

CONTRA COSTA LOCAL AGENCY FORMATION COMMISSION
MINUTES OF MEETING

March 9, 2016

April 13, 2016
Agenda Item 6

Board of Supervisors Chambers
Martinez, CA

1. Chair Mary Piepho called the meeting to order at 1:30 p.m.
2. The Pledge of Allegiance was recited.
3. Roll was called. A quorum was present of the following Commissioners:

City Members Rob Schroder and Don Tatzin.

County Members Federal Glover and Mary Piepho. Alternate Candace Andersen arrived at 1:32.

Special District Members Mike McGill and Igor Skaredoff and Alternate Stanley Caldwell.

Public Members Don Blubaugh and Alternate Sharon Burke.

Present were Executive Officer Lou Ann Texeira, Legal Counsel Sharon Anderson, and Clerk Kate Sibley.

4. Approval of the Agenda

Upon motion of Blubaugh, second by Tatzin, Commissioners, by a vote of 7-0, adopted the agenda.

AYES: Blubaugh, Glover, McGill, Piepho, Schroder, Skaredoff, Tatzin

NOES: none

ABSENT: none

ABSTAIN: none

5. Public Comments

There were no comments from the public at this time.

6. Approval of February 10, 2016 Meeting Minutes

Upon motion of Skaredoff, second by Blubaugh, the minutes were unanimously approved by a vote of 7-0.

AYES: Blubaugh, Glover, McGill, Piepho, Schroder, Skaredoff, Tatzin

NOES: none

ABSENT: none

ABSTAIN: none

7. Information Presentation - Dublin San Ramon Services District: Impact of the Drought in 2016

The Executive Officer introduced John Archer, Interim General Manager, and Dan Gallagher, Operations Manager, with the Dublin San Ramon Services District (DSRSD). Both bring decades of experience to the district; Mr. Archer with a specialty in finance, and Mr. Gallagher as a water and wastewater engineer. DSRSD provides water and wastewater services to the City of Dublin and portions of San Ramon.

Mr. Archer and Mr. Gallagher provided some background on the drought and its effect on their water resources and operations. After providing historic comparisons in water levels in previous—both dry and wet—years, Mr. Gallagher noted their district's successfully high water conservation

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rate in 2015 compared to their 2013 rate (usage down by 33.9%). Further, the conservation has had no impact on safety and health issues. The district established drought rates designed to generate sufficient revenue to meet fixed costs even when customers bought less water, and “staged” them over 2014 and 2015, with Stage 1 rates going into effect in December of 2015. Additionally, strict limitations were put in place for residential water use. Finally, an enforcement system, ranging from a first warning to increased fines to, with a fourth violation, installation of a flow restrictor or even disconnection of water service. They also have a robust rebate program that helps residents achieve the conservation limits that have been set.

Most importantly, DSRSD established California’s first residential recycled water fill station that is open to all at no cost. By the end of 2014 they had 500 residential recycled water customers, and by the end of 2015, they had 3,600.

They have also initiated an automated meter reading system (called “AquaHawk”) that allows customers to track their own water use; about half of all of their residential customers have signed up for this so far. This also allows DSRSD to notify customers when they are using too much water or may have a leak. The district provides many tips on its website in addition to a portal to customers’ AquaHawk accounts.

Commissioners congratulated Mr. Archer and Mr. Gallagher on their leadership. In response to a question from Commissioner Piepho, Mr. Gallagher noted that they generate one billion gallons of recycled water per year, and last year distributed 28 million gallons to customers.

8. Fire & Emergency Medical Services (EMS) 2nd Round MSR Progress Report

The Executive Officer provided some background on the 2nd Round MSR on fire and emergency medical services, which concentrates on updating the data presented in the 2009 MSR for the three cities and eight special districts covered, a review of auto and mutual aid agreements, and focused analysis on the two most distressed districts: East Contra Costa FPD (ECCFPD) and Rodeo-Hercules FPD (RHFPD) and the interface with Contra Costa County FPD (CCCFPD). She introduced Mike Oliver of Municipal Resource Group (MRG) to provide an update.

Mike Oliver commended all of the agencies, which gave him a warm welcome and were forthcoming with the information requested. In addition to individual meetings with fire chiefs and administrators for the agencies, Mr. Oliver and his team also met with representatives from International Association of Fire Fighters (IAFF) Local 1230, Contra Costa County Employees’ Retirement Association, and held a joint meeting with all of the agencies in West County.

Mr. Oliver recounted the issues facing ECCFPD and RHFPD, with financial problems leading; both districts have been historically underfunded, and the 2008 recession exacerbated their situations. On the other hand, CCCFPD, while experiencing significant long-term impacts from the 2008 recession, has restructured and created a roadmap to sustainability; with substantial reserves this district will turn the corner strongly. Its recent joint proposal with American Medical Response (AMR) for emergency medical services was accepted by the County and the joint service program is expected to save money as well as generate new federal funds.

However, it is highly unlikely that CCCFPD will be able to continue to extend services to underserved areas that have inadequate revenues.

Many residents in the ECCFPD area (of 290 square miles) don’t fully understand the risks the district is facing, including inadequate force and coverage for an increasing population.

The same risks face those in the RHFPD area. There are some support possibilities (West County Fire Service Coalition, Battalion 7), but the loss of Benefit Assessment District funding and rising retirement and OPEB costs present serious challenges.

Mr. Oliver laid out the schedule for this 2nd Round MSR, noting that they are currently working on the draft report, which will be provided to staff in early April, with a Public Review Draft projected for April 20 and a public hearing at the May 11 LAFCO meeting.

In response to Commissioner Piepho about the difference in this MSR from the first round, Mr. Oliver stated that it seems that all parties are working on their issues locally and that they are willing to go to their communities to make their arguments for Standards of Coverage. Reallocation of the 1% ad valorem property tax could make a difference, but it's difficult for other agencies to be persuaded that it is in their best interest to give up a part of their allocations. The long-term effect of OPEB was not as evident when the 2009 MSR was done, and depooling was hugely affected by the 2008 recession. Mr. Oliver also noted that the 2106 MSR recognizes LAFCO's role and will include some strong recommendations, but is not a roadmap for local agencies.

Commissioner Andersen asked if the MRG team had met with Moraga-Orinda Fire District. Mr. Oliver replied that they are looking at their numbers but haven't yet spoken with them.

9. Castle Rock County Water District

The Executive Officer provided background on the Castle Rock County Water District (CRCWD) and the 2014 2nd Round Water/Wastewater MSR, which included that district. The District, while modest, is 60 years old and in need of infrastructure refurbishment, the cost of which would exceed the District's reserves. In 2014, LAFCO established a zero SOI for CRCWD signaling a future change or organization or reorganization, and made some recommendations based on the MSR findings. The CRCWD has implemented a number of these recommendations including establishing a website and completing a system assessment. Because CRCWD is within the service boundary of Contra Costa Water District (CCWD) and most of its residents purchase water (treated and untreated) from CCWD, Commissioners recommended that the two districts discuss governance options, including dissolving CRCWD and having CCWD take over operation of the system. Neither party expressed interest in this option. However, discussions have ensued regarding other options, particularly the possibility of connecting the 10 CRCWD residents who are not currently connected to CCWD's treated water service.

Fred Allen, representing CRCWD, submitted a comprehensive update on activities of the District, and was in attendance with follow-up comments. He stressed that cost is a factor in addressing all aspects of the recommendations made by LAFCO. In addition to costs, Mr. Allen also stated that his research, meetings with residents, and meetings with CCWD have taken a great deal of time and energy and have come up with no reasonable solutions.

Commissioners commended Mr. Allen's work and information, and discussed the option of working with CCWD to create a financing structure that could be amortized over a few decades. Mr. Allen responded that part of the problem is that the 10 residences needing CCWD water are only a small portion of the total District residents, and the cost for this is prohibitive.

At the Commission's request, Jeff Quimby, representing CCWD, responded briefly to questions from Commissioners and reported that he is continuing to meet with CRCWD board members as well as the residents needing treated water.

Commissioner McGill, after complimenting CRCWD's work and the engineer's report, suggested that they dig up some of the existing pipes to determine their condition. Mr. Allen responded that this would be another \$5-10,000 expenditure that the District can ill afford. He continues to take care of problems as they occur. He added that at least two of the 10 residents who treat their own water emphatically do not want any change in their status.

Commissioners asked Mr. Quimby to impress on the CCWD board that LAFCO wishes to see them move forward on this, thanked both Mr. Allen and Mr. Quimby for their reports, and requested that a status update be filed with LAFCO in six months.

10. Fiscal Year 2016-17 Proposed Budget and Work Plan

The Executive Officer presented the proposed annual budget for FY 2016-17, which projects an increase of 8.3% over FY 2015-16. A decrease of 1% in salary & benefit costs is due to a projected decrease in retirement costs. Services and Supplies expenses are expected to increase by approximately 19%, related to conducting two 2nd round MSRs (cities/CSDs, healthcare), a special study (i.e., RWPRPD) and an actuarial valuation, which is required every three years for small agencies. Regarding revenues, the year-end fund balance will be used to offset the apportioned contributions from the County, cities, and special districts. The FY 2016-17 estimate for applications is based on a multi-year historical average, and recent application activity, which is up from the prior year. Staff also reviewed LAFCO's major responsibilities, 2015-16 accomplishments, and goals for FY 2016-17.

Two budget options were presented related to possible relocation and adding staff. The first option addresses relocation to 40 Muir Road in Martinez, a building occupied and owned by the County Department of Conservation and Development, which would provide space to grow (i.e., add staff). Relocation would result in increased rent and building life cycle costs. In addition, LAFCO would incur construction costs (amortized over 5 years). If LAFCO were to relocate to 40 Muir Road, the move would be unlikely to occur before February 1, 2017.

The second option would include adding staff, which is dependent on whether or not LAFCO relocates its office, as there is no additional space at the current location. A new staff position would be addressed in the FY 2017-18 budget, contingent on relocating.

Commissioners provided comments and support for the proposed relocation. Upon motion of Blubaugh, second by McGill, Commissioners, by a 7-0 unanimous vote, approved the proposed budget for FY 2016-17; directed staff to distribute the proposed budget to the County, cities, and special districts; and scheduled a public hearing for May 11 to adopt the Final FY 2016-17 LAFCO budget.

AYES: Blubaugh, Glover, McGill, Piepho, Schroder, Skaredoff, Tatzin
NOES: none
ABSENT: none
ABSTAIN: none

11. West Contra Costa Healthcare District (WCCHD) Special Study

The Executive Officer reported that, in response to the Commissioners' concerns about the future of West Contra Costa Healthcare District (WCCHD), she had discussed a special study with Richard Berkson of Berkson Associates, who is currently working on Contra Costa LAFCO's EMS/Fire MSR with Municipal Resource Group, LLC. Richard previously worked for Contra Costa LAFCO on the MDHCD special study and the IFA for the proposed incorporation of Alamo. Mr. Berkson has extensive experience working with local agencies in California; his areas of expertise include government organization and public finance. He has prepared numerous LAFCO governance studies, MSRs, and financial plans, and would be interested in conducting this study. However, staff noted that completing a special study in time to take action before the August 9 deadline for election filings is not possible. In lieu of a special study, another option would be to move forward on the 2nd Round Healthcare MSR, which would include this district.

Eric Zell, Chair of the WCCHD Board, noted that the District currently owes the County \$440,000 in prior election costs, which they intend to reimburse if the hospital property is sold.

However, the District is not in a position to pay for another election. Further, the District expects that it will not be able to pay off its debts until 2021 at the earliest. Mr. Zell reported that the remaining staff is currently indisposed due to health issues, but he stated his desire to see LAFCO conduct a study on the District immediately. He and most of the other board members will be stepping down at the end of their terms this year. They calculate that the District will need \$500,000 for one FTE to administer debt payments and obligations to employees.

Following discussion on the pros and cons of an immediate special study vs. waiting for the MSR, Commissioners agreed that a special study is preferable.

Upon motion of Tatzin, second by McGill, Commissioners unanimously, by a 7-0 vote, authorized an appropriation of \$25,000 from the contingency reserve to fund a special study to examine governance options including dissolution or appointment of a successor agency; and authorized the Executive Officer to execute a contract with Berkson Associates to prepare the study, with a contract term from March 10, 2016 through August 31, 2016.

AYES: Blubaugh, Glover, McGill, Piepho, Schroder, Skaredoff, Tatzin
NOES: none
ABSENT: none
ABSTAIN: none

At this point, Chair Piepho moved Agenda Item 13, Agriculture and Open Space Preservation Policy, up on the agenda.

12. Agriculture and Open Space Preservation Policy (Agenda Item #13)

Commissioner Tatzin, representing the Policies and Procedures Committee, introduced a draft version of the Agriculture and Open Space Preservation Policy (AOSPP), which is intended to provide guidance to LAFCO applicants when they are developing their proposals. Before this document is presented to organizations and agencies for their input, the committee is requesting comments from the Commission.

Commissioner McGill complimented the committee on their work, commented on the Building Industry Association/Bay Area's (BIA) comparisons of inconsistent language, and asked about the open space designation of "urban reserve."

Commissioner Skaredoff noted that open space is not empty land with no function; perhaps a review of open space conversion could include a hierarchy with different considerations for different kinds of conversion.

Commissioner Schroder suggested that there be a statement about encouraging infill, as that is the most difficult kind of development to get approved.

Commissioner Piepho expressed concern that this policy could affect costs for both developers and homeowners, and questioned how this policy will be applied. She also noted that the open space definition is important. Finally, Commissioner Piepho commented on buffers and who should create them (e.g., farmers, developers, etc.). She also encouraged each of the 19 cities to review LAFCO's draft AOSPP.

Commissioner Tatzin commented on LAFCO's authority to impose terms and conditions. Also, he suggested that LAFCO send each city and special district a letter with background information along with the draft policy and a request for comments.

Commissioner McGill commented on the "urban reserve" and open space definition in the context of the CKH.

Lisa Vorderbrueggen, representing the BIA, asked if the East Contra Costa Habitat Conservation Plan is part of this discussion, and asked about LAFCO's ultimate goal with this policy. She also noted that landowners know their zoning, and need to be informed of this policy; additionally, some developers may want to negotiate, but the rules need to be clear. She directed Commissioners to the letter she presented at the beginning of the meeting for further comments, and urged that LAFCO's policy not add to the cost of development.

Chad Godoy, County Agricultural Commissioner, stated that the policy definitions are very important, and reminded Commissioners that ag production can take place on non-prime ag land. He stated that agriculture is a precious commodity, and when the acreage that is currently potentially developable is gone, the pressure will build on LAFCO to allow further development of agricultural land. Mr. Godoy commented that the land subject to a LAFCO AOSPP policy is approximately 5,000 acres.

Kristina Lawson, representing Altec Homes, questioned Guideline 2, and the relationship between CEQA and the application, and stated that they will provide comments in writing.

Chair Piepho thanked everyone for their comments. Commissioners directed the committee to distribute the draft policy and gather comments from the cities, special districts, and other agencies and organizations, and make further refinements. In response to a question about the timeline for bringing a final draft back to the Commission, staff stated that it would be June at the earliest.

At 4:04 p.m., Commissioner Glover departed and Alternate Commissioner Andersen stepped into his seat.

13. Proposed Update to Contra Costa LAFCO's Legislative Platform (Agenda Item #11)

Commissioner Burke of the Policies and Procedures Committee presented the revised CALAFCO Legislative Policies (adopted by the CALAFCO Board on February 5, 2016), and explained that Contra Costa LAFCO's legislative platform mirrors that document. The Policy & Procedures Committee recommends that the Commission approve minor changes to the Commission's legislative platform to coincide with recent changes to CALAFCO Legislative Policies, with any other changes as desired.

Upon motion of Blubaugh, second by McGill, Commissioners voted unanimously, 7-0, to approve all changes to Contra Costa LAFCO's legislative platform coinciding with the CALAFCO Legislative Policies as revised for 2016.

AYES: Andersen (A), Blubaugh, McGill, Piepho, Schroder, Skaredoff, Tatzin
NOES: none
ABSENT: Glover (M)
ABSTAIN: none

14. CALAFCO Legislative Report - Update and Positions

The Executive Officer reported that this legislative session, CALAFCO is sponsoring two bills including its annual omnibus bill and SB 1266. CALAFCO is also tracking a number of bills which have direct and indirect impact on LAFCOs. CALAFCO is currently requesting support letters on a number of bills: SB 1266 (direct communication connection with JPAs; support); SB 817 (reinstating allocations to recently incorporated cities; support); and SBs 971, 972, and 973 (annual validating acts; support).

Upon motion of McGill, second by Tatzin, Commissioners by a 6-0 vote approved the support letters and directed staff to submit the position letters as requested by CALAFCO.

AYES: Blubaugh, McGill, Piepho, Schroder, Skaredoff, Tatzin
NOES: none
ABSENT: Glover (M)
ABSTAIN: none

15. Correspondence from CCCERA

There were no comments on this item.

16. Commissioner Comments and Announcements

Commissioner McGill reported that he will attend the CALAFCO Legislative Committee on March 18 in Ontario.

17. Staff Announcements

The Executive Officer reported that staff will be attending the 2016 CALAFCO Staff Workshop in Universal City March 30-April 1.

Also, the EO will attend the CALAFCO Legislative Committee on March 18 by telephone.

The meeting adjourned at 4:11 p.m.

Final Minutes Approved by the Commission April 13, 2016.

AYES:
NOES:
ABSTAIN:
ABSENT:

By _____
Executive Officer