommended Amendment to Adopted 2012-2013 LAFCo Budget

At the May LAFCo meeting, the Commission adopted a final 2012-2013 Appropriations Budget of \$313,020 and net operating budget of \$232,377, which reflected application of the 2011-2012 estimated fund balance of \$55,643. Following the close of the fiscal year, the final actual fund balance for the 2011-2012 Fiscal Year was \$66,176, or \$10,533 greater than estimated. The excess fund balance over what was estimated results from lower than anticipated expenditures in legal and secretarial services, rent, and graphics. This change in fund balance necessitates revision of the Commission's 2012-2013 adopted net operating budget.

The total actual expenditures in salary and benefits exceeded what was adopted by \$3,791 as an administrative leave cash out exceeded the estimate due to miscalculation of applicable benefit costs.

Staff recommends applying the difference in fund balance of \$10,533 to a special one-time reserve account which would require Commission approval for expenditure. By application of the difference in fund balance as appropriations in reserve, there is no change in proposed net operating budget or the one-third shares to the County, cities and special districts. The one-third shares of the Net Operating Budget to be funded by the County, 20 cities and 22 special districts for 2012-13 would be \$77,459 as adopted in May. This reflects a small increase of \$454 as compared to the 2011-12 apportionments of \$77,004.

The Recommended Amended 2012-13 Budget and the Budget adopted in May are attached for your reference.

Staff respectfully recommends that the Commission amend the 2012-13 adopted budget as shown in the attached revised budget labeled "Recommended Adopted 2012-13 Budget-September Revision" dated September 12, 2012 to reflect application of the actual surplus final fund balance to special reserve. The Revised Budget would then be transmitted to the County Controller in order to invoice funding agencies for their share of the net operating budget.

C: Cities
Special Districts
County of San Mateo

LAFCo Budget - Recommended Adopted 2012-13

9/12/2012

Recommended September Revision

A	B	C	D	E	F	G	H
		Actual	Actual	Amended	Final	Difference	Proposed
		2009/10	2010-11	Adopted	Actual	Adopted	Draft
		2009/10	2010-11	2011-12	2011-12	to Actual	2012-13
4111	Salary & Benefits	183,540	195,042	195,321	197,883	2,562	194,265
4141	Admin. Leave Cash Out	4,273	3,237	3,003	4,927	1,924	4,900
4161	Commissioner Compensation	5,300	3,700	4,800	4,500	(300)	4,800
	County Annuity	9,159	7,119	7,625	7,230	(395)	7,625
	SALARIES & BENEFITS	202,272	209,098	210,749	214,540	3,791	211,590
5191	Outside Printing (other special printing)	0	11	1,000	170	(830)	500
5193	General Office Supplies	500	500	500	500	-	500
5196	Photocopy - in-house copier	500	500	500	500	-	500
5197	Postage & Mailing Service	1,097	417	1,000	1,481	481	1,500
5212	Computer Equipment under \$5,000	-	-	-	1,386	1,386	-
5331	Memberships (CALAFCo/CSDA new in 0809)	5,840	5,093	5,939	5,939	-	6,069
5341	Legal Advertising	382	150	1,500	566	(934)	1,500
5712	Mileage Allowance	0	0	250	0	(250)	250
5721	Meetings & Conferences	4,979	3,658	5,000	3,953	(1,047)	6,000
5733	Training	37	0	250	275	25	250
5810	Fiscal Office Specialist	950	988	988	988	-	988
5218	Corovan Records Storage (new 09/10)	500	177	200	140	(60)	200
5848	Graphics	3,103	2,320	6,500	950	(5,550)	4,500
5856	consulting					-	
5962	Admin Asst. Shared with Parks. (start 4/6/09)	30,898	14,997	25,000	11,030	(13,970)	25,000
5861	GIS Mapping	0	0	2,500	0	(2,500)	2,500
5872	Controller Admin**	3,066	1,760	1,936	1,760	(176)	2,440
6712	Telephone	670	670	670	620	(50)	670
6713	ISD (Automation Services)	3,940	2,694	4,650	4,462	(188)	4,650
6714	Rent	2,703	2,986	3,937	2,703	(1,234)	2,703
6722	Copy Center Charges	1,200	241	2,000	0	(2,000)	0
6725	Gen'l Liability & bond ins.	3,544	3,559	3,560	4,208	648	4,229
6732	County Counsel	13,395	18,060	39,280	4,752	(34,528)	30,000
6821	A 87 Charges	6,584	12,168	7,440	7,447	7	-2,636
	Subtotal Appropriations	286,160	280,047	325,349	268,370	(56,979)	303,903
8612	Reserve 3%	0	0	9,760			9,117
	one time reserve	0	0				10,533
	Total Appropriations Budget	\$286,160	\$280,047	\$335,109	\$268,370	(66,739)	\$323,553
	Revenues						
	Fund Balance (Actual revenues over expend)	125,056	94,886	79,097	79,097		66,176
	Application Fees	17,072	16,643	25,000	24,437		25,000
***	Intergov. Revenue	238,918	247,615	231,012	231,012		232,377
	Total Revenues	\$381,046	\$359,144	\$335,109	\$334,546		\$323,553
	One-third apportionment	\$79,639	\$82,538	\$77,004	\$77,004		\$77,459

(***Apportionment to county, cities & special districts (cities/districts based on proportional revenues)

also the net operating budget, (appropriation less revenues & fund balance)

net operating budget apportioned in thirds to funding agencies)

*County annuity reduced by 25% *

**controller charges 07-08 & 09-10

2010-11 fund balance carry over

\$79,097

2011-12 fund balance carry over

\$66,176

LAFco Budget - Recommended Adopted 2012-13

Recommended Adopted May 9, 2012

A	B	C	D	E	F	G
		Actual 2009/10	Actual 2010-11	Amended Adopted 2011-12	Rev Est. Actual 2011-12	Proposed Draft 2012-13
4111	Salary & Benefits	183,540	195,042	195,321	195,321	194,265
4141	Admin. Leave Cash Out	4,273	3,237	3,003	4,927	4,900
4161	Commissioner Compensation	5,300	3,700	4,800	4,600	4,800
	County Annuity	9,159	7,119	7,625	7,625	7,625
	SALARIES & BENEFITS	202,272	209,098	210,749	212,473	211,590
5191	Outside Printing (LAFco handbook, other special print)	0	11	1,000	250	500
5193	General Office Supplies	500	500	500	500	500
5196	Photocopy - in-house copier	500	500	500	500	500
5197	Postage & Mailing Service	1,097	417	1,000	1,400	1,500
5212	Computer Equipment under \$5,000	-	-	-	1,350	-
5331	Memberships (CALAFco/CSDA new in 0809)	5,840	5,093	5,939	5,064	6,069
5341	Legal Advertising	382	150	1,500	1,100	1,500
5712	Mileage Allowance	0	0	250	60	250
5721	Meetings & Conferences	4,979	3,658	5,000	3,953	6,000
5733	Training	37	0	250	50	250
5810	Fiscal Office Specialist	950	988	988	988	988
5218	Corovan Records Storage (new 09/10)	500	177	200	200	200
5848	Graphics	3,103	2,320	6,500	4,000	4,500
5856	consulting					
5962	Admin Asst. Shared with Parks. (start 4/6/09)	30,898	14,997	25,000	15,000	25,000
5861	GIS Mapping	0	0	2,500	1,900	2,500
5872	Controller Admin**	3,066	1,760	1,936	1,936	2,440
6712	Telephone	670	670	670	670	670
6713	ISD (Automation Services)	3,940	2,694	4,650	3,700	4,650
6714	Rent	2,703	2,986	3,937	2,703	2,703
6722	Copy Center Charges	1,200	241	2,000	0	0
6725	Gen'l Liability & bond ins.	3,544	3,559	3,560	4,229	4,229
6732	County Counsel	13,395	18,060	39,280	10,000	30,000
6821	A 87 Charges	6,584	12,168	7,440	7,440	-2,636
	Subtotal Appropriations	286,160	280,047	325,349	279,466	303,903
8612	Reserve 3%	0	0	9,760		9,117
	one time reserve	0	0			
	Total Appropriations Budget	\$286,160	\$280,047	\$335,109	\$279,466	\$313,020
	Revenues					
	Fund Balance from previous year	125,056	94,886	79,097	79,097	55,643
	Application Fees	17,072	16,643	25,000	25,000	25,000
***	Intergov. Revenue	238,918	247,615	231,012	231,012	232,377
	Total Revenues	\$381,046	\$359,144	\$335,109	\$335,109	\$313,020
	One-third apportionment	\$79,639	\$82,538	\$77,004	\$77,004	\$77,459

(***)Apportionment to county, cities & special districts (cities/districts based on proportional revenues)

also the net operating budget, (appropriation less revenues & fund balance)

net operating budget apportioned in thirds to funding agencies)

*County annuity reduced by 25% *

**controller charges 07-08 & 09-10

2009-10 fund balance carry over

\$79,097

estimated 2010-11 fund balance carry over

\$55,643

Fund balance carry over is actual total revenues less actual appropriations

SAN MATEO



LOCAL AGENCY FORMATION COMMISSION

455 COUNTY CENTER, 2ND FLOOR • REDWOOD CITY, CA 94063-1663 • PHONE (650) 363-4224 • FAX (650) 363-4849

September 12, 2012

To: Members, Formation Commission

From: Martha Poyatos, Executive Officer

Subject: Agreement with San Mateo County for 2012-13 Fiscal Year

Summary:

The Commission's adopted appropriations budget includes funds for an agreement with San Mateo County for staffing, facilities and legal counsel. The attached agreement sets forth the service provided by the County. Staff recommends that the Commission adopt a resolution authorizing the Chair to execute this agreement with San Mateo County for the 2012-13 fiscal year in the amount of \$303,903.

Background:

Section 56380 of the Cortese Knox Hertzberg Act authorizes the Commission to appoint staff and provides that the Commission can contract for services with another public agency. Section 56384 sets forth that the Commission shall appoint an Executive Officer to conduct and perform the day-to-day business of the Commission. The budget adopted by the Commission includes an appropriation for continuation of this arrangement in the 2012-13 fiscal year. The not to exceed agreement amount (\$303,903) includes funds for the staff services, rent, legal services and supplies. This includes an appropriation for \$25,000 for shared administrative/secretarial services provided by the County Department of Public Works and Parks. The reserve is not included. As a not-to-exceed contract, savings in services result in fund balance at the end of the fiscal year.

Services to be provided are detailed in the attached agreement and include: preparing staff analysis, reports, findings and other agenda materials relating to boundary proposals and any other matters within the Commission's authority; calling, noticing and staffing LAFCo meetings; preparing, mailing, publishing and maintaining records of LAFCo agendas, notices and other required documents; providing information and assistance to interested public agencies and individuals; providing fiscal support and budget preparation; and informing Commission of legislation of interest or affecting LAFCo and correspondence and matters of interest to the Commission.

Recommended Commission Action, by Resolution:

It is respectfully recommended that the Commission, by resolution, authorize the Chair to execute the attached agreement with San Mateo County for Support Services in the amount of \$303,903 for the 2012-13 fiscal year.

Attachment: Resolution
Agreement for Support Services

RESOLUTION NO. 1160

**RESOLUTION OF THE SAN MATEO LOCAL AGENCY FORMATION COMMISSION
AUTHORIZING A CONTRACT WITH THE COUNTY OF SAN MATEO
TO FURNISH NECESSARY STAFFING, QUARTERS, SUPPLIES AND LEGAL SERVICES FOR THE
2012-13 FISCAL YEAR**

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

WHEREAS, the Cortese Knox Hertzberg Local Government Reorganization Act of 2000
provides that the LAFCo Commission shall appoint an Executive Officer to perform the day to
day business of the Commission; and

WHEREAS, the Cortese Knox Hertzberg Local Government Reorganization Act of 2000
provides that the LAFCo Commission shall appoint legal counsel and its own staff, including
Executive Officer; and

WHEREAS, the Commission may contract with another public agency for these services.

NOW, THEREFORE, IT IS HEREBY DETERMINED AND ORDERED that the San Mateo Local
Agency Formation Commission hereby authorizes the Chair to execute a contract with the
County of San Mateo for necessary staffing, quarters, supplies and legal services in the amount
of \$303,903 for Fiscal Year 2012-13.

Regularly passed and adopted this 19th day of September, 2012.

Ayes and in favor of said resolution:

Commissioners:

Noes and against said resolution:

Commissioners Absent and/or Abstentions:

Commissioners:

Chair
Local Agency Formation Commission
County of San Mateo
State of California

ATTEST:

Executive Officer
Local Agency Formation Commission

Date: _____

I certify that this is a true and correct copy of the resolution above set forth.

Date: _____

Martha Poyatos
Clerk to the Commission
Local Agency Formation Commission

**AGREEMENT BETWEEN THE COUNTY OF SAN MATEO AND THE
SAN MATEO LOCAL AGENCY FORMATION COMMISSION
FOR SUPPORT SERVICES**

This Agreement is made on _____2012, by and between the County of San Mateo (“County”) located at 400 County Center, Redwood City, California, and the San Mateo County Local Agency Formation Commission, (“LAFCo”).

WITNESSETH

WHEREAS, Government Code Section 56380 provides that: The commission shall make its own provision for necessary quarters, equipment, and supplies as well as personnel and the commission may choose to contract with any public agency or private party for personnel and facilities;” and

WHEREAS, Government Code section 56384 (a), of the Cortese-Knox-Hertzberg Reorganization Act of 2000, Government Code section 56000, et seq., (“the Act”) provides: “The commission shall appoint an executive officer who shall conduct and perform the day-to-day business of the commission. If the executive officer is subject to a conflict of interest on a matter before the commission, the commission shall appoint an alternate executive officer;” and

WHEREAS, Government Code section 56384 (a) of the Act further provides: “The commission may recover its costs by charging fees pursuant to Section 56383;” and

WHEREAS, Government Code section 56384(b) of the Act provides: “The commission shall appoint legal counsel to advise it. If the commission’s counsel is subject to a conflict of interest on a matter before the commission, the commission shall appoint alternate legal counsel to advise it;” and

WHEREAS, Government Code section 56384(b) of the Act further provides that “The commission may recover its costs [for legal services] by charging fees pursuant to Section 56383,”

NOW THEREFORE, in order to implement the above-described provisions of the Act, the parties enter the following agreement:

AGREEMENT

1. SERVICES TO BE PROVIDED BY COUNTY:

A. APPOINTMENT OF EXECUTIVE OFFICER.

The County shall appoint and designate a County employee, whose appointment and designation shall be subject to approval by LAFCo, to perform LAFCo day-to-day activities.

For purposes of LAFCo activities, said appointee shall have the title of LAFCo Executive Officer. The appointee shall provide the following services, including but not limited to the following:

- 1) Preparing staff analyses, reports, proposed findings and other agenda materials for the LAFCo Commission relating to boundary proposals, contracts for provision of new and extended services outside city and district jurisdictional boundaries, sphere of influence amendments, periodic review of sphere of influence designations and any other matters that are within the commission's authority under the Act.
- 2) Calling and noticing commission meetings in accordance with the Act and LAFCo policies and procedures.
- 3) Preparing, mailing, filing, publishing and keeping records of agendas, notices and other required official documents on behalf of the LAFCo Commission.
- 4) Responding to inquiries and providing information and technical assistance to interested public agencies and individuals.
- 5) Providing supporting fiscal services such as the development of the annual LAFCo budget, management of LAFCo financial accounts including the processing of LAFCo fees and charges, the processing of payment of commission charges and expenses, and the preparation of required fiscal reports.
- 6) Informing LAFCo commissioners of new legislation, correspondence with the commission, CALAFCo activities, current events and matters of interest related to LAFCo.

B. PROVISION OF RELATED SERVICES. In addition, County shall provide LAFCo with related support services and supplies, including but not limited to facilities, administrative services, payroll, copier, insurance, postage, information technology services, and motor pool.

The level or type of services and the cost of providing those services may fluctuate and change from time to time upon agreement of LAFCo and the County Manager or the Manager's designee.

C. APPOINTMENT OF ALTERNATE EXECUTIVE OFFICER IN CASE OF CONFLICT; PAYMENT OF COSTS BY APPLICANT. If the commission determines that a conflict of interest exists for its Executive Officer in a matter before the commission, the commission shall appoint an Alternate Executive Officer for the purpose of that matter only. In such a conflict situation, the commission may make final approval of a proposal contingent upon payment of any outstanding costs in excess of the deposit on hand with the County Auditor. The commission may require an applicant to bear the costs of an Alternate Executive Officer. The commission shall require an applicant who is to bear the costs of an Alternate Executive Officer to put on deposit with the County Auditor funds deemed by the commission to be sufficient to cover associated costs in advance of the commission's appointment of an Alternate Executive Officer. The County Auditor shall return to the applicant any unexpended portion of funds on deposit at the conclusion of the matter for which Alternate Executive Officer was appointed and upon confirmation from the Executive Officer that all billing matters have been resolved.

D. LAFCO'S PAYMENT TO COUNTY FOR OFFICES, SERVICES, SUPPLIES, AND STAFF. Except as specified in subsection F, below, in consideration of the County's provision of offices, supplies, and staff, LAFCo shall pay to County at a rate equal to the County's actual cost of providing said offices, services, supplies and staff, which may fluctuate and change from time to time upon agreement of LAFCo and the County Manager or the Manager's designee.

E. APPOINTMENT OF LEGAL COUNSEL. In addition to the other County services described herein, LAFCo hereby appoints County Counsel as its legal counsel. The County, through the office of the County Counsel, will provide all legal services required by LAFCo. These services shall include, but are not limited to:

- 1) Day-to-day legal advice to LAFCo and staff;
- 2) Review and advise concerning contracts;
- 3) Attendance at LAFCo Board meetings and other meetings as requested;
- 4) Defending and conducting litigation and administrative actions concerning LAFCo.

F. RATE OF PAYMENT FOR LEGAL SERVICES. In consideration of the County's provision of legal services, LAFCo shall pay to County a single rate of \$190 per hour. County Counsel will submit invoices to LAFCo quarterly for legal services, which invoices shall be payable upon receipt.

G. APPOINTMENT OF ALTERNATE LEGAL COUNSEL IN CASE OF CONFLICT; PAYMENT OF LEGAL FEES BY APPLICANT. If the commission determines that a conflict of interest exists for County Counsel in a matter before the commission, the commission shall appoint alternate legal counsel for purposes of that matter only. The commission may require an applicant to bear the costs of alternate legal counsel. The commission shall require an applicant who is to bear the costs of alternate legal counsel to put on deposit with the County Auditor funds deemed by the commission to be sufficient to cover associated costs in advance of the commission's appointment of alternate legal counsel. In such a conflict situation, the commission may make final approval of a proposal contingent upon payment of any outstanding costs in excess of the deposit on hand with the County Auditor. The County Auditor shall return to the applicant any unexpended portion of funds on deposit at the conclusion of the matter for which alternate legal counsel was appointed and upon confirmation from the Executive Officer that all billing matters have been resolved.

H. LAFCO'S MAXIMUM FISCAL OBLIGATION. In consideration of all services, and supplies described herein, LAFCO shall pay the County an amount not to exceed \$303,903. In the event LAFCo requires or requests additional services and supplies, the parties may negotiate and agree to an amendment to this agreement. The parties agree that the County shall not provide any services or supplies for which it is not compensated.

I. TERM. The term of this agreement shall be from July 1, 2012 to June 30, 2013 unless terminated earlier pursuant to this agreement. Either party may terminate this agreement for any reason upon 30 days notice to the other party.

J. MERGER CLAUSE. This agreement constitutes the sole agreement of the parties hereto and correctly states the rights, duties, and obligations of each party. Any prior agreement, promises, negotiations or representations between the parties not expressly stated in this document are not binding. All subsequent modifications shall be in writing and signed by the parties.

IT WITNESS WHEREOF, the parties hereto, or their duly authorized representative, affix their hands.

San Mateo Local Agency Formation Commission

Dated: _____

Chair of the Commission

County of San Mateo

Dated: _____

President, Board of Supervisors

SAN MATEO



LOCAL AGENCY FORMATION COMMISSION

455 COUNTY CENTER, 2ND FLOOR • REDWOOD CITY, CA 94063-1663 • PHONE (650) 363-4224 • FAX (650) 363-4849

September 12, 2012

To: Members, Formation Commission

From: Martha Poyatos, Executive Officer

Subject: Cordilleras Mutual Water Company and Neighboring Water Customers of SFPUC

As reported in the January 19, 2011 Municipal Service Review and Sphere update for the City of Redwood City, unincorporated residents in the sphere of influence off Edgewood Road are in the Redwood City water service area but are served by Cordilleras Mutual Water Company, a customer owned company that purchases water wholesale from SFPUC and bills customers for water service and a capital charge. In addition, numerous other homes in the adjacent unincorporated area are retail customers of SFPUC without a contract for service. LAFCo staff recently attended a meeting hosted by the City of Redwood City Water Department to discuss transfer of these customers from SFPUC to the City of Redwood City. The meeting was also attended by representatives of SFPUC and Cordilleras Mutual Water Company.

At the meeting observations and issues identified for further research included the following:

1. Cordilleras Mutual Water Company Members do not possess the expertise necessary for water quality and regulatory issues, are not prepared for operational challenges resulting from service interruptions and the system infrastructure does not meet current standards
2. Issues related to Redwood City assuming service include water supply assurance given City of Redwood City water use at limit of water supply assurance; water quality; infrastructure; and maintenance.
3. SFPUC priority is with retail customers located in San Francisco and primary response during an emergency will focus on Bay Division pipelines and customers within San Francisco retail service area (i.e. City of San Francisco); rate inequities between retail customers inside and outside City of San Francisco, consistency with water service boundaries and sphere of influence boundaries and elimination of inefficient service delivery patterns.
4. Regulatory issues include application of Government Code Section 56133 to City of Redwood City adding service outside city boundaries, California Department of Public Health requirements for transfer of services, individual supply guarantee adjustments in the form of "deduct credit" by SFPUC in lieu of opening wholesale customer agreement, infrastructure requirements, general vote by Cordilleras Mutual Water Company members to decide whether or not it will switch from SFPUC to Redwood City,

evaluation of the potential of a special rate structure or assessment district to pay for necessary upgrades, Cordilleras Mutual potentially turning over infrastructure reserve funds to pay for upgrades, SFPUC to pay fair share of necessary upgrades to ensure existing Redwood City customers are not subsidizing costs.

5. It was also noted that Redwood City could further benefit from property tax and other revenue should it annex subject properties.
6. Information needs include but are not limited to: an inventory of all other SFPUC customers in the area because SFPUC desires that Redwood City serve all possible SFPUC retail customers within Redwood City's water service area

It was indicated at the meeting that SFPUC would initiate and fund the necessary engineering/feasibility studies to move the project forward contingent upon support from the City of Redwood City, LAFCo and Supervisor Horsley's office and a commitment that Redwood City would hire consultants and finance the study, with reimbursement by SFPUC.

Staff recommends that the Commission send a letter of support for this endeavor as it is consistent with the sphere of influence of Redwood City reaffirmed by LAFCo and the municipal service review determination concerning Cordilleras Mutual Water Company. A draft letter is attached for your consideration.

SAN MATEO



LOCAL AGENCY FORMATION COMMISSION

455 COUNTY CENTER, 2ND FLOOR • REDWOOD CITY, CA 94063-1663 • PHONE (650) 363-4224 • FAX (650) 363-4849

September 19, 2012

David Briggs, Local and Regional Water Systems Manager
San Francisco Public Utilities Commission (SFPUC)
1155 Market Street, 11th Floor
San Francisco, CA 94103

Subject: Cordilleras Mutual Water Company and Neighboring Water Customers of SFPUC

Dear Mr. Briggs:

I write to commit the Commission's support for exploring the transfer of Cordilleras Mutual Water Company and nearby direct retail SFPUC customers located in the Redwood City sphere of influence and the City's water service area to the City of Redwood City. Currently, Cordilleras Mutual Water Company purchases water wholesale from SFPUC and bills customers for water service and a capital charge. In essence the property owners are owners of the mutual water company and do not have the expertise or resources to efficiently operate a public water system. In addition numerous other homes in the adjacent unincorporated area are retail customers of SFPUC without a contract for service.

As shown in the map that SFPUC provides, this service is clearly not an efficient service delivery model given the distance of the area from SFPUC operations facilities and reflects a fragmented approach to municipal water delivery. In contrast, these properties are adjacent to the City of Redwood City water system and as noted above are already in the water service area set forth in the water supply agreement between SFPUC and the City. Transfer of these properties from Cordilleras Mutual and retail service by SFPUC to the City of Redwood City is consistent with recommendations made in the LAFCo Municipal Service Review and Sphere of influence update adopted by the Commission on January 19, 2011.

The existence of these irregular service delivery patterns is an anomaly that merits correction for several reasons. In case of an emergency, the SFPUC's primary focus will be on City of San Francisco retail customers. These San Mateo County residents would turn to the City of Redwood City and the County for assistance. Emergency response by the County and Redwood City would be hindered by the illogical water service area boundaries and unfamiliarity with water infrastructure maintained by SFPUC. This transfer would in the long run, benefit both the affected residents who are designated to one day annex to Redwood City and the City of Redwood City by improving reliability and safety of the water system and result in an increased customer base promoting a more efficient and cost effective system.

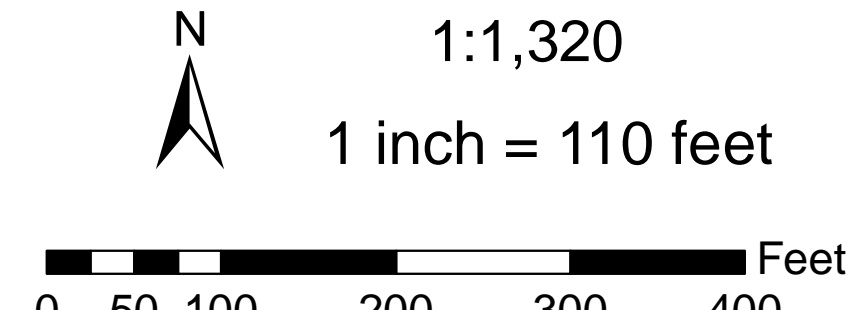
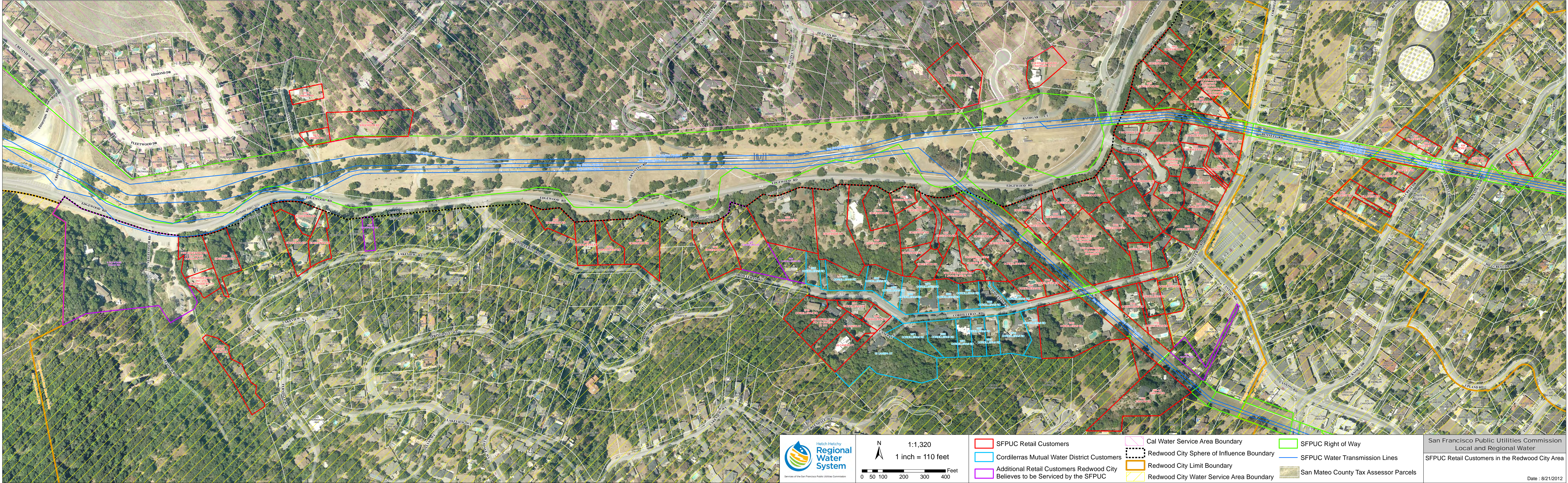
SFPUC's willingness to be a full partner is encouraging and appreciated. The City of Redwood City's longstanding concern about adequacy of water allocation is addressed by your statement at the August 22 meeting hosted by the City of Redwood City Water Department indicating that the individual supply guarantees associated with these homes would transfer to Redwood City in the form of a credit against the City's supply assurance should the City of Redwood City assume water service for these homes. You also indicated willingness on the part of SFPUC to reimburse the City for the necessary engineering and feasibility studies to move the project forward and to participate in infrastructure upgrades that increases the likelihood of success.

As Chair of the Commission, I am pleased to report that the Commission considered these issues at the September 19 LAFCo meeting and wholeheartedly supported this effort. Please let LAFCo know what we can do to be of assistance.

Sincerely,

Linda Chair
Chair

C: Mayor Alicia Aguirre, City of Redwood City
Peter Vorametsanti, City Engineer, City of Redwood City
Adrienne Tissier, President, San Mateo County of San Mateo Board of Supervisors
Art Jensen, Chief Executive Officer, Bay Area Water Supply and Conservation Agency (BAWSCA)
Rick Thall, Cordilleras Mutual Water Company



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|---|---|---------------------------------------|
| SFPUC Retail Customers | Cal Water Service Area Boundary | SFPUC Right of Way |
| Cordilleras Mutual Water District Customers | Redwood City Sphere of Influence Boundary | SFPUC Water Transmission Lines |
| Additional Retail Customers Redwood City Believes to be Serviced by the SFPUC | Redwood City Limit Boundary | San Mateo County Tax Assessor Parcels |
| | Redwood City Water Service Area Boundary | |

San Francisco Public Utilities Commission
Local and Regional Water
SFPUC Retail Customers in the Redwood City Area
Date : 8/21/2012

Action Minutes

San Mateo Local Agency Formation Commission

July 18, 2012

In the Board of Supervisors' Chambers, Hall of Justice and Records, Redwood City, California, Chair Craig called the regular July 18, 2012 meeting of the Local Agency Formation Commission to order at 2:30 p.m.

Members Present: Commissioners Iris Gallagher, Don Horsley, Naomi Patridge, Sepi Richardson, Joe Sheridan (Alternate District Member), Adrienne Tissier, and Chair Linda Craig

Members Absent: Commissioner David Altscher

Staff Present: Martha Poyatos, Executive Officer
Rebecca Archer, Deputy County Counsel
Brenda Bennett, Executive Secretary

Chair Craig acknowledged Alternate City Member Rich Garbarino and Alternate Public Member Jayne Herman present in the audience.

CONSENT AGENDA

- a. Approval of Action Minutes: May 16, 2012
- b. LAFCo File Number 12-04 -- Proposed Water Extension by City of Redwood City to 930 Far Creek Way, Unincorporated Redwood City pursuant to Government Code Section 56133
- c. LAFCo File Number 12-05 -- Proposed Annexation of 5 Carmel Way to the West Bay Sanitary District and Subsequent Annexation to the On-site Wastewater Disposal Zone (0.183 Acre)

Commission Action: M/S Richardson/Horsley to approve the consent calendar.

Motion carried 7-0.

PUBLIC COMMENT

There was none.

CONTINUED MATTERS

Consideration of Municipal Service Review and Sphere of Influence Update for the San Mateo County Mosquito & Vector Control District

Executive Officer Poyatos reported on the continued hearing of the Municipal Service Review and Sphere of Influence for the San Mateo County Mosquito and Vector Control District (SMCMVCD). She stated that the record of the proceedings included the April 18 circulation draft municipal service review, a complete SMCMVCD agenda packet, the June 12 Municipal Service Review and Sphere of Influence Review with comments, the July 11 Addendum Report responding to comments, and correspondence received since July 11 (distributed to the Commissioners at the dais and available to the public on the table in the rear of the meeting room). She noted the most recent correspondence included a letter from the Town of Atherton stating their opposition to the sphere recommendation and requesting continuance citing a lack of time to review and comment. She said the July 18 memo lists correspondence from Ms. Cassman representing the District, letters from San Bruno and San Mateo opposing the sphere recommendation, and letters from several individuals including Trustees of the District opposing the sphere recommendation. She said the SMCMVCD Board of Trustees had adopted a resolution opposing the sphere amendment, the City of South San Francisco had written a letter indicating no position, and the City of San Carlos had written in support of the staff recommendation. Ms. Poyatos said that written statements of SMCMVCD individual trustee qualifications had also been presented to the Commission.

Ms. Poyatos stated that while the service review and sphere update were taken out of order in the cycle of service reviews in response to concerns about the alleged embezzlement and while the service review examines improved budgeting and internal control practices, LAFCo's role under the Cortese-Knox Hertzberg Act (CKH) is to examine the overlapping boundaries of agencies that can provide the same service. Ms. Poyatos said that in particular the recommendation addresses stated policies favoring multi-purpose government over single purpose government, elimination of overlapping service responsibilities and assignment of service to the agency that can best provide the service. She said since the 2003 sphere amendment of status quo when the District expanded its boundaries, mosquito and vector control programs are well established with a countywide funding stream. She said the recommended sphere designation of dissolution and transfer of service responsibility to the County would provide for continuation of current mosquito and vector control programs and be conditioned upon mosquito and vector control revenue streams being segregated in special funds for this purpose and result in service provision under a different governing body.

Ms. Poyatos addressed concerns raised by the SMCMVCD's legal counsel regarding the ability of LAFCo to designate a successor to continue service of a dissolved district, correct provisions of Revenue and Tax Code, application of Proposition 218 to continuing taxes of a dissolved district, and a mechanism to enforce post-dissolution segregation of revenues restricted for mosquito and vector control.

Regarding a successor agency, Ms. Poyatos stated that there are two types of dissolutions. She said Ms. Cassman's assertion that there is no authority for dissolution where a successor agency is designated to continue the services of the dissolved district, suggests that all cases of dissolution of a district result in termination of the service provided by that district. She said that assertion conflicts with Section 56886, which authorizes LAFCo to designate a successor to continue the service of a dissolved district. She said Section 58886 (M) authorizes LAFCo to designate a successor for continuation of service and Section 56886 [R] provides for the continuation or provision of any service provided at that time, or previously authorized to be provided by an official act of the local agency. She said there is also language in 57450 that states that the general provisions of this chapter shall not be construed as limiting in any manner the authority of the commission to impose one or more of the terms and conditions set forth in Section 56886. She said staff continues to recommend that the Commission has the authority to designate a successor to continue the service of a dissolved district and to continue to be recipient of the revenues of the dissolved district for that purpose, including property tax, special tax and benefit assessment.

Ms. Poyatos said in regard to property tax that Ms. Cassman cites a section of Revenue and Tax Code pertaining to the transfer of service responsibility to cities but the correct section of Revenue and Tax that applies to a proposal affecting a district is Revenue and Tax Code Section 99(b)(5). She said if LAFCo received an application for dissolution, before LAFCo could certify the application as complete, the Board of Supervisors would have to adopt a resolution of property tax exchange to transfer funds for the purpose of mosquito and vector control in a special fund that would be segregated for that purpose. Ms. Poyatos noted that the County of San Mateo has many "special funds" that are segregated for a specific purpose. She said that under Section 56886 (t), (u) and (v) the Commission has authority to set a condition prior to recordation of a certificate of completion for a dissolution that the County of San Mateo, by ordinance or resolution, establish a special fund for the sole purpose of mosquito and vector control.

In response to a question from Commissioner Tissier, Ms. Poyatos stated that while an application could be submitted by the District, a city, a special district, the County or voters or landowners, the most logical applicant would be the County because the application requires a plan for service and the County would be carrying out that plan.

Ms. Poyatos said regarding the application of Proposition 218 to the continuation of taxes following reorganization that Ms. Cassman's letter states the Attorney General opinion on that applies only to annexation. Ms. Poyatos said that the opinion cited was replete with reference to application of Proposition 218 and while the opinion was pertaining to an annexation application, it is not limited to annexation and other LAFCos have relied on this opinion. She noted also that the broader definition of change of organization does include dissolution.

Ms. Poyatos said related to a mechanism for segregation of revenues that a property tax

resolution must be complete before LAFCo can certify application and LAFCo conditions must be met before recordation and that might include establishment of a special fund for the purpose of segregating property tax, special tax, assessments and fees.

Ms. Poyatos said the Municipal Service Review and sphere determinations were supported by the record and consistent with provisions of the CHK Act that favor multi-purpose service delivery over single purpose, elimination of overlapping service delivery and assigning service to the agency that can best provide the service and demonstrate a rational connection with the purposes of the Act. She said Exhibit B, the municipal service review determinations, also address management efficiencies and financial practices that are pertinent to the District whether the sphere is amended or not.

Chair Craig reopened the public hearing that was continued from the LAFCo meeting of May 16, 2012.

Public Comment

Mr. Samuel Lerner stated that he is the president of the SMCMVCD Board of Trustees. He summarized the District's planned program of protecting residents from vector borne diseases and stated that a single purpose special district is best suited to respond to public health threats. He quoted from the Environmental Health Director's letter that the Department does not support dissolution of SMCMVCD. He said there is no rationale to disrupt the organization and that the future public health of the residents and sound judgment all dictate a continued status quo for the District.

Dr. Peter Hughes said he is the Director of Internal Audit, County of Orange and reports to the Orange County Board of Supervisors but that he is not here in that official capacity. He said he was contacted by the District as a fraud investigator to evaluate newly implemented controls at the District in response to fraud by individuals that had worked at the district. He said he accepted the request with the condition that he could conduct an independent investigation. He said the District has addressed control deficiencies identified in a comprehensive and thorough way and he suggested other ways to enhance controls, which the District had embraced. He said the District has identified problems and remedied them.

Chair Craig stated that the Commission had received information from Dr. Hughes in the packet.

In response to a question from Commissioner Horsley regarding credit cards, Dr. Hughes stated that his understanding was the District has reevaluated issuance of cards to make sure it is not prolific, and limited only to directors. He stated they are also establishing thresholds as to what a bank would honor.

Commissioner Tissier asked what reasonable assurances had been put in place going forward and what kind of independent audits would be appropriate.

Dr. Hughes recommended external auditors do regular continuous audits on a monthly basis of key accounts and transactions. He stated that the operations lend themselves to a monthly audit. He stated the Board would receive reports on compliance with controls.

Responding to a question from Commissioner Richardson related to organizational culture, Dr. Hughes said he was impressed with the staff and manager's sense of responsibility. He said that typically overseers when an organization suffers from acts such as fraud are relieved of their duties because the organization has not resurrected itself. He said in this case the District's recovery has been extraordinary.

Mr. Rick Wykoff, a Foster City trustee on the District's Board, stated that the study was fair and objective but he found no substantial downside to the district sphere remaining status quo and that the report did not support the staff recommendation. He said there was no compelling reason to change the sphere from status quo.

Chair Craig noted that the Commission had received resumes of the District's Trustees.

In response to questions from Commissioner Horsley, Trustee Wykoff stated that he is on the finance committee.

Mr. Ken Bayless, General Manager from the Greater Los Angeles Vector Control District and President of the State Mosquito and Vector Control Association, said his Board authorized him to come to address the Commission. He said his Board has representatives from 34 cities and the County and he has an intimate knowledge of how the state's largest mosquito board works. He said it is as effective as any city council or board because it does not have competing interests. He said LAFCo staff's recommendations are ill informed.

Mr. Robert Gay, General Manager of the SMC MVCD, said the District provides comprehensive and valuable services to the community and that its sole purpose is mosquito and vector control. He emphasized the danger of West Nile Virus (WNV) and noted that the District has reported a positive case of WNV in the Town of Woodside. He said the district was the victim of fraud and they were systematically improving their operations. He said they continue on solid financial footing and have been able to recover from this crime. He said they will provide an annual report and audits to the cities, LAFCo, and the Board of Supervisors. He said it is important to know that his Board asked the County to conduct an extensive investigation into his actions and inactions with the fraud. He said he had no knowledge of the crime and that when it was discovered he engaged in an aggressive forensic audit with the Sheriff's and District Attorney's investigation. He said his Board and the County evaluated his role carefully, and his Board determined that he should undergo a Performance Improvement Plan to improve his financial oversight and supervision of financial personnel. He said that all recommendations

had been implemented and he was working hard to meet every requirement and request of the Board. He said the District is a single focus agency that provides specialized public health service.

Commissioner Horsley said that the report cites General Fund expenditures grew by 33% and revenues grew by 1% and asked if this was a long or short term problem.

Mr. Gay said the District had to budget over \$200,000 the past year for the forensic audit but would not impact the budget this year.

Commissioner Horsley asked if the District's human resources and hiring practices had been addressed. Mr. Gay said the District now conducts complete background checks including drug testing for those who drive vehicles and credit checks on all financial staff. Commissioner Horsley asked about credit cards and review of those billings. Mr. Gay said the District has five credit cards and those are for the Directors and Assistant General Manager. He said four people at the District review the expenditures as well as the full Board of Trustees.

Commissioner Richardson asked Mr. Gay about his supervisory responsibilities and typical work day. Mr. Gay said he works closely with the finance director and oversees directors and activities including new internal controls, financial documents and invoices, and conducts management meetings with three directors to review activities in each department. He said his duties and daily activities all changed with the fraud. In response to a question from Commissioner Richardson regarding why the District created an assistant general manager position rather than purchasing clerk, Mr. Gay said it was common around the state to have an operations manager reclassified to an assistant general manager to provide backup for the general manager.

In response to a question from Commissioner Tissier, Mr. Gay stated than an outside auditor will review the internal control manual. He said the District has a new budget format which evolved from working with LAFCo on other budget formats. He said the budget is reviewed by the finance committee and then full board. He noted that all expenditures are reviewed by the full board. Mr. Gay added that purchases are always generated by a request and the District has a new work order and purchase order program.

Mr. Robert Riechel, San Bruno Trustee, said he was speaking as an individual. He said the City of San Bruno sent a letter to support the District. He said he has been a trustee for the District for eight years. He said prior to San Bruno annexing to the District in 2003 that the County had the responsibility for mosquito control, but it did not happen. He said if the District was dissolved that the excellent service residents now receive would go away as this service at the County level would become a low priority. He urged the Commission to continue the District's status quo Sphere of Influence.

Ms. Tina Sebay, District Vector Ecologist, said despite the unfortunate fraud that District field

staff receives praise for maintaining a high level of service delivery. She said the District was not encumbered with bureaucracy that hinders response times and efficiency. She said if the district is dissolved that the service level will be compromised. She asked the Commission to consider her perspective that public health needs will best be served by maintaining the District as an independent agency.

Mr. Dennis Preger, Burlingame resident and former member of the SMCMVCD Board of Trustees, said a consultant had recommended an ongoing audit of the District. He said when he was on the Board that for 13 of the 15 years he served he had been on the Finance Committee and that had been the Committee's job. He said that the District's Board of 21 individuals are asked to make financial decisions but are not given financial information. He suggested that the General Manager and current Finance Committee be asked to resign.

Mr. Leonard Woren, El Granada, said he supported staff's recommendation. He said he supported the 2000 Little Hoover Commission recommendation that found single-purpose districts to be bad forms of government. He said if the functions were transferred to the County the staff would also transfer. He said it was a governance issue.

Mr. Rich Landi, Palomar Park, said he did not support staff's recommendation, and requested the Commission continue the status quo sphere of influence for the District.

Chair Craig closed the public hearing at 3:53 p.m.

Chair Craig noted that staff is recommending Attachment "B" for Municipal Service Review determinations and Attachment "C" for the sphere of influence determination.

Executive Officer Poyatos said she had an additional determination, Item 5.d, for Attachment "B." She said many of the recommendations for the Municipal Service Review could be made related to the operations of the District regardless of the status of the Sphere of Influence. She said the additional determination was: It is recommended that trustees affirmatively communicate to their appointing bodies the fiscal status and operations of the District on a regular basis.

Commissioner Tissier acknowledged staff's thorough work but does not agree with dissolution as the District's operations are considered by the community and Health Department to be done well. She said she is concerned about their fiscal processes and would like to see ongoing monthly audits if the sphere of influence is maintained. She said she was not in favor of the structure of the board as it exists today. She said that would have to be changed by statute. She noted that we should find out if the cities represented are satisfied with the structure of the District Board. She said that she would not be in favor of district dissolution unless the District failed to report out on its fiscal health and accountability or did not maintain checks and balances. She said at this time she is in favor of maintaining the District's existing sphere of influence but requiring regular fiscal report from the District.

Commissioner Richardson said she disagreed with the creation of a new manager position at the District and suggested they needed a good purchasing technician to review purchase orders and work order contracts. She said the District should be on probation and the Commission should continue the service review for another four to six months. She said the culture at the District needed to change. She said she was conflicted between recommending dissolution and putting the District on probation.

Commissioner Horsley said there were governance issues at the District specifically with their human resources processes and procedures. He suggested the District consider contracting with a city or the County for human resources functions. He said the District's financial transactions should be more transparent to the public, and suggested credit cards should be replaced with vendor agreements. He asked if LAFCo could condition a requirement that the District contract with another agency for human resources needs and accounting.

Ms. Poyatos stated that Counsel and she were conferring about that question. She said the Municipal Service Review determinations allow the Commission to make recommendations but Counsel was not finding that the Commission had the ability to condition a Sphere of Influence determination to include all the actions with which the District would need to comply.

Commissioner Horsley said the Commission could recommend actions and then have the District report back in six months to a year.

Executive Officer Poyatos said she would defer to the Commission as to the time frame but would not recommend as soon as four months. She said they could add language for regular reporting from the District to the Commission.

Following further discussion and after conferring with Counsel, Ms. Poyatos said that there were two actions by the Commission. She said the first is the Municipal Service Review determinations which are either affirmative statements about the District's strengths or recommendations about weaknesses that could be improved. She said the Commission might vote to adopt Sphere of Influence determinations as recommended or to reaffirm the sphere. For the latter, staff would need to amend those determinations to allow for reaffirmation of the Sphere of Influence. She asked for clarity as to whether the Commission wanted to strengthen the Municipal Service Review and add some recommended requests on reporting and monitoring regarding progress the Commission would like to see and continue the Sphere of Influence determination or if the Commission wanted to amend determinations that would support and act on the Sphere of Influence review now.

Commissioner Tissier said the Commission might make additional recommendations to include and continue the review for six to eight months to determine whether the Sphere of Influence should be kept status quo or dissolved.

Commissioner Richardson said that the Commission should conduct an audit of the District's operations.

Commissioner Gallagher said the Commission has considered this item since March. She said in March the Commission made a number of recommendations to the District, and the District's response was considered by the Commission in May. She said that the District has done everything the Commission has asked them to do and she did not support the Executive Officer's recommendation for dissolution. She said she would like to conclude the item at this meeting.

Commissioner Patridge said her concern was for the health and safety of the residents and the County's budget challenges. She said regarding governance, that a 21 person board could work with the General Manager providing them the information they and the committees need. She said she was inclined to keep the status quo but agreed that the organizational culture had to change.

Commissioner Sheridan said he agreed with Commissioner Gallagher. He said he attended the District's July 11 meeting which was run well with 15 members present. He said it was important that the trustees are accountable to the appointing bodies and I like the idea that the trustees report regularly to their councils and the county. He said before the Commission changed the Sphere of Influence that there should be an analysis of the cost of the County providing those services. He said the Sphere should remain status quo. He said the District has already implemented changes recommended by the Commission.

Commissioner Richardson said she was very concerned if the organizational culture did not change and there was not an operations audit of the District.

Chair Craig said there was agreement that the District does an excellent job at mosquito and vector control in San Mateo County and has sufficient funding to implement programs. She said she tended to favor the Municipal Service Review determinations and the recommendation to transfer service to the County and all of the funding. She said the point of transferring this to County is that the operations would continue with the funding the district already has. She said she was concerned with the obsolete governing structure of the District Board that had been created in 1915 before many cities had incorporated. She said it was unclear whether the Board or General Manager made the decisions. She said she believed in the council manager form of government where the board makes policy and the manager implements that policy. She said that she did not have the same confidence in District management as others. She said it took the District two years to determine that an employee's legal services were being paid for by credit card and even after outside auditors had raised red flags. She said in other organizations with a loss of \$650,000 plus reconstruction costs, general management would no longer be there. She said that her conclusion is that the District's functions could be continued in an excellent manner as it is right now with associated funding

under the governance of the County. She said she was inclined to support the Municipal Service Review with the additional reporting requested and oppose a status quo Sphere of Influence.

Ms. Poyatos suggested a general determination under accountability. She said from the first District Board meeting she attended that the Board has been very receptive about best practices in fiscal accountability for elected officials. She said the new Finance Director has completely raised the bar on the types of reports the District receives. She said from attending city finance directors meetings that there are benefits in encouraging the District to become part of this community of local government in terms of what are best practices in accounting. She said they could include a determination that would encourage the district to participate in finance director meetings and report back to the Commission similar to what they do for their appointing bodies. She said however under the areas of determination that getting too specific about the operations of district is going beyond what the Municipal Service Review is intended to do.

Commissioner Tissier said there were three things she had noted she would like to see. She said recommendation 8 referred to a new internal control manual be prepared by a firm that specializes in that work. She said she would like to see this happen. She would like to have the independent and continuous audit as well as the monthly information of compliance with controls and records forwarded to cities and county. She said if those things could be added then she would be willing to go with status quo for the Sphere of Influence noting that District management and board members were present and had heard the Commission's concerns. She moved to keep the status quo Sphere of Influence and support the Municipal Service Review determinations.

Chair Craig asked if there needed to be separate actions on the Municipal Service Review and the Sphere of Influence.

Executive Officer Poyatos said if it was acceptable to the Commission through the meeting minutes to add a determination as outlined by Commissioner Tissier which would add a "d" and "e" to the Municipal Service Review determinations under 5. She said for the Sphere of Influence determinations that if the Commission was going to vote to reaffirm the Sphere of Influence as status quo then she had suggested language for Attachment "C" under the last sentence to add: "Nonetheless, at this time the Board of Trustees' response to the alleged embezzlement, the Municipal Service Review, and the Sphere of Influence has heightened their sense of fiscal stewardship and responsibility to the appointing bodies and the taxpayers." She said she thought that would support reaffirming the Sphere of Influence.

Commission Action: M/S Tissier/Richardson to accept the report on the Municipal Service Review and the determinations as amended.

Motion carried 7-0.

Chair Craig confirmed that this action included the report back from the District to the Commission.

Commission Action: M/S Gallagher/Sheridan to reaffirm the status quo for the Sphere of Influence including the additional language suggested by the Executive Officer.

Motion carried 6-1 with Commissioner Craig dissenting.

NEW MATTERS

LAFCo File No. 12-03--Proposed Annexation of Carey, Callan, Bishop et al. (Assessor Parcel Numbers 006-188-030, 006-341-010, -020, -030, -050, -060, -070, 006-343-020, -030, -040, -060, -110, -120, -130, -140, 170, 180, 190, 006-345-090, 100, 120, 130), on Annie and Edgeworth to the City of Daly City and Detachment from Broadmoor Police Protection District, Colma Fire Protection District and Colma Highway Lighting District (4.9 acres)

Executive Officer Poyatos said that this application was submitted by landowner petition and included 17 of 38 total landowners and is a “non-100 consent” annexation. She said in response to a petition circulated by the Broadmoor Police Protection District opposing annexation to the City of Daly City that includes the signatures of some landowners who originally signed the annexation position, the primary applicants have since requested that LAFCo amend the boundaries of the reorganization to exclude properties listed on the petition opposing reorganization to allow those property owners to apply for annexation at some time in the future at their expense. She said there were seven parcels requested for annexation. She said the proposed reduced annexation boundaries allows for implementation of the Sullivan Corridor Specific Plan, eliminates a non-contiguous strip of County maintained street and does not create any new islands, but reduces the size of the unincorporated island. She explained the authority to allow for waiver from the prohibition of an annexation creating an island. She said she recommended that the Commission approve the modified reorganization of seven parcels, and make the finding that waiver of prohibition of the creation of an island was appropriate as it allowed areas in need of City services if it is to be developed to develop and allows areas not ready for annexation to remain unincorporated. She said also the Commission had received the Sullivan Corridor Specific Plan Initial Study and Negative Declaration and as Responsible Agency the Commission should make a finding that they have considered the environmental document in review of the reorganization proposal.

Commissioner Sheridan asked how the petitioners were notified of the change to the recommendation. Executive Officer Poyatos said the addendum was mailed. Commissioner Sheridan asked if the applicant had ever contacted the County to develop.

Executive Officer Poyatos said the applicants, based on the Broadmoor opposition petition, reduced the scope of their project to remove those opposed to annexation. She said LAFCo is expressly prohibited from setting conditions affecting land use and one of LAFCo’s main

purposes is to encourage annexation of areas in city spheres of influence. She said the applicant could speak to how the project complies with the Sullivan Corridor Specific Plan.

Commissioner Tissier said the applicant was trying to compromise and create a win-win so that those who wanted to be in Daly City could be. She said the two districts were keeping more of their tax base.

Public Comment:

Mr. Terry Sedik, Cornerstone Consulting, said he and his partners were representing the petitioners for annexation. He said with the opposition they did not want to force anyone so those who supported annexation were included and those opposed or neutral were not included.

Mr. Rich Landi, Palomar Park, said he did not support annexation as that would create another island. He said the County should give variances and not disrupt the operations of special districts. He said otherwise there would be piecemeal annexations. He said the County already has to travel to Broadmoor and Colma area.

Chair Craig closed the public hearing.

Ms. Poyatos said she would like to suggest the addition of the waiver of the prohibition of annexation creating an island to the recommendation of approval.

Commissioner Gallagher asked if the developer has a specific plan for the area and if high density would impact property owners in the Broadmoor Village. Mr. Sedik said that the zoning was for single-family residences and property owner's intention was to subdivide for single-family residences.

Commission Action: M/S Richardson/Tissier to certify the Commission has reviewed and considered the Sullivan Corridor Specific Plan Initial Study and Negative Declaration, prepared by the City of Daly City as lead agency and approve LAFCo File No. 12-03-Proposed Annexation of Carey, Callan, Bishop et al. amended to include Assess Parcel Numbers 006-188-030, 006-341-010, -020, -030, -070, 006-343-110 and 120 on Annie and roadway fronting parcels to the City of Daly City and detachment from Broadmoor Police Protection District, Colma Fire Protection District, and Colma Highway Lighting District, and waiving per 56375(M) the prohibition of an annexation creating an island.

Motion carried 6-1 with Commissioner Sheridan opposed.

California Association of LAFCos (CALAFCo)

- a . Annual Conference: Wednesday, October 3 to Friday, October 5, 2012, Hyatt Regency, Monterey, California

Executive Officer Poyatos said the budget would allow four Commissioners to attend.

- b . Call for Nominations for CALAFCo Board of Directors

There were none.

- c . Designation of Voting Delegate at Annual Conference Business Meeting

The consensus was to continue the designation of the Chair or Vice Chair as the voting delegate and if neither can attend the most tenured Commissioner attending, and to direct the Executive Officer to convey that designation in writing to CALAFCo.

Legislative Report

Chair Craig said the committee would make a report at the next meeting.

Commissioner/Staff Reports

None.

Adjournment

The meeting adjourned at 5:15 p.m.