Fontana Completes Ambitious Island Annexation Program
32 Islands, 2,932 acres and 13,000 residents
By Cecilia Lopez-Henderson, Annexation Program Coordinator, City of Fontana

By the end of 2006, the City of Fontana had annexed 29 of its 32 islands, after approval by the San Bernardino Local Agency Formation Commission. As of June 15, 2007, the City proudly announced that its Island Program was completed: San Bernardino LAFCo recently approved the last remaining islands.

Background
Since the passage of Senate Bill 1266 (the “island annexation” bill) in 2005, the City of Fontana has been committed to annexing as many island areas that would qualify under the revised island annexation provisions. In working with San Bernardino LAFCo staff, the City identified 32 islands of unincorporated territory. The island areas were located in the City’s central, eastern and southern portions of its Sphere of Influence.

To provide a better perspective on the magnitude of this undertaking, the island areas collectively comprised 2,932 acres equaling to 4.58 square miles; contained over 13,000 residents and 4,299 registered voters; and included over 4,000 individual parcels.

Fontana’s Growth Surge
Almost overnight, Fontana added about 13,000 residents. With the annexation of the island areas and the inclusion of additional residents into the City, the population of Fontana now stands at 181,640. According to the State Department of Finance, Fontana’s annual change in population was 9.8% (January 1, 2006 through January 1, 2007). With the addition of these new residents, Fontana passed Rancho Cucamonga and Ontario to become the second most populous city in San Bernardino County—right behind the City of San Bernardino.

Fontana may retain this coveted position for some time, especially with the recent annexation of three Bloomington islands, which will add another 2,000 new residents.

Affect on Annexed Residents
Sales tax revenues will remain local, instead of being diverted to other areas of the county. The City will be able to utilize that revenue to make needed improvements to roads, parks and services in the annexed areas. In fact, plans had been underway since July 2005 to prepare for the increase in population as well as corresponding service needs.

In anticipation of annexing such a large number of previously unincorporated island areas, the City has briefed up many departments with the 2005/06 and 2006/07 budget adoptions. Those areas include the Police Department, Public Works Department, Community Improvement Division and the Community Services Department.
LAFCo at a Tipping Point?

“LAFCo, an obscure public agency …” Remember those days when we lamented about the invisibility of the work of LAFCo? It seems as though today LAFCo regularly makes headline news. Hardly a day goes by when Google News Alerts doesn’t carry at least one LAFCo story. And the June issue of the Bay Area Home Builder (magazine of the Home Builders Association of Northern California) featured LAFCo on its cover – albeit on the bottom of a shoe.

Has LAFCo reached a kind of tipping point in carrying out its legislative mandate originally crafted some 45 years ago?

Recognition of LAFCo’s Role

There is no question that LAFCo has become a ‘household’ word among local agencies. Developers, community groups and the environmental community are among the external groups that are also increasingly aware of LAFCo roles and authority. That increased through the work of the Hertzberg Commission and its conclusions in Growth Within Bounds. The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 significantly expanded responsibilities and the potential stature and authority of LAFCo.

Municipal Service Reviews and sphere of influence updates have resulted in regular interactions between LAFCo and local agencies not to mention opportunities for increased public service efficiencies. More LAFCOs have moved to greater degrees of independence from county administration. Growth pressures —traditionally the purview of urban and suburban LAFCos— now affect boundary and service decisions in most rural LAFCos. Commissions are asked to make decisions on increasingly more complex applications with significant long-term impacts on growth, agricultural and open space protection, and public service delivery, all resulting in many commissions taking a greater proactive role in their mission.

Legislative Confirmation

Very telling were the reactions to LAFCo-related legislation in Sacramento this summer. Most LAFCo bills had broad bipartisan support and passed the legislature nearly unanimously. SB 819 removes the sunset on LAFCo’s power to consolidate unlike districts and adds the authority to initiate a petition to form a successor district. Co-authored by Senators Hollingsworth (R) and Kehoe (D), a key to the success of the bill was the support of the California Special Districts Association—something unlikely several years ago—which exhibits an increasing level of trust in the objectivity of LAFCos by local agencies. So too was the reaffirmation by the Legislature in the ability of LAFCos to use its legislative powers to help ensure efficient delivery of public services.

AB 745 reaffirms and strengthens financial disclosure requirements. It too enjoyed near unanimous support in the Legislature. Discussion of the bill recognized the importance of actions before LAFCo and the public’s knowledge of where the support is based.

SB 162 adds environmental justice to the list of factors a LAFCo must consider in boundary decisions. Though not introduced nor supported by CALAFCO, it is an indicator of the importance the Legislature places on the decisions each LAFCo makes regarding local agency boundaries and services.

In 2000 Malcolm Gladwell popularized the term “Tipping Point” in his landmark book The
FROM THE BOARD CHAIR

A Reflection on the Last Two Years

By Kathy Long, CALAFCO Board Chair

As the summer months bring us wonderful days for recreation, family vacations, and sweltering tedious budget hearings in Sacramento, I’m reflecting on my past two years serving as Chair of the CALAFCO Board of Directors and taking a moment to look ahead to our fall conference in Sacramento. Over these two years, I’ve enjoyed working with an outstanding Board of Directors and our exemplary Executive Director Bill Chiat, as we’ve moved the Association ahead meeting the many goals we’ve set as a Board.

We continue to prioritize member services for education, communication and peer support. We have positioned our voice at many of our peer association tables in addressing our legislative platforms and engaging in research and workshops to assist staff and professionals in their respective roles. Our successful legislative committee work has earned us many new bills to strengthen our position locally and statewide to fulfill the goals of Cortese-Knox-Hertzberg.

Our sponsored workshops on Island Annexations, Incorporations, Municipal Service Reviews and many others were invaluable opportunities to learn from one another the “best practices” that worked. The Board of Directors gave the green light for future CALAFCO U programs as requested by our members, again to support the good work of our local commissions.

During our strategic planning retreat this year, the Board discussed many future opportunities to build on our membership benefits, to strengthen our role with our partner associations, and to continue to define our core principles through our strengthened legislative committee work and our public engagement. Our expanded CALAFCO website and newsletter, creation of databases and member surveys are all tools to provide added value for our members. The fall conference in Sacramento – “Sustainability LAFCo’s Role in Meeting the Challenge” will offer again many quality workshops, panels and opportunities to network with fellow commissioners and hear about successes and challenges.

It has been my pleasure to serve as Chair of this Association and to work with many outstanding dedicated and knowledgeable individuals. I look forward to seeing you at the conference and appreciate your investment in CALAFCO. See you in Sacramento!

DATES SET FOR FUTURE CALAFCO CONFERENCES AND WORKSHOPS

2008 Staff Workshop
April 2-4, 2008 • Crowne Plaza
San Jose

2008 Annual Conference
September 2-4, 2008 • Sheraton
Universal City, Los Angeles

2009 Staff Workshop
April 29-May 1, 2009 • The Cliffs
Resort, Shelf Beach

2009 Annual Conference
October 27-30, 2009 • Tenaya
Lodge at Yosemite

Board of Directors

BOARD ADOPTS STRATEGIC PLAN

The CALAFCO Board of Directors adopted a new strategic plan for the Association at its June meeting. The plan updates the mission and establishes goals and strategies for the next three years.

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

Strategic Focus and Goals for 2008

Educational forums and professional development opportunities
- Continue CALAFCO U with additional courses geared towards current issues and best practices; provide a quality, education focused conference and workshop
- Build strong member LAFCos and a strong association
- Redesign website and member library to expand resources and accessibility of site; expand communication with members; support regional meetings of LAFCos; enhance administrative support from Sacramento office
- Support and sponsor research
- Produce white papers and other research documents which examine issues of LAFCo practice; develop data warehouse of special district and LAFCo data
- Advocate for LAFCo legislative and regulatory issues
- Advance CALAFCO’s legislative agenda; develop and communicate clear LAFCo legislative policies and priorities; expand relations with regulatory agencies on private utility services

The complete strategic plan, along with the notes from the Board’s retreat, is available in the members section of the CALAFCO website.
AMADOR LAFCo

Amador LAFCo has appointed a new alternate Public Member. Byron Damiani, Jr. of Sutter Creek will serve a term ending 2010. Alternate Damiani is employed in the Office of Legislative Counsel where he has worked for 10 years. He and his wife also own the Sutter Creek Theater.

ORANGE COUNTY LAFCo

LAFCo Completes All MSR and SOI Reviews

Orange County LAFCo has completed Municipal Sphere Reviews (MSRs) and sphere of influence reviews for all 60 agencies. OCLAFCO’s Municipal Service Reviews involve an extensive, facilitated stakeholder process which has occasionally driven staff off the deep end but has produced meaningful results, including a voluntary reorganization of two water districts, an incorporation proposal and several large annexations. We also continue to be proactive in annexing small unincorporated islands though our Unincorporated Small Islands Program. To date this has been one the Commission’s most successful programs, with 37 of the 50 small islands targeted having been annexed. Our staff, not being one to shy away from trying to move unincorporated territory into cities when higher levels of municipal services can be provided to residents, also continues to collaborate with many Orange County cities regarding the future annexation of the County’s remaining large unincorporated areas.

Approximately 94% of Orange County is incorporated and while this might indicate that this OCLAFCO is not busy, the opposite is true. There are a lot of challenges left, including a 600-acre inhabited annexation to the City of Anaheim, and an approximately 1500-acre unincorporated area that includes an ecological reserve, and complex water district boundaries. OCLAFCO is also working on an innovative future governance study for a 12,000 acre development to ensure that the area does not remain a developed, unincorporated area far into the future. Finally, OCLAFCO is working closely with Los Angeles LAFCo to produce a joint report on cross-county boundary issues.

During 2007 Orange County LAFCo also hosted the Staff Workshop in Newport Beach, near the Newport Back Bay.

SAN BERNARDINO LAFCo

Long-Time Clerk Retires

Debbie Chamberlin retired in July having served 15 years as Clerk to the Commission/Office Manager for San Bernardino LAFCo. During her tenure, she always provided the highest level of professional assistance to the citizens, cities, special districts and county staff on the intricacies of the LAFCo process.

She assisted in the development of policies for implementation of the new requirements from AB 2838, such as out-of-agency service extension, municipal service reviews, and mandatory sphere of influence updates. She oversaw the processing of all the proposals, circulating them for review and determining the technical and statutory requirements, proofing the staff reports, drafting the resolutions, and completing the proposals. She was also the office manager, supervised the deputy clerk and temporary personnel, and ensured that the office ran smoothly.

For 15 years, Debbie produced roughly 15 to 20 pages of detailed minutes per LAFCo hearing. In all it is estimated that she produced over 2,700 pages of minutes during her time as Clerk. At her last San Bernardino LAFCo hearing, Commission members praised her for her thorough and accurate minutes, even members of the public commended her minutes during the public comment portion of the hearing.

Debbie was an indispensable and invaluable part of San Bernardino LAFCo. In addition to her dedication to the job for over 15 years, she gained the love and admiration of her fellow staff members. The staff of San Bernardino LAFCo is honored to have worked with Debbie throughout her tenure and her experience, professionalism, and presence in the office will be sorely missed.

SAN DIEGO LAFCo

Staff and commissioners change

Several staffing and commission changes have occurred at the San Diego LAFCo. In early 2007, the San Diego LAFCo added Local Government Consultant Harry Ehrlich to its staff roster. Mr. Ehrlich retired as the Deputy General Manager of the Olivenhain Municipal Water District in 2006 and was retained by the San Diego LAFCo to assist with legislative research and special district projects.

On June 11, 2007, Mayor Carl Hilliard of Del Mar was installed as one of three city commissioners replacing Mayor Ron Morrison of National City. Mayor Hilliard has resided in Del Mar since 1976 and is an attorney.

Continued on next page
Around the State – Continued

On July 1, 2007, Administrative Assistant Claire Riley was promoted to the position of Local Government Analyst. Ms. Riley started with LAFCo two years ago and has been responsible for reviewing jurisdictional boundary changes and developing an electronic information warehouse to streamline the Commission’s municipal service review and sphere of influence program.

On December 19, 2007, William (Bill) D. Smith will retire as Legal Counsel to the San Diego LAFCo and Senior Deputy County Counsel for the County of San Diego. After serving as the San Diego LAFCo’s chief Legal Counsel for 25 years, Bill Smith decided to devote more time to his family and favorite hobbies of golfing and the Opera. During his tenure with the San Diego LAFCo, Bill Smith provided legal advice at over 300 LAFCo meetings; reviewed over 12,000 meeting agenda items; wrote 67 LAFCo legal opinions; assisted in the successful defense of the San Diego LAFCO in court proceedings; and maintained the highest of legal standards in all work performed for his clients. Over the years, Bill conducted training classes for CALAFCO, the County of San Diego, and the San Diego LAFCo. The San Diego LAFCo will miss his scholarly knowledge of the law and his dedicated professionalism.

Submitted by: Mike Ott, San Diego LAFCo

SANTA BARBARA LAFCo
New Public Members Added

Santa Barbara LAFCO welcomes a new Public Member and Alternate Public Member, both seated within the past two months, and looks forward to their contributions and their leadership in fulfilling LAFCo’s responsibilities in Santa Barbara County.

Marty Mariscal, who was previously a member of the Santa Maria City Council, became the new Public Member on June 7. Commissioner Mariscal is an extremely active member of the community, serving on Countywide and Santa Maria Valley governmental and civic organizations. Commissioner Mariscal will complete the unexpired term of Bernie Stableford, whose service as Public Member lasted just two years. A vibrant Commissioner and Chair, she reluctantly resigned from LAFCo to battle abdominal cancer, and, unfortunately died less than three months after leaving the Commission.

Bob Short, the new Alternate Public Member, a resident of Montecito, was seated on July 5. Commissioner Short, a partly-retired professional engineer, served on the County Grand Jury and has chaired a joint committee of County officials, the League of Women Voters and the County Taxpayers Association that resulted in Santa Barbara County’s adopting performance-based budgeting and management as its standard. Commissioner Short replaces Penny Leich who had served in that position for 16 years. Bright and energetic into her 80’s Commissioner Leich resigned from the Commission due to illness, passing away less than three months after completing her lengthy service on LAFCo.

SONOMA LAFCo
New Member Welcomed

Sonoma LAFCo has recently welcomed a new Alternate Commissioner. In June, Teresa Barrett was seated as the Commission’s Alternate City Member. Elected to the City of Petaluma City Council in November 2006, Teresa served for six years on the Petaluma Planning Commission. A community advocate, she served on the City’s Tree Advisory Committee and Site Planning and Architectural Review Committee and also participated for several years on Sonoma County Community Development Committee.

Mark Your Calendars!

CALAFCO 2008
Universal City
Hosted by Los Angeles LAFCo
September 3-5, 2008

NEW STAFF AT CALAFCO
Szutowicz Joins CALAFCO

Ms. Jamie M. Szutowicz has joined CALAFCO as the new contract administrative assistant. Jamie is an ongoing student at California State University Sacramento pursuing degrees in communication and geology. Ms. Szutowicz owned and operated a nationally accredited childcare facility in Sacramento from 1990 until 2005. During this time frame she also managed two health club facilities, was a competitive bodybuilder, and continued her education receiving degrees in early childhood education and liberal arts. She is a state certified early childhood education master teacher and tutor. Initially Jamie will be working with CALAFCO eight hours per week.

Previous to contracting with CALAFCO, Ms. Szutowicz worked as a master tutor for the Beacon Program at American River College, tutoring students in the disciplines of science and mathematics. She worked directly with the program’s director in promoting the on-campus student resource by conducting student workshops and in-class presentations. Her diverse business skills include: customer service, public relations, data processing, office management, computer management, web design, bookkeeping, and mentoring.

Ms. Szutowicz resides in Sacramento with her husband Scott Fitzpatrick and daughter Alicia. Her hobbies include gardening, black and white photography, digital photography, and travel.
CALAFCO ANNUAL REPORT AND BUSINESS MEETING

CALAFCO BOARD OF DIRECTORS ELECTIONS
Nominations Committee Announces Candidates

The CALAFCO Board’s Nomination Committee solicited nominations from member LAFCOs for the Board of Directors. Chair Matt Gourley (Monterey) announced the following slate of candidates:

CITY MEMBER
Two seats
Cindy Coffey (Napa)
Peter Herzog (Orange)*
Josh Susman (Nevada)*

COUNTY MEMBER
Two seats
Jack Hanson (Lassen)
Ted Novelli (Amador)
Ed Robey (Lake)

PUBLIC MEMBER
One seat
Charles Leavitt (Madera)
Susan Wilson (Santa Clara)*

SPECIAL DISTRICT
Two seats
Jocelyn Combs (Alameda)*
Cathy Schlottmann (Santa Barbara)*

* Incumbent

A Candidates Forum is scheduled at 8:30 a.m. on Thursday at the Business Meeting during the annual conference in Sacramento. It is a great chance to hear from the candidates and their vision for CALAFCO.

The Board consists of 15 members who serve two-year terms. According to the By-Laws, there are four seats each for city, county, and special district members, and three seats for public members. Board members must be either current Commissioners or Alternate Commissioners on their LAFCO. Nominations may also be made from the floor during the CALAFCO Annual Business Meeting.

Continuing Board members include Roger Anderson (Santa Cruz), Jerry Gladbach (Los Angeles), Matt Gourley (Monterey), Mary Jane Griego (Yuba), Gay Jones (Sacramento), Kathy Long (Ventura), Sepi Richardson (San Mateo), and Chris Tooker (Sacramento).

CALAFCO Gold ASSOCIATE MEMBERS

Thank you for your support!
2006-07 Member Services Report
Legislation, CALAFCO University, Website Top List

2007 brought a continued emphasis on enhancing member services by the Board of Directors and staff. CALAFCO advanced a significant legislative agenda while at the same time expanding CALAFCO U courses and continuing to enhance other services such as the website and responsiveness to member and public request for services.

Operationally the Board adopted a comprehensive policies and procedures manual, updated the conference and workshop guide for hosts, adopted a new strategic plan and resolved outstanding tax issues with the IRS. Additionally, the Board revamped its legislative process and for the first time in a dozen years has begun a complete review of the Association’s legislative policies.

EDUCATIONAL SERVICES
Conference and Workshop
Continued our tradition of a quality, educational annual conference in Sacramento and staff workshop in Newport Beach.

CALAFCO University
New this year was the popular Incorporations course. Nearly 90 LAFCo staff, proponents, county staff and other stakeholders participated in the two courses. CEQA, water determinations and homeowner associations were also among the other topics offered by the Association in the past year.

Website
Additions were made to the website, including expansion of educational and resource materials and increased use by members for posting job announcements and RFPs. Timely updates are made at least twice a week. Visits to the website increased nearly 50% and now average over 6,500 visits/week.

Publications
Published the quarterly journal, The Sphere, now with a circulation of over 800. Published the annual Membership Directory with regular updates of the on-line version.

ListServes
Provide communication vehicle among LAFCOs through maintenance of four email listserves: Executive Officers, Counsel, Clerks, and all members.

LEGISLATIVE SERVICES

Legislative Agenda
Sponsored or supported five pieces of legislation and advocated for LAFCo interests on a number of others. Legislation includes: 1) removal of sunset for consolidation of unlike districts and addition of authority to initiate successor district proposal, 2) streamline MSR determinations, 3) financial disclosure requirements, 4) removal of sunset and clarification on process for city/county sphere meetings, and 5) the C-K-H Omnibus bill.

Hosted a workshop of LAFCo staff and counselors to discuss the statewide issues surrounding §56133, extension of services outside of boundaries.

Legislative Resource
Serve as an educational resource to Members and legislative staff on LAFCo issues, such as the statewide survey on special district consolidations. Maintain the Capital-Track legislative report on the CALAFCO website.

Regulatory Reform
Created a CALAFCO team to work with the state Public Utilities Commission to improve communication and reporting between the PUC, investor-owned utilities and LAFCo. Efforts resulted in PUC order M-4818 requiring improved communications.

Legislative Committee
Provide staff support to Legislative Committee and work on issues with member LAFCos, peer associations and legislative staff. Initiated a streamline of the committee process and a complete rewrite of the CALAFCO legislative policies.

OUTREACH SERVICES
Presentations and Exhibits
Provide presentations and exhibits on LAFCo to members, peer associations (League of Cities, CSDA, ACWA, RCRC), state agency staff (OPR, HCD), and other groups.

Participation in State Coalitions
Represent LAFCo interests with workgroups working on CEQA reform, statewide growth and land use policy reform, and regional blueprint plans.

LAFCo Survey
Conducted and posted the results on the website of the survey of LAFCos operations over the last year.

CALAFCO Workgroups
Support workgroups with Councils of Governments to bring LAFCo perspective to the blueprint planning process and to share information among neighboring LAFCos.

ASSOCIATION MANAGEMENT
Fiscal Management
Fiscal systems and records are now maintained electronically with regular reports with CPA review.

Expanded Membership
Alpine LAFCo became the 57th CALAFCO member. Also expanded associate membership. CALAFCO now has eight gold and 19 silver associate members.

State and Federal Regulatory Compliance
Achieved complete compliance with IRS and state FTB for all past tax returns including full waiver of all late fees and penalties.

Board Strategic Retreat
Board completed a biennial strategic retreat and adopted a new strategic plan which emphasizes member services and updates the Association’s mission and goals.

Policies/Procedures Manuals

CALAFCO Support
Retained services of a part-time administrative assistant for the CALAFCO office and registration services.

Thank you to all who make CALAFCO a success!
Five pieces of legislation affecting LAFCOs continue their progress through the legislative process. As of late July two bills have been signed by the Governor, one is on his desk for signature and another is expected to be enrolled. Several bills of concern to LAFCo have been turned into two-year bills and will be on the agenda again next year.

**AB 745 – Financial Disclosures**
Clarifies existing law requiring disclosure requirements for contributions and expenditures to parties submitting proposals to a LAFCo. It will require that contributions and expenditures for political purposes on boundary changes considered by a LAFCo be disclosed and reported in a similar manner as the Fair Political Practices Act requires for local initiative measures. It also allows LAFCo to establish more specific requirements. The bill passed the Legislature and was signed by the Governor on 20 July. The provisions will take effect on 1 January 2008. CALAFCO supported this bill.

**AB 1262 – City/County Sphere Meetings**
Removes the sunset on the required city/county meeting and makes the meeting a permanent component of the law (§56425). The bill has passed the Legislature and is on the Governor’s desk for signature. CALAFCO supports this bill.

**AB 1263 – MSR Determinations**
Makes changes to §56430 (a) on the content of municipal service reviews. Because this bill had no opposition and the support of stakeholders and the Local Government Committees, it has been placed in the Assembly Omnibus Bill, AB 1744.

The gutted bill is now a two-year placeholder for LAFCo-related legislation next year. CALAFCO has identified several items to include.

**AB 1744 – Cortese-Knox-Hertzberg Omnibus Bill**
This is the annual bill which makes technical, non-significant changes to C-K-H. It is a consensus bill, and only items which are agreed to by all stakeholders and Local Government Committee members are included. This year the bill includes eight items, including the streamlining of MSR determinations. CALAFCO sponsored this bill.

The bill is currently on the Senate consent agenda. It will then go back to the Assembly for concurrence before going to the Governor for signature. Because this is a consensus bill, no objections are expected.

This will reduce the requirements for future MSRs. In particular it removes the management efficiencies item from the reviews and consolidates the others.

**SB 162 – Environmental Justice Factor**
Would add environmental justice to the list of factors a LAFCo must consider in boundary decisions in §56668. This bill would also add “voters” and “residents” of the affected territory to the list of people whose comments must be considered in boundary decisions. CALAFCO neither introduced nor supported this bill. The bill has passed both the Senate and Assembly and is now back to the Senate for concurrence. The votes have been along party lines. It is expected to go to the Governor after the legislative break.

Assuming this bill is signed, it will require LAFCOs to begin considering environmental justice along with the other 14 factors a LAFCo must consider in boundary changes, beginning 1 January 2008.

**SB 301 – Incorporation Studies**
This bill would declare the intent of the legislature to enact legislation to provide funding to interested residents who want to commission a study on the logistics and costs (CFA) of incorporating a city. The bill became a two-year bill and will be considered again next year.

**SB 819 – Consolidation of Unlike Districts**
This bill will remove the sunset provisions in §56030 (et al) on the authority of LAFCo to consolidate districts formed under different statutes. It will also add the ability in §56375 for LAFCo to initiate a proposal for the formation of a successor district. The bill passed the Legislature and was signed by the Governor on 20 July. The provisions will take effect on 1 January 2008. CALAFCO sponsored this bill.

CALAFCO continues to follow several bills which would allocate the land use planning funds passed by the votes in Proposition 84 last fall. Another bill of concern, SB 375 (Steinberg) would establish regional “preferred growth scenarios” for planning growth and transportation projects. These could have an impact on future LAFCo actions. Included in this is funding for projects consistent with the growth scenarios. We continue to study this legislation.

Current status of LAFCo legislation, along with copies of letters sent by the Association, can be found on the CALAFCO website.

**PUC Issues**

**Administrative Order**

Goal to Improve LAFCo—Private Water Company Communication

In March the Public Utilities Commission issued Administrative Resolution M-4818 directing all PUC-regulated water and wastewater utilities to cooperate with data and information requests from a LAFCo for an SOI or MSR studies. This order is the first step in several collaborative projects initiated by meetings between CALAFCO and PUC staff and administrative judges. The order also requires the notification to LAFCo of any application for transfer, purchase or mergers of a company.

Work continues on other issues, such as boundary change notification. CALAFCO has also initiated discussions with the private water association on improving communication between investor-owned utilities and LAFCo.
David versus Goliath in the Redwoods

By Patrick McCormick, Santa Cruz LAFCo Executive Officer

Fifty years ago, the San Lorenzo Valley was a series of small communities along a river in a redwood forest north of Santa Cruz. The local economy was based upon logging and summer tourism. The valley’s population has since grown and changed to become five unincorporated communities where relatively affordable full-time homes are located for people who work elsewhere in Santa Cruz County and “over the hill” in Santa Clara County.

In 1965, upon the urging of valley residents, the San Lorenzo Valley Water District (SLVWD) decided that the valley’s series of small funky water systems should be fixed up and interconnected. Felton and several of the towns in the SLVWD were served by separate systems owned by the Citizens Water Company. SLVWD prepared to sell bonds to acquire the water systems owned by the Citizens Water Company. The majority of the people in Felton liked their small water company and feared that the water district’s plans would result in costly water. So, by mutual consensus, Felton was left out of the district boundary and the assessment. Using eminent domain, the SLVWD completed the public acquisition of the other water systems in the valley.

When LAFCo drew the first water agency spheres of influence in the San Lorenzo Valley, it excluded Felton from any public agency’s sphere. LAFCo was protecting the turf of the Citizens Water Company. Everything was fine and dandy until the Felton system was sold to a larger American water corporation in 2001 and sold the next year to a larger European corporation. The new owners proceeded to make a series of operational changes and filed for large rate hikes with the California Public Utilities Commission (PUC). The residents of Felton organized to fight the rate hikes and the lack of any local control over the water system. They were confounded why water service in Felton should cost a lot more than the four other communities in the valley that had virtually the same water sources and service geography.

The Feltonians organized a non-profit and lobbied the County government and the water district to help argue their position with the PUC. The water company’s position was that the Felton system wasn’t for sale and that they would continue to file for rate increases as permitted under the PUC’s rules.

After not being able to get a sympathetic ear with the PUC, the Feltonians convinced LAFCo to amend the SLVWD sphere of influence to include Felton, and convinced the Board of Supervisors to call for an election to form a Mello-Roos Community Facilities District. The purpose of the Mello-Roos District was to provide financing through the sale of bonds to buy the Felton water system and convey it to SLVWD for operation. Their theory was that, with public ownership of the system, their property tax bills would go up and their water bills would go down. They estimated that their break-even point would be several years into the future, but not in the distant future. In 2005, the Board of Supervisors met in Felton to consider calling an election on the Mello-Roos District assessment. The subject service area in Felton contained approximately 1310 connections. The election would authorize up to $11,000,000 in bonds to cover the acquisition process and purchase price. The projected maximum cost to a typical homeowner was $696 per year for 30 years. The Feltonians in the hall gave the Board a standing ovation for deciding to call the election, and the assessment subsequently passed with a 75% affirmative vote.

The PUC authorized two rounds of rate hikes over the objections of the Felton customers and the County. The PUC has also refused to order that the company divest its Felton system by selling it to a public agency. Most recently, the European corporation that bought into the US market enthusiastically in 2002 has announced that it is not satisfied with its returns and will be selling off all its US interests in an Initial Public Offering. The Wall Street Journal (“Dry Hole, Great Expectations for Private Water Fail to Pan Out,” June 26, 2006) quoted the CEO of the European corporation as saying that water is a “very local business” where a global corporation “just doesn’t have outstanding advantages.”

The corporation is poised to sell off its U.S. interests in the stock market; however, it has refused to sell off its Felton system to a willing buyer—the people of Felton. Using funds from the Mello-Roos assessment, the San Lorenzo Valley Water District has annexed Felton and filed suit to acquire the Felton water system by eminent domain. The case is titled dryly as the “San Lorenzo Valley Water District v. the California-American Water Company”.

The press is portraying this story as “David v. Goliath.” The people of Felton are hoping that, when the final story is written, they will still be David.
Tipping Point
Continued from page 2

Tipping Point: How little things can make a big difference (2000, Little Brown). The term has its origin in sociology in the 1960s to identify a previously rare phenomenon which becomes rapidly and drastically more common. Is such the case for LAFCo? Have we reached a point where something unknown is becoming common and expected?

Gladwell argues that trends which reach a tipping point are sparked by three factors: The Law of the Few; the Stickiness Factor; and the Power of Context.

The Law of the Few suggests that small groups of individuals who have ties across many realms can champion ideas into popular thought. LAFCo benefits from the commissioners and staff who champion the mission of LAFCo locally and around the state. The Stickiness Factor refers to a compelling, unique quality that sticks in the mind of the public. Perhaps it’s the independent authority of LAFCo to objectively evaluate proposals and review boundary changes and service providers that are compelling to communities seeking to prevent sprawl yet accommodate growth and services for the future. In the moment is the Power of Context. Perhaps the interest in managing growth, concerns over infrastructure and services—particularly water—and loss of agricultural lands are creating the right time and place context for LAFCo.

The Tipping Point is also about managing chaos and change. Change rarely occurs without resistance. A measure of whether a tipping point is near is the level of resistance encountered. Many LAFCOs can attest to the challenges of resistance and change. The article in the Bay Area Home Builder discusses resistance to ag mitigation policies which are being studied by several LAFCos. But there are many other areas where policy and proposal decisions are drawing engagement and participation by a cross-section of the community. Many of the sessions at the Annual Conference will highlight these issues and the efforts of LAFCos. This resistance may be another indicator that LAFCos are doing their job.

So is LAFCo at a tipping point on influencing growth in the state? Quite possibly so. And if that’s true, it raises the bar on expectations for the state’s 58 LAFCos. As LAFCos do their work in orderly growth and development they provide essential to the social, fiscal and economic well-being of the state, it becomes more incumbent on the 558 commissioners and alternates to consider their responsibilities in shaping the state’s future. This happens in the daily conversations championing the ideals of LAFCo, and in the objective consideration of policies and changes of organization or reorganization.

There will be no shortage of opportunities in the future for LAFCo involvement. Regional blueprint plans, infrastructure bond funding, a multitude of incorporations (12 applications are expected by the end of the year), island annexations, sphere amendments, district consolidations ... all of these and more provide the context for a tipping point for LAFCo to craft the future and to carry out its mission to assure orderly growth, prevent sprawl, preserve agricultural and open space lands, and efficiently extend public services.

LAFCo obscure? Not any more.

Promises Conveyed are Kept

Since the publication of the last Sphere, Fontana has received many calls from cities throughout the state wondering how Fontana accomplished a seemingly insurmountable task. In the words of Mayor Mark Nuaimi, “Promises conveyed are promises kept. What we have been able to do is keep Fontana’s revenues in Fontana.” In annexing the island areas, the City conveyed a promise and has kept its promise to invest resources in the City’s infrastructure, to keep the resources local, and to include all Fontanans in one community. Fontana, a “City of Action” is truly a “City of Achievement.”

More in the Works

Proposed annexations in additional areas are in the works. In July, San Bernardino LAFCo approved annexation of territory between Cherry and Hemlock Avenues, south of Foothill Blvd; this brings 1,050 new residents into the City.

In addition, the Annexation Team has been directed to “test the waters” for three additional annexation areas. The first area lies in the central portion of the City’s Sphere of Influence. The second area would “square off” the City’s southern boundaries and corresponds to revising and updating the Southwest Industrial Park Specific Plan. The third area lies in the City’s southeastern Sphere of Influence; a primarily residential, built-out area that would benefit from the comprehensive City services. This annexation area would assist in “squaring-off” the City’s corporate limits and would fill in the remaining unincorporated area within Fontana’s sphere.

Fontana’s Annexation Team seems to have its work cut out for them. With the commitment of staff and resources to staying the course, and the commitment from top City administrators to blur departmental lines to achieve outstanding team work, you can hear the words loud and clear “BRING IT ON!” The Annexation Team stands ready to meet the next challenge.
The Sphere

MORE FROM AROUND THE STATE

VENTURA LAFCo

Skeletons earns EO the Tombstone Award

Ventura LAFCo Executive Officer Everett Millais was recently recognized for a noteworthy Municipal Service Review (MSR) achievement by his staff.

Beginning in the early part of 2004, Everett began working on the MSR for the Bardsdale, El Rancho Simi and Piru Public Cemetery Districts. Culminating a three-year long process during which the districts were analyzed “to death,” the Commission accepted the report and approved the nine determinations in May, 2007.

In reality, the morbidly long process was a victim of its own success in meeting the primary objective of C-K-H to prepare an MSR prior to reviewing and updating a sphere of influence. Based on information submitted with the MSR questionnaire and subsequent audits, LAFCo let loose a number of skeletons from their closets. While the determinations for the Bardsdale Cemetery District were positive overall, LAFCo discovered that the El Rancho Simi and the Piru Public Cemetery Districts had significant infrastructure deficiencies, serious operational and financial record-keeping deficiencies including failure to comply with requirements to prepare annual budgets and financial reports. Both Districts were also found to be out of compliance with regard to the Brown Act and FPPC regulations.

Ultimately, LAFCo determined that the Piru Public Cemetery District has insufficient financial resources at this time to function as an independent governmental agency. Although this process demonstrated the value of MSRs in their potential to uncover agency-specific issues associated with the provision of municipal services, the challenges associated with digging up and sifting through information can be very time consuming.

By the time the MSR was ready for final approval by the Commission, LAFCo staff were so relieved that this project was finally being put to rest, they prepared a surprise “Tombstone” Award, which they presented to Everett immediately following the meeting. A small ceremony complete with guests, a very large chocolate cake and punch (not spiked) took place in the conference room.

Editor’s Note: In addition to his duties as Ventura Executive Officer, Everett also serves as CALAFCO Executive Officer. This spring Everett announced his retirement at the end of the year. The Board and entire CALAFCO family is grateful to Everett for the job he has done as Executive Officer and Deputy Executive Officer of the Association. His leadership will be reflected in the work of CALAFCO for many years to come.

Thank you Everett for an outstanding job leading the Association!

EL DORADO LAFCo

El Dorado LAFCo extends a warm welcome to three new special district representatives. They were the top vote getters of a twelve-candidate, triple seat special district election; noteworthy not just for the number of seats up for grabs but also because a quorum of ballots was received before the election close date. Ken Humphreys from Rescue FPD will serve a new four-year term as Commissioner; Harry Norris from El Dorado Irrigation District will finish a two-year term as Commissioner; and Michael Cooper from Georgetown Public Utility District will serve a new four-year term as alternate Commissioner. They assumed their positions in May. Welcome to all!

CALAFCO BIENNIAL SURVEY

The Results Are In

By Carole Cooper, Sonoma LAFCo and Survey Coordinator

Commissioners and staff often declare “One size does not fit all” in reference to LAFCos. That statement was certainly evident in the results of the CALAFCO biennial survey, to which 42 LAFCos responded earlier this year. The survey, completed every two years, asked LAFCos to respond comprehensively about a variety of topics, including commissioners; organizational structure; staffing; budget and operations; applications; municipal service reviews, and use of consultants. Complete survey results can be viewed on the CALAFCO website, in the “members” section, but here are some interesting findings:

Of the responding LAFCos,

- 25 have special district representatives.
- 5 have specially designated seats, mostly for city representation.
- Most LAFCos meet monthly, but 4 meet every two months and 3 meet quarterly.
- Wednesday is the most popular day for the LAFCo meeting.
- Mornings or afternoons are the most popular meeting times, but 7 LAFCos meet in the early evening.
- Commission stipends/per diems range from $0 (1) to $175 (1).
- Overwhelmingly, LAFCos cover the cost of commissioners attending the Annual Conference.
- 16 of the 21 LAFCos that reported a contract or MOU with the county indicated that staffing was part of this; 13 LAFCos are completely independent, and 8 are part of a county department.
- 20 LAFCos contract for accounting or payroll services, mostly from counties.
- 28 LAFCos maintain standing or ad hoc sub-committees for budget, administration, policy and procedures, and/or personnel.
- 19 Executive Officers, whose tenures vary between 1 and 25 years, have planning backgrounds, mostly from counties.
- 11 LAFCos have 3 or more staff members, 6 LAFCos have 5 or more staff; and at one LAFCO, the EO does it all.
- The fewest MSRs completed by a LAFCo by November 1, 2006, were two and the most, 169.
- 2006-07 adopted budgets varied from a low of $23,700 to a high of $1,346,700.

Thanks to Carole and Cynthia Olson of Sonoma LAFCo for their work on this project.
The Sphere
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Who Says It Gets Easier?

Morro Bay Has Challenging SOI Update
By Paul Hood, SLO LAFCo Executive Officer

The City of Morro Bay is the last city MSR/SOI update to be completed by SLO LAFCo and is something of a challenge. The existing SOI was established in 1981 and includes approximately 21,800 acres (approximately 7 times the city limits, exclusive of water). This expansive SOI was requested by the city to follow the watersheds boundaries. At the time the Commission agreed and adopted the sphere. Since 1981, LAFCo has only processed one minor (7,800 sq.ft.) city annexation.

The SOI update evaluated four study areas (2,350 acres) adjacent to the city for possible inclusion within the sphere. These study areas were recommended for review by the city council and staff. An additional area was subsequently requested by city staff. The added area comprised 3,200 acres owned by the Chevron Land Company and located northeast of the city. The Chevron facility has been decommissioned and there is some discussion of a future change in land use from the current agricultural zoning. To complete the picture, all of the land surrounding the city is zoned agricultural with the exception of a mobile home park. Additionally, there are 7,665 acres of Williamson Act land and a 1,375 conservation easement bordering the city.

LAFCo staff recommended that the city’s SOI be reduced to the current city limits (with one minor exception) based on:

- The General Plan focuses on the city’s existing limits and does not include policies regarding future planned uses for areas located outside city limits. The plan does call for maintaining agricultural and open space uses around the fringe of the city.

LAFCo staff pointed out that a sphere can be amended at a time when plans for specific areas are more concrete and the City has adopted policies or plans for those areas. This should give the city adequate time to plan for the future uses and services needed for development.

The original recommendation by the Commission is to consider expanding the SOI in the future:

- The city and county did not come to an agreement on the future development of unincorporated areas on the fringe of the city or the location of the SOI.
- The city’s water and sewer master plans do not address the provision of services to areas outside the city limits.
- Most of the study areas are in the coastal zone where land use decisions are subject to review by the California Coastal Commission. It is unlikely, given the agricultural and coastal resources in the area, that the Coastal Commission would approve levels of development requiring urban services.
- Document that city financial circumstances have stabilized and services can be provided outside the city without negatively impacting existing residents.

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The City Council disagreed with LAFCo staff recommendation and requested that all four study areas be included in a new SOI. Reducing the SOI to the current city limits was perceived by the city as taking away its “influence” over the area. LAFCo staff stressed that land bordering the city will not be developed under current zoning and will not need city services unless it is rezoned. Further, the reduced SOI follows LAFCo guidelines, State law, and preserves lands zoned for agriculture and inactive agricultural uses.

The item was set for consideration by the Commission in June. The city requested a continuance. LAFCo staff suggested that a Memorandum of Agreement between the city and the county be drafted to establish a “referral area” that would formalize rules for development in the county that could impact the city. The Commission continued the matter until September to allow time to develop an agreement. LAFCo staff, with the help of Commissioner Bruce Gibson, the County Supervisor who represents Morro Bay, is facilitating the process in time for the council and board to approve the agreement before the Commission meets in September.

More to come …