

APPROVED



LOCAL AGENCY FORMATION COMMISSION

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Action Minutes

San Mateo Local Agency Formation Commission Meeting

September 20, 2017

In the Board of Supervisors’ Chambers, 400 County Center, Redwood City, California, Chair Horsley called the Wednesday, September 20, 2017 meeting of the Local Agency Formation Commission (LAFCo) to order at 2:29 pm.

1. Roll Call

Members Present: Commissioners Joshua Cosgrove, Ann Draper, Rich Garbarino, Mike O’Neill, Warren Slocum, and Chair Don Horsley

Members Absent: Commissioner Joe Sheridan

Staff Present: Martha Poyatos, Executive Officer
Rebecca Archer, Legal Counsel
Jean Brook, Commission Clerk

Chair Horsley noted that Commissioners Sepi Richardson (Alternate Public Member) and Harvey Rarback (Alternate City Member) were present in the audience.

2. Consent Agenda

- a. **Approval of Action Minutes: July 19, 2017**
- b. **LAFCo File 17-02—Proposed Water Extension by the City of Redwood City to Proposed Single-family Home on Park Road (APN 057-163-110) (Unincorporated San Mateo County) Pursuant to Government Code Section 56133**
- c. **LAFCo File 17-12—Proposed Water Extension by the City of Redwood City to Proposed Single-family Home on Jefferson Avenue (APN 068-185-220) (Unincorporated San Mateo County) Pursuant to Government Code Section 56133**
- d. **LAFCo File 17-14—Proposed Annexation of 169 Wayside Road, Portola Valley (APN 076-213-020) to West Bay Sanitary District (less than one acre)**

Commission Action: Commissioner Garbarino moved approval of the consent agenda consisting of the Action Minutes for July 19, 2017 and LAFCo File 17-02—Proposed Water Extension by the City of Redwood City to Proposed Single-family Home on Park Road (APN 057-163-110), LAFCo File 17-12—Proposed Water Extension by the City of Redwood City to Proposed Single-family Home on Jefferson Avenue (APN 068-185-220), and LAFCo File 17-14—Proposed Annexation of

COMMISSIONERS: DON HORSLEY, CHAIR, County ▪ MIKE O’NEILL, VICE CHAIR, City ▪ JOSHUA COSGROVE, Special District ▪ ANN DRAPER, Public
RICH GARBARINO, City ▪ JOE SHERIDAN, Special District ▪ WARREN SLOCUM, County

ALTERNATES: KATI MARTIN, Special District ▪ HARVEY RARBACK, City ▪ SEPI RICHARDSON, Public ▪ DAVE PINE, County

STAFF: MARTHA POYATOS, EXECUTIVE OFFICER ▪ REBECCA ARCHER, LEGAL COUNSEL ▪ JEAN BROOK, COMMISSION CLERK

169 Wayside Road, Portola Valley (APN 076-213-020) to West Bay Sanitary District.

Commissioner O'Neill seconded the motion, which passed unanimously. (Ayes: Commissioners Cosgrove, Draper, Garbarino, O'Neill, Slocum, and Chair Don Horsley; Abstentions: None; Noes: None; Absent: Commissioner Joe Sheridan.)

3. Public Comment for Items Not on the Agenda

None.

Continued Matters

4. *Continued from July 19, 2017: Addendum Report & Recommended Determinations—Municipal Service Review and Sphere of Influence Review for the Sequoia Healthcare District and the Peninsula Health Care District*

Executive Officer Poyatos noted that discussion of the Municipal Service Review (MSR) was continued from the May 17 and July 19 meetings. She pointed out that the September 14 staff report contains a summary of the recommended determinations from the MSR. She said that following the July meeting, Peninsula Health Care District (PHCD)'s CEO provided additional comments regarding several community programs and facilities, clarified that that majority of the City of San Mateo is included within District boundaries, and noted their inactive versus active services.

Ms. Poyatos explained that her report contains key issues noted in the MSR, and recommended determinations and actions to be taken by the Districts. She said the study references the Little Hoover Commission, which provides a detailed background on health care districts in their recently released report on special districts.

She noted that one issue for both the Districts and the Commission to consider is how to address the unincorporated and medically underserved areas that lie outside District boundaries: East Palo Alto, eastern Menlo Park, portions of San Bruno and South San Francisco, and the Coastsides. Ms. Poyatos said the "transitional sphere of influence" cited in the latest MSR is the same language used in the 2007 MSR. She said it refers to the areas excluded by the Districts' boundaries.

Referring to her presentation, Ms. Poyatos noted the various governance alternatives listed in the report. She said that dissolution of the Districts would be financially complex and result in termination of District programs in the absence of a long-term successor agency. She said that consolidation of the Districts would be complex and require political will on the part of the Districts. She said that expansion and annexation options would address the areas that are currently not served by the Districts, and would require extensive outreach to the cities involved.

Ms. Poyatos said the staff report asks the Commission to reaffirm the existing sphere of influence, which is contained in the MSR. She noted that changes to the report since the July meeting are in italics and underlined. She noted that if a district wants to activate a new

service, it must apply to LAFCo with a budget showing how the service will be funded. She said that PHCD is preparing an application to LAFCo to operate an assisted living and memory care facility.

Ms. Poyatos asked the Commission to receive the oral and written comments provided at today's meeting, accept the MSR prepared by Harvey Rose Consulting, adopt the MSR determinations in the report, adopt the sphere of influence determinations in the report and the inventory of active services, and reaffirm the transitional sphere of influence for both Districts with the provision that the Districts report back annually to LAFCo on district finances and updates on implementation of any other recommendations in the report. She also noted changes made (italics, underlining, and strikeout) to an MSR determination for PHCD under the section, "Financial ability of agencies to provide services" on Page 6 of the staff report: "Peninsula Health Care District has accumulated cash and net assets, and to the extent that accumulation of capital has limited funding available for current ongoing services to the community, the District should regularly ~~reevaluate~~ its business plan and ~~reconsider~~ the best use of accumulated capital for current versus future community benefit."

Public Comment:

- Lee Michelson, CEO, Sequoia Healthcare District, said the report has a sentence or two that incorrectly say that SHD does not run programs and just funds community health programs. He noted that his District does operate several health care programs. Chair Horsley remarked that SHD has a program that provides and maintains AEDs (automated external defibrillators) and CPR training to school districts.
- Cheryl Fama, CEO, Peninsula Health Care District, thanked Ms. Poyatos for her assistance in producing the health care MSR and for the opportunity to raise community awareness about the activities of PHCD. She praised the Little Hoover Commission report that details the workings of health care districts.

Chair Horsley said in reference to the recommendation of reaffirmation of the "transitional sphere of influence" of both Districts that he would like to see an expansion of the Districts' boundaries to include currently underserved areas, such as his District 3 that includes the Coastsides.

- Harvey Rarback, speaking as a Coastsides resident, said he would be strongly in favor of expanding the health care districts' borders to include the Coastsides.

Commissioner Draper asked Ms. Poyatos if the recommendation to reaffirm the transitional sphere of influence is the most affirmative way to request the expansion of District boundaries. Ms. Poyatos said that amending the boundaries without a specific study that involves the cities and amending District spheres would be difficult to implement. She said that part of the recommended action is for LAFCo to make the study available to the excluded areas. Chair Horsley recognized the good work done by both health care districts and that it is desirable for excluded areas to be part of a District.

Mr. Michelson said he felt that the recommended amendment to the sphere of influence implies that the Districts should lead the effort for expansion. Commissioner Draper said her question was more directed at the act of reporting back to LAFCo rather than initiating any procedures for expansion.

Chair Horsley concluded that the Districts were in the best position to initiate the expansion process by convening representatives from the County and the cities involved. Commissioner O'Neill asked if the procedure required the cities to vote on the tax changes involved as a result of the expansion.

Ms. Poyatos responded that either the District, a city or a group of cities, or the County could submit an application to LAFCo to annex areas of the District. She added that an application could potentially also come by voter or landowner petition but that this is not a viable method due to the number of voters/landowners in each area. She said that the funding source would need to be specified, e.g., by property tax transfer, which would require a resolution by the County and cities transferring property tax to the District. She said that following approval of the annexation at a LAFCo hearing, LAFCo would hold a protest hearing. She confirmed that the cities and the County in each geographic area could transfer a portion of their tax revenue to the District.

Chair Horsley asked Commissioner Draper if staff needed more specific direction about how to initiate expanding health care district boundaries. Commissioner Draper said her intent is to initiate a discussion about expansion and plan the first step. Ms. Poyatos suggested adding language to the recommendation that LAFCo staff should also reach out to the cities about the feasibility of expansion.

Commission Action: Commissioner Draper moved to adopt a resolution with the actions outlined in the September 14 staff report plus new wording added to Action 5:

- 1) Accept the Final Municipal Service Review for Sequoia Healthcare District and Peninsula Health Care District; and
- 2) Adopt the Municipal Service Review determinations contained in this report; and
- 3) Adopt the Sphere Of Influence determinations contained in this report; and
- 4) Adopt the Inventory of Active Services; and
- 5) Reaffirm the "Transitional" Sphere of Influence of both Districts with a provision that the Districts report back annually to LAFCo on District finances and updates on implementation of recommended determinations and that LAFCo staff report back on issues related to expansion of Districts.

Commissioner Garbarino seconded the motion, which passed unanimously. (Ayes: Commissioners Cosgrove, Draper, Garbarino, O'Neill, Slocum, and Chair Don Horsley; Abstentions: None; Noes: None; Absent: Commissioner Joe Sheridan.)

New Matters

5. Applications Received and Not Certified as Complete and Ready for Hearing (Information Only):

LAFCo File 17-09—Proposed Annexation of 2111-2121 Sand Hill Road, Stanford (APNs 074-450-030, -040, -050) to the City of Menlo Park (13.64 acres)

6. Consideration of Amendment of the Adopted 2017-18 Fiscal Year Budget Pursuant to Government Code Section 53861

Ms. Poyatos referred to her September 15 staff report and noted two corrections: the date of the current budget spreadsheet should be September 14, 2017 and the final actual fund balance for the 2016-17 Fiscal Year was \$108,258, not \$95,941 as indicated in the first paragraph of the staff report.

She stated that the Commission is required to adopt a Proposed Budget prior to May 1 and an Adopted Budget prior to July 1. She said that following July 1, it's necessary to take the actual budget and the actual fund balance and apply it if it's different from the adopted May 1 budget. She said the actual fund balance was \$108,258, which is \$48,292 greater than what was estimated. She said this discrepancy is due to savings primarily in legal counsel services, payment of a Harvey Rose contract invoice of \$12,317 in Fiscal Year 2017-18 instead of Fiscal Year 2016-17, and failure to refund the County on a prior overpayment the County made of \$12,416.

Ms. Poyatos said the changes reflect adopted total appropriations of \$492,571, as stated in the September 29 update of her staff report. She said that the difference in fund balance was placed in special reserve, thus increasing it. She noted that the result of these changes does not affect the net operating budget amount nor the one-third apportionments to the County, cities, and special districts of \$118,104.

Ms. Poyatos recommended that the Commission take public comment and make any amendments, if any. She said if there are no amendments, that the Commission should vote to adopt the Appropriations Budget (i.e., the Operating Budget, which is appropriations less revenue from applications fees and fund balance) of \$492,571 and the Recommended Revised Net Operating Budget of \$354,313 for the 2017-18 Fiscal Year. Ms. Poyatos noted that the Operating Budget covers the approved costs associated with increasing staff from a half-time clerk to a full-time analyst position, which she said she is working on with Human Resources.

Commission Action: Commissioner O'Neill moved to open the public hearing. Commissioner Cosgrove seconded the motion, which passed unanimously. (Ayes: Commissioners Cosgrove, Draper, Garbarino, O'Neill, Slocum, and Chair Don Horsley; Abstentions: None; Noes: None; Absent: Commissioner Joe Sheridan.)

Public Comment: None.

Commission Action: Commissioner O'Neill moved to close the public hearing. Commissioner Cosgrove seconded the motion, which passed unanimously. (Ayes: Commissioners Cosgrove, Draper, Garbarino, O'Neill, Slocum, and Chair Don Horsley; Abstentions: None; Noes: None; Absent: Commissioner Joe Sheridan.)

Commission Action: Commissioner O'Neill moved to consider and adopt the recommended revisions resulting in an Appropriations Budget of \$492,571 for the 2017-18 Fiscal Year with any desired changes and direct the Executive Officer to distribute it to the County, cities, and independent special districts. Commissioner Cosgrove seconded the motion, which passed unanimously. (Ayes: Commissioners Cosgrove, Draper, Garbarino, O'Neill, Slocum, and Chair Don Horsley; Abstentions: None; Noes: None; Absent: Commissioner Joe Sheridan.)

7. Consideration of a Resolution Authorizing an Agreement with the County of San Mateo for Staffing, Legal Counsel, Office Space, and Supplies for the 2017-18 Fiscal Year

Ms. Poyatos explained that this is the second step in the budget process. She said that LAFCos are permitted to either hire their own employees or contract with a public agency such as the County. She said that San Mateo LAFCo contracts with San Mateo County for personnel, legal counsel, office space, and associated services. She said the contract amount includes the services that are shown under supplies and under legal counsel in the budget spreadsheet, less reserves, for a total amount of \$407,528.

Public Comment: None.

Commission Action: Commissioner O'Neill moved to authorize, by resolution, the Chair to execute the attached agreement with the County of San Mateo for support services in the amount of \$407,528 for the 2017-18 Fiscal Year. Commissioner Cosgrove seconded the motion, which passed unanimously. (Ayes: Commissioners Cosgrove, Draper, Garbarino, O'Neill, Slocum, and Chair Don Horsley; Abstentions: None; Noes: None; Absent: Commissioner Joe Sheridan.)

8. Legislative Report – Information Only

Ms. Poyatos stated that the Legislative and Policy Committee had met on September 13 and referred to that meeting's agenda which was distributed to the commissioners. She said the committee had no recommended action on any of the current draft legislation. She said the Committee reviewed the Little Hoover Commission report on special districts. She noted that the Committee also discussed a LAFCo policy supporting water resiliency, a proposed LAFCo position on governance models addressing climate change, spheres of influence and promoting voluntary consolidations, and extension of services outside jurisdictional boundaries. She stated that the Commission adopts the 2016 CALAFCO policies as its own and could create new policies as needed. She also suggested that the Committee review the policies surrounding extension of services outside jurisdictional boundaries and recommend amendments to the

Commission where needed to encourage annexation. She said the Committee discussed unincorporated islands that would be good pilot projects for annexation.

Commissioner Draper agreed that there was a lot of good discussion regarding the Little Hoover report and the water resiliency policy, and said she hoped that the Commission could come up with some affirmative policy statements as a result. In regards to extension of services to islands, she said that the Committee agreed to come back with more information about the unique history of each island.

Chair Horsley remarked that the Little Hoover report described how the health care districts did not keep up with the growth of the County since their initial formation in the 1940s.

9. Little Hoover Commission Final Report on Special Districts – Information Only

Ms. Poyatos noted that the report was provided for information only.

10. California Association of Local Agency Formation Commissions (CALAFCO) Correspondence

a. Nominations for 2017-2018 Board Members

Ms. Poyatos relayed CALAFCO's request for delegates to vote in the 2017-2018 Board of Directors election being held at the annual conference in San Diego. She said that traditionally the delegates are selected based on seniority and tenure and suggested that the Chair be the delegate, with the Vice Chair and regular member as back-ups.

Commissioner O'Neill moved to appoint Commissioners Horsley, O'Neill, and Draper as voting delegates for the 2017-2018 CALAFCO Board of Directors Election. Commissioner Garbarino seconded the motion, which passed unanimously. (Ayes: Commissioners Cosgrove, Draper, Garbarino, O'Neill, Slocum, and Chair Don Horsley; Abstentions: None; Noes: None; Absent: Commissioner Joe Sheridan.)

b. July 2017 Quarterly Newsletter

11. Commissioner/Staff Reports

None.

12. Adjournment

The meeting was adjourned at 3:12 pm.