MEMORANDUM

TO: Local Agency Formation Commission

FROM: Stephen Lucas, Executive Officer

SUBJECT: Agenda Item 6.1 - Executive Officer’s Report

DATE: December 22, 2016 for the meeting of January 5, 2017

ADMINISTRATION:

1. Commissioner Busch did not retain his seat on the Biggs City Council following the November election. Staff has requested the City Selection Committee to meet and select a new Alternate City Member to complete Mr. Busch’s term which expires May 2018.

2. The terms of two Special District seats (Lando, McGreehan) are due to end May 2017 and staff will begin the process of running the election for the special districts. This will start with a call for nominations in January and conclude with a mailed ballot election in April.

3. Financial Report: See Exhibit 1 Attached

PROJECT NOTES:

1. Staff has begun the process of updating the Mosquito and Vector Control District Municipal Service Review and preparing the associated Sphere of Influence Plans for each of the three districts (Butte County, Durham, Oroville). Background data is being collected and meetings with the District managers are scheduled for January 9, 2017.

CALAFCO:

1. Attached for review is The Sphere (Journal of CALAFCO) and the December 2016 Activities Report for the CALAFCO Board of Directors.

2. The CALAFCO Board met on December 9, 2016 in Sacramento. Commissioner/Board Member Connelly was appointed to the Legislative Committee (joining both the Executive Officer and Legal Counsel).

3. The CALAFCO Board annual goal setting retreat is scheduled for January 11 and 12, 2017 in San Jose.

LEGISLATION:

1. The legislative season has begun with the first formal meeting of the Legislative Committee held on December 16, 2016. The Executive Director advised the Committee that the Board of Directors has severely curtailed the legislative agenda for 2017 acknowledging that the organization simply does not have the resources to pursue all desirable legislation. The Board prioritized efforts related to the ongoing issue of mapping and expanding backbone services to disadvantaged unincorporated communities (DUCs), addressing safe drinking water issues as pushed by the Governors’ Office, the correction to GC56653 concerning plans for services for district annexations and the omnibus bill.
Commissioner Connelly has requested Assemblyman Gallagher consider carrying the bill to fix GC56653 and we will meet with him on January 9, 2017 to present the bill language.

**GENERAL NOTES:**
The City of Chico recently completed a 5 Year General Plan Review and staff report that outlined how the City is progressing with implementing its 2030 General Plan which was adopted in 2011. Staff comments (Attachment 1) on the Review were provided to the City for consideration by the Planning Commission. In general, the Review is very useful document with useful growth data and will assist LAFCO when reviewing/preparing the City's Municipal Service Review and Sphere of Influence Update. Of particular interest was a City staff recommendation to "down-zone" the Pomona Avenue area which resulted from LAFCO concerns over impacts to neighboring agricultural uses in the form of an almond hulling facility. The Planning Commission supported this recommendation onto the City Council.

**APPLICATION ACTIVITY**

<table>
<thead>
<tr>
<th>Application Activity</th>
<th>Date Application Received</th>
<th>Certificate of Filing</th>
<th>LAFCO Hearing Date</th>
<th>Certificate of Completion</th>
<th>SBE Submittal Date</th>
<th>Additional Comments</th>
</tr>
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<tbody>
<tr>
<td>Butte County</td>
<td>02/02/11</td>
<td>N/A</td>
<td>07/02/15</td>
<td>N/A</td>
<td>N/A</td>
<td>Incomplete - On Hold</td>
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<tr>
<td>Chico</td>
<td>04/17/15</td>
<td>05/17/15</td>
<td>07/02/15</td>
<td>To be Recorded 7/2020</td>
<td></td>
<td></td>
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<tr>
<td>Mulberry Annexation No. 1</td>
<td>04/17/15</td>
<td>05/17/15</td>
<td>07/02/15</td>
<td>To be Recorded 7/2020</td>
<td></td>
<td></td>
</tr>
<tr>
<td>AFRCO CSA MSR / SOI Plan Update</td>
<td>N/A</td>
<td>N/A</td>
<td>09/01/16</td>
<td>N/A</td>
<td>N/A</td>
<td>Approved - completing final doc</td>
</tr>
<tr>
<td>Singh-Etcheverry Annexation No. 1</td>
<td>05/27/16</td>
<td>07/19/16</td>
<td>09/01/16</td>
<td>10/05/16</td>
<td>11/17/16</td>
<td>Approved - Recorded in Sutter Co too</td>
</tr>
<tr>
<td>Ext of Services - 67 Riverview Terrace</td>
<td>04/06/16</td>
<td>N/A</td>
<td>08/04/16</td>
<td>N/A</td>
<td>N/A</td>
<td>Island annexation application received</td>
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<td>Humboldt Road Annexation No. 19</td>
<td>08/08/16</td>
<td>08/23/16</td>
<td>09/01/16</td>
<td>Approved - received new map/legal</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Riverview Terrace Annexation No. 1</td>
<td>09/19/16</td>
<td>10/13/16</td>
<td>11/03/16</td>
<td>Approved - need new map/legal</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Olive Hwy Annexation No. 1</td>
<td>09/19/16</td>
<td>10/11/16</td>
<td>11/03/16</td>
<td>Reconsideration requested by staff</td>
<td></td>
<td></td>
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<tr>
<td>MSR-SCI Plan Update</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>Letter agreement Oct. 2015</td>
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<td>Ext of Services - 85 Rose Avenue</td>
<td>10/12/16</td>
<td>N/A</td>
<td>01/05/17</td>
<td>N/A</td>
<td>N/A</td>
<td>In progress</td>
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<tr>
<td>SOI Amend &amp; Neal Rd Annexation</td>
<td>10/31/16</td>
<td>11/22/16</td>
<td>01/05/17</td>
<td>N/A</td>
<td>N/A</td>
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<td>Mosquito - MSR/SCI Plan Update</td>
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<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>In progress</td>
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<tr>
<td>Mountain View Dr Annexation No. 1</td>
<td>11/08/16</td>
<td>12/15/16</td>
<td>02/02/17</td>
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<tr>
<td>Ext of Services - 18 Mayfair Drive</td>
<td>12/01/16</td>
<td>N/A</td>
<td>02/02/17</td>
<td>N/A</td>
<td>N/A</td>
<td>Emergency connection approved</td>
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<tr>
<td>Gateway at Butte Creek</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Consultation</td>
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</tbody>
</table>

**Attachments:**
1. Comment Letter on City of Chico 5 Year General Plan Review
2. The Sphere
3. Executive Director Activities Report for the CALAFCO Board of Directors
## Exhibit 1 - FINANCIAL REPORT

Butte Local Agency Formation Commission  
FYE 2016-17 Budget Review

<table>
<thead>
<tr>
<th>Funding Sources</th>
<th>Budget</th>
<th>Special Projects</th>
<th>Total</th>
<th>Budget 12/16/2016</th>
<th>Budget % of Adopted</th>
</tr>
</thead>
<tbody>
<tr>
<td>441000 Interest</td>
<td>5,000.00</td>
<td>-</td>
<td>5,000.00</td>
<td>2,154.63</td>
<td>43.09%</td>
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<tr>
<td>441001 Unrealized Gain/Loss*</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(2,320.37)</td>
<td></td>
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<tr>
<td>453006 Other Govt Revenue (Cities)</td>
<td>263,994.00</td>
<td>-</td>
<td>263,994.00</td>
<td>263,994.00</td>
<td>100.00%</td>
</tr>
<tr>
<td>453008 Other Govt Revenue (County)</td>
<td>263,994.00</td>
<td>-</td>
<td>263,994.00</td>
<td>263,994.00</td>
<td>100.00%</td>
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<tr>
<td>453008 Other Govt Revenue (Special Districts)</td>
<td>58,666.00</td>
<td>-</td>
<td>58,666.00</td>
<td>58,647.00</td>
<td>99.97%</td>
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<tr>
<td>454000 Other-In-Lieu Revenue</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3.00</td>
<td></td>
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<tr>
<td>462005 Charges for Services</td>
<td>29,571.00</td>
<td>-</td>
<td>29,571.00</td>
<td>37,626.34</td>
<td>127.24%</td>
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<tr>
<td>473000 Miscellaneous Revenue</td>
<td>6,000.00</td>
<td>-</td>
<td>6,000.00</td>
<td>471.89</td>
<td>7.86%</td>
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<tr>
<td>473000 Miscellaneous Revenue (SOI Trust Fund)</td>
<td>20,000.00</td>
<td>-</td>
<td>20,000.00</td>
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</table>

**Total Funding Sources**  
647,225.00  
647,225.00  
624,570.49  
96.50%

<table>
<thead>
<tr>
<th>Expenditures</th>
<th>Budget</th>
<th>Special Projects</th>
<th>Total</th>
<th>Budget 12/16/2016</th>
<th>Budget % of Adopted</th>
</tr>
</thead>
<tbody>
<tr>
<td>511000 Regular Help Wages</td>
<td>316,925.00</td>
<td>-</td>
<td>316,925.00</td>
<td>133,939.07</td>
<td>42.26%</td>
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<tr>
<td>512010 ER PERS</td>
<td>22,000.00</td>
<td>-</td>
<td>22,000.00</td>
<td>11,893.82</td>
<td>54.06%</td>
</tr>
<tr>
<td>512025 POB Safety</td>
<td>2,760.00</td>
<td>2,760.00</td>
<td>107.55</td>
<td></td>
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<tr>
<td>512035 PERS EPMC</td>
<td>6,500.00</td>
<td>-</td>
<td>6,024.00</td>
<td>92.68%</td>
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<tr>
<td>513000 Health Insurance</td>
<td>54,500.00</td>
<td>-</td>
<td>21,034.30</td>
<td>38.60%</td>
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<tr>
<td>513010 Basic Life</td>
<td>144.00</td>
<td>-</td>
<td>55.00</td>
<td>38.19%</td>
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<tr>
<td>513020 LTD Department Heads</td>
<td>1,046.00</td>
<td>1,046.00</td>
<td>415.21</td>
<td>39.70%</td>
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<tr>
<td>513030 State Unemployment Insurance</td>
<td>757.00</td>
<td>-</td>
<td>757.00</td>
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<tr>
<td>515000 FICA &amp; Medicare</td>
<td>24,100.00</td>
<td>-</td>
<td>10,613.83</td>
<td>44.04%</td>
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<tr>
<td>516000 Employee Assistance Program</td>
<td>528.00</td>
<td>-</td>
<td>33.48</td>
<td>6.34%</td>
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<td>516001 Flex Spending Fees</td>
<td>40.00</td>
<td>-</td>
<td>40.00</td>
<td>30.00%</td>
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<tr>
<td>516002 Other Benefits</td>
<td>-</td>
<td>-</td>
<td>1,050.84</td>
<td>30.00%</td>
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<tr>
<td>516004 EE PERS</td>
<td>22,185.00</td>
<td>-</td>
<td>9,375.71</td>
<td>30.00%</td>
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<tr>
<td>516010 Cash Back Payments</td>
<td>6,067.00</td>
<td>-</td>
<td>2,527.55</td>
<td>41.66%</td>
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<tr>
<td>523000 Telephone Charges</td>
<td>3,102.00</td>
<td>-</td>
<td>1,526.29</td>
<td>49.20%</td>
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<tr>
<td>523010 Fax, Pagers &amp; Cell Phones</td>
<td>840.00</td>
<td>-</td>
<td>350.00</td>
<td>41.67%</td>
<td></td>
</tr>
<tr>
<td>525020 Janitorial</td>
<td>500.00</td>
<td>-</td>
<td>-</td>
<td>0.00%</td>
<td></td>
</tr>
<tr>
<td>526010 Insurance: Outside Purchase</td>
<td>4,000.00</td>
<td>-</td>
<td>3,833.52</td>
<td>95.84%</td>
<td></td>
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<tr>
<td>531000 Associations Memberships</td>
<td>4,850.00</td>
<td>-</td>
<td>3,818.00</td>
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<td></td>
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<tr>
<td>533000 Small Office Equipment</td>
<td>6,000.00</td>
<td>-</td>
<td>1,425.24</td>
<td>2.38%</td>
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<tr>
<td>534000 Consultants</td>
<td>67,561.00</td>
<td>-</td>
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<td>534005 Claims Administration</td>
<td>2,300.00</td>
<td>-</td>
<td>2,246.16</td>
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<td>534020 Data Processing</td>
<td>6,680.00</td>
<td>-</td>
<td>3,340.00</td>
<td>50.00%</td>
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<tr>
<td>535000 Legally Required Publications</td>
<td>2,000.00</td>
<td>-</td>
<td>1,907.65</td>
<td>95.38%</td>
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<tr>
<td>536000 Equipment: Rent and Lease</td>
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<td>-</td>
<td>300.00</td>
<td>0.00%</td>
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<tr>
<td>537000 Building: Rent and Lease</td>
<td>14,250.00</td>
<td>-</td>
<td>4,730.40</td>
<td>33.20%</td>
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<tr>
<td>539001 Special Departmental Expense</td>
<td>3,500.00</td>
<td>-</td>
<td>2,610.49</td>
<td>74.59%</td>
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<td>540010 Vehicle Expense Reimbursement</td>
<td>11,040.00</td>
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<td>4,600.00</td>
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<td>540220 Travel/Transportation</td>
<td>18,000.00</td>
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<td>5,870.76</td>
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<td>541000 Electricity/Water/Sewer/Gas</td>
<td>4,750.00</td>
<td>-</td>
<td>1,857.13</td>
<td>39.10%</td>
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<tr>
<td>580010 Appropriation Contingency</td>
<td>30,000.00</td>
<td>-</td>
<td>-</td>
<td>0.00%</td>
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<tr>
<td>101001 Appropriation for Reserve</td>
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<td>-</td>
<td>-</td>
<td>0.00%</td>
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**Total Expenditures**  
647,225.00  
647,225.00  
258,045.78  
39.87%

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* Unrealized gain/loss is based on cash at years’ end and is a requirement of audited financial statements. Figure is booked and reversed in new year.
December 15, 2016

Brendan Vieg, Principal Planner
City of Chico
411 Main Street
P.O.B 3420
Chico, CA 95927

RE: 5 Year General Plan Review

Dear Brendan:

The Butte Local Agency Formation Commission would like to thank you for preparing a very comprehensive 5 Year General Plan (GP) review. We have reviewed both the 5 Year Review and accompanying staff report and would like to offer the following observations for your consideration.

1. We continue to appreciate the renewed cooperative effort between City and LAFCO staff to work through a number of growth issues such as annexations of existing islands and new development to the update of the City’s Municipal Service Review (MSR) and Sphere of Influence Plan (SOI).

2. The 5 Year GP review effort dovetails nicely with the ongoing MSR/SOI update. Of significant importance is the well crafted Land Availability and Capacity section that provides essential data related to vacant land inventories that will be instrumental in any future sphere of influence amendments and annexation proposals. The full utilization of vacant lands or "opportunity sites" is highly desirable from a LAFCO perspective as it reduces pressures to develop at or beyond the current urban limit lines which may lead to the premature conversion of agricultural and open space lands.

3. We are glad to see the City continues to recognize the importance of developing an annexation plan to address the properties south of West Sacramento Avenue, the area between E. Lassen Avenue and Eaton Road, Chico Canyon Road/Centennial Avenue, and El Monte Avenue. We are hopeful that as development continues to uptick and the City’s fiscal health improves, the annexations of these areas will become a priority for the City in conjunction with new growth opportunities in the Special Planning Areas (SPAs).
4. While the City GP continues to support growth through infill which reduces the impacts on vacant and agricultural lands on the fringes, it is these fringe areas that face the burden of buffering non-urban land uses, primarily agricultural uses. This issue was spotlighted during the Pomona Avenue annexation proposal which you described on Page 15 of your staff report. As you discuss, the current MHD zoning created potential conflicts between the proposed 160 apartment complex and the neighboring agricultural processing uses. While such conflicts cannot always be anticipated, such occurrences are heightened when zoning along the urban fringe allows for such incompatibilities or does not require suitable buffering mitigations. For these reasons, we are concur with the City staff recommendation to amend the General Plan and zoning designations to the prior very low density residential designation. Without such a change, any future annexation of this area is likely to face significant scrutiny from LAFCO.

Again, we appreciate the City preparing a valuable and thorough 5 Year General Plan Review and look forward to the ongoing cooperative effort between LAFCO and City staff in implementing the City's future growth goals.

Respectfully,

Steve Lucas
Executive Officer

cc: LAFCO
County of Butte
CALAFCO 2016 Annual Report to the Membership

Dear CALAFCO Members:

The CALAFCO Board of Directors is proud to report the progress of our Association during the past year, which was a very full year. This year we successfully integrated many of the organizational changes the Board approved in July 2015. The year was also marked with a successful Annual Conference in Sacramento, Staff Workshop in Los Angeles, an increased presence across the state and as an advocate for LAFCo and LAFCo principles to statewide decision makers, and a mixed-bag of legislative efforts that included sponsoring two legislative bills (both signed into law), responding to a host of LAFCo-related bills, and testifying at a special hearing of the Little Hoover Commission (LHC).

The Association continues to be on sound financial ground. We are pleased to report that all 58 member LAFCos have renewed their membership for the 2016-17 fiscal year, and today we have six (6) Gold Associate members and twenty-four (24) Silver Associate members. The FY 2016-17 adopted budget not only increases member service levels, it also retains a healthy reserve, and allows us the opportunity to reinvest into the membership in several ways.

Our achievements are the result of the dedicated efforts of many volunteer LAFCo staff from around the state who contribute their time and expertise. The Board is grateful to the Commissions who support their staff as they serve in the CALAFCO educational and legislative roles on behalf of all LAFCos. We are also grateful to the Associate members and event Sponsors that help underwrite the educational mission of the Association and allow us to keep registration fees as low as possible.

Early in 2016 your Board of Directors conducted a full review of the Association’s performance in meeting the 2015 objectives as outlined in the organization’s 2015-2016 Strategic Plan. This was the first time such a review was conducted. We also took this time to review the objectives set for 2016 and revise them where appropriate. We reported our “dashboard report card” and the changes to the Strategic Plan to you, the membership, shortly thereafter. The objectives for 2016 remained aggressive and robust, and we are pleased to report the outcomes to date.

Continued on Page 6
A MESSAGE FROM
THE CHAIR OF
CALAFCO

Over the last two years that I have served as Chair of CALAFCO, I have been able to experience the strength of our individual LAFCOs, help lead a valuable restructuring of our organization, and work directly with the Governor’s office, state Legislators and most recently with the Little Hoover Commission (LHC). Through this all, I have gained some insight into what makes our work critical to the development of our state and the role that our local organizations play in helping shape the future of California.

CALAFCO was recently invited to testify before the LHC to talk about the role that special districts play in our state. The last time the LHC looked at LAFCos was 16 years ago, and some of their recommendations were included as part of the major overhaul, which became the Cortese-Knox-Hertzberg (CKH) Act of 2000, the operating legislation for LAFCOs. They were revisiting some of the issues with special districts, and, with the LHC’s important role in influencing LAFCo law, we took the opportunity to review with them some of the additions made to the law and their impacts.

Our written testimony was a valuable report on the history of LAFCOs, some of the contributions we have made to state governance, and both the challenges and opportunities that exist for LAFCOs. It included useful information about the budgets, staffing and makeup of the state’s 58 LAFCOs. I encourage you to read it at www.calafco.org because it is a wonderful overview of who we are and what we do.

Before the LHC, Pamela Miller, our Executive Director, related an analogy about the Legislature’s giving LAFCOs a brand new Rambler in 1963 when the original law was written. Over the years they have added new passengers and even changed part of the course for LAFCOs, but they have never given us a new car so we are still rolling down the road with a few dings, a bumper hanging off, and a car filled to the brim. We all tried to make the point that there is only so much a LAFCo can do when our funding is fairly static but our responsibilities continue to grow.

We focused on the development of Municipal Service Reviews (MSRs) since CKH. We pointed out how various LAFCos approached this new responsibility and their role, along with Spheres of Influence (SOIs), in long-term planning. LAFCOs can make recommendations that are operational in nature, such as addressing governance, managerial or financial concerns. When using these tools, a LAFCo can recommend a consolidation and dissolution of a district, but it can’t mandate a district to take action; further LAFCos lack the authority to ensure implementation. Districts are not required to adhere to LAFCo recommendations and, even when they agree, the voters may decide in the end that they don’t want to make any changes.
LAFCos are able to consider local circumstances and conditions, and, while special legislation addresses an immediate concern, it often results in collateral long-term impacts to resolving local issues.

Increasing demands from the Legislature for LAFCos to address local agency deficiencies without the authority and resources to do so and the reluctance of local agencies to readily accept LAFCo assistance or intervention combine to create a lose-lose for all. Instead, we suggested remedies that would help legislators deal with underperforming districts while maintaining the important local control for decisions.

In our testimony we advocated for increased revenue options for LAFCos. We suggested that the state grant LAFCo the statutory authority and financial resources to identify inactive districts and dissolve these districts after the appropriate study has been conducted or certain determinations have been made by the LAFCo. In order to assess the effectiveness of MSRs, we recommended a statewide study and from that study, make legislative changes as appropriate. It has now been 16 years since LAFCos were authorized to conduct regular SOI updates and MSRs. Enough time has passed, and enough LAFCos have completed several “rounds” of these studies for there to be the kind of data needed to study and evaluate the effectiveness of the requirement. Lastly, we urged the LHC to push for some of the findings they made 16 years ago that would help in the statewide discussion about the efficacy of district consolidations or reorganizations. The LHC study previously pointed to the need for a long-term study of consolidations; the development of metrics to assess special districts that LAFCos could use in their MSRs and SOIs; and the development of cadre of trainers of former LAFCo and special district executives to train and or assist and advise in certain situations.

Our shared challenges are best worked out in partnership. We emphasized our interest for CALAFCO to work with special districts and the Legislature as a partner to help provide efficient services in our state and prepare for challenges that were unseen when LAFCos were created.

We have come a long way as LAFCos since our birth in 1963. Our testimony before the LHC gave me an opportunity to reflect on the many changes that we have experienced and the challenges that lay ahead.

Over the last two years as your chair, I have seen our organization grow in size, financial capacity, and effectiveness at the state level. CALAFCO will continue to evolve in the future to meet the needs of our 58 LAFCos and serve the state.

It has been an honor to lead this incredible organization over the last two years. Thank you to all the wonderful Board members with whom I have had the pleasure to serve, our dedicated staff of Executive Officers who have ably supported our work, and our effective and talented Executive Director who has helped CALAFCO grow in ways that strengthen our organization internally and externally.

Thank you,

John Leopold
The Road Ahead: Looking Back at the Steps Forward

Last year has been an interesting one for CALAFCO. The Association dealt with some expected changes and challenges and faced some unexpected ones too. We forged new partnerships with CV Strategies to create a new Conference Sponsorship model, began the work of transitioning our email and website hosting services to a new firm, Matson & Isom Technologies, and began work with the American Farmland Trust on a White Paper on Agricultural Preservation Policies.

We strengthened existing partnerships, continued to work with the State Water Resources Control Board (SWRCB) on water-related legislative matters and collaborated with CSDA on two projects: a Formation Guide for Special Districts and Countywide RDA Oversight Board Procedures (pertaining to special district seats).

We responded to a plethora of legislation that deeply impacted LAFCo, not the least of which was SB 1318 (Wolk). And, in an unexpected turn of events, CALAFCO was called to testify before the Little Hoover Commission (LHC) at its August hearing on special districts. The combination of experiences of working on SB 1318 and preparing the testimony for the LHC was both educational and eye-opening for me.

The study and report for the LHC on the evolution of LAFCos, especially focusing on the past 16 years, allowed me the chance to look in the rear view mirror; the focus on challenges for LAFCos today allowed me the chance to stand in the present moment; and the report’s attention on future opportunities for LAFCos allowed me to look forward. This interesting perspective made clear for me several things.

First, LAFCos have come a long way over the past 53 years and especially over the past 16 years.

A Message from the CALAFCO Executive Director

Pamela Miller
Executive Director

Think about it – LAFCo was originally created in 1963 to review and approve or disapprove proposals for incorporations and the creation of special districts. Compare that to today’s charge for LAFCo and there is a world of difference…as I suppose there should be over a 53-year timespan.

Think of how the world has changed in the past 53 years…it only makes sense that LAFCo would change with it.

Next, if you ever wonder what use the CALAFCO Biennial Survey data is…let me tell you – the 2015 survey data was certainly put to good use in the LHC testimony. This data provided support to several points made within the testimony: first is the different staffing models of LAFCos throughout the state; second, the range in LAFCo budgets; third, the level of independence and employment models used by LAFCos around the state; and finally, the ability or inability of LAFCos to meet their statutory requirements based on their current budget levels.

Another thing that became clear to me is that the resources available to LAFCo have not kept pace with the evolution of the role and responsibilities of LAFCo through the years. Increasing demands from the Legislature for LAFCos to address local agency deficiencies without the authority and resources to do so, and the reluctance of local agencies to readily accept LAFCo assistance or intervention, combine to create a no-win for all.

Ultimately, LAFCos must still rely on the participating local agencies as their primary source of operational revenue (other than fees for services). These are the same agencies that are also critically reviewed by LAFCo and that may not view a strong LAFCo as a helpful entity. This has become increasingly challenging as local agencies continue to grapple with their own fiscal shortages and desire to maintain local control in an era of increasing regional planning demands.
Other challenges facing LAFCOs today and in the future that crystalized for me include the matter of independence, which remains a struggle for many of our LAFCOs; political pressures for Commissioners; dealing with unique service entity structures such as Mutual Water Companies and JPAs; and the recent challenge of LAFCo authority by the Legislature pursuant to bills introduced in the 2015-16 legislative year.

Finally, in working on SB 1318, what became very clear to me and others is that there is a need for us to ensure that all of our LAFCOs are in compliance with the disadvantaged unincorporated communities (DUC) mapping required by SB 244 (Wolk, 2011).

From the realization of these challenges also came the clarity that there are many opportunities.

As part of our written and verbal testimony to the LHC, CALAFCO offered a number of opportunities to address many of these challenges. While some of these opportunities are not within our direct control, some are, while others can be influenced by us.

These opportunities include additional state-level funding for LAFCos across the board – or at the very least to conduct more in-depth studies on service providers that need greater scrutiny. To that end CALAFCO offered a number of options for the LHC and state Legislature to consider. We suggested considering the appointment of Commission members to fixed terms as a potential opportunity to create a better balance of the democratic appointment process with the empowerment of the official to act more independently. We also suggested a statewide study on the effectiveness of MSRs and a review and revisions of certain outdated principal acts, and we advocated strongly to keep LAFCo decisions local without interference from the state Legislature. CALAFCO also recommended that the state support a study of the long-term effects of consolidations and reorganizations. This recommendation stems from the ever-increasing pressure LAFCos are feeling to initiate and/or approve such actions.

Further, as an outcome of all of the work done by CALAFCO this year on SB 1318, the CALAFCO Board approved staff’s recommendation (supported by our Legislative Committee) to embark on a project of mapping DUCs in all 58 counties and including this mapping within a White Paper on DUCs to be produced within the next year. These maps will be provided to both OPR and the SWRCB. CALAFCO is committed to having these maps updated every five years. This does not mean LAFCos cannot continue to produce their own mapping – as many of you are already mapping DUCs at a more detailed level than this project will do. However, this project will not only bring all LAFCos into compliance with the mapping requirements but will also demonstrate that we are willing and able to respond to the critique of non-compliance. By approaching this mapping with a consistent and statewide effort, CALAFCO has the opportunity to provide a significant benefit to our member LAFCos, which in turn benefits the communities they serve.

No one knows what the future holds for LAFCos, but one thing is for certain: the road ahead is wide open with possibilities, challenges and opportunities. We just need to make sure we have our eyes open wide enough to see everything and be able make the distinctions necessary to take the correct turn.

Pamela Miller
Annual Membership Report

Continued from cover

EDUCATIONAL SERVICES AND COMMUNICATION

CALAFCO educational and information sharing-services are the Board’s top priority for member services. The Association focuses its resources in four areas: the Staff Workshop, Annual Conference, CALAFCO University courses, and electronic resources including the web site, quarterly reports and the member list-serves.

Staff Workshop and Annual Conference

We continued the tradition of quality education programming with the Staff Workshop held in Universal City in late March and the Annual Conference in Santa Barbara in October. The Workshop, hosted by Los Angeles (LA) LAFCo, brought together 111 LAFCo staff from around the state and six Associate members.

With the theme **JEOPARDY: What is the Evolving Role of LAFCo?**, this year’s program included a range of both technically-oriented and professional development topics. We began with a special Mobile Workshop panel and tour learning about the NBC Universal Evolution Plan, Alt. No. 10: No Residential Alternative. The panel included those from local public and private entities who worked with LA LAFCo on the project, as well as LA LAFCo staff who offered their own perspective on the project. Also included was a very special backlot tour of NBC Universal Studios, which was followed by lunch. NBC Universal was a very gracious host, and CALAFCO very much appreciated its generous full sponsorship of this very special Mobile Workshop.

Workshop sessions included general sessions on water, legislative impacts of 2015, legislative updates, and a special session on Building Trust by the Franklin Covey Group. Breakout sessions were a mixed bag of technical topics such as website development, database management, new LAFCo laws for clerks, protest provisions, Brown Act 101 and legislation 101. In addition to the Building Trust session, personal development topics included team building.

We were treated to a very special lunch program that involved a look back in time at some of our LAFCo members and after dinner entertainment in the form of a LAFCo Jeopardy game (which turned out to be highly competitive as well as a lot of fun). We would like to thank the Program Planning Committee members and Kris Berry (Placer LAFCo), Marjorie Blom (Assoc. member) and Pamela Miller (CALAFCO), all of whom co-chaired the Program Committee, our host, LA LAFCo, led by Paul Novak and his entire team of staff, and all who worked to make this an outstanding Staff Workshop. We also acknowledge and thank the sponsors of this year’s Staff Workshop.

The 2017 Staff Workshop is set for April 5-7, 2017 at the beautiful Doubletree by Hilton in downtown Fresno. Our host for this workshop will be Fresno LAFCo.

Approximately 270 LAFCo commissioners, staff and guests are expected at the 2016 Annual Conference in Santa Barbara. Hosted by Santa Barbara LAFCo and held at the Fess Parker DoubleTree, just across from the breathtaking Pacific Ocean, the program centers on the theme “**Orchards to Oceans: Balancing California’s Diversity**” and includes a range of content-rich sessions focused on how LAFCos can be even more effective at balancing our state’s diverse needs. The Mobile Workshop is scheduled to take us on a local greenhouse tour where cutting-edge technology is used to grow plants, followed by a tour of Bradbury Dam at Lake Cachuma. Following the theme of water and land, opening general sessions include a water report from varying perspectives and a look at the preservation of open space and agricultural lands. Other sessions include a unique look at cutting-edge trends and LAFCo, disadvantaged
unincorporated communities, CEQA, LAFCo
and demographics over time, AB 8, the status of
city incorporations, and the Legislature’s recent
trend of overriding LAFCo authority. We will
close with our powerful and informative
legislative update that includes panelists from
both the Senate Governance and Finance
Committee and CALAFCO’s Legislative
Committee.

The LAFCo 101 session was once again open for
attendance to those who are not attending the full
conference at a deeply discounted rate. This
allows agencies to send staff and elected officials
to this very special 2-hour session on
understanding and applying the basics of
LAFCo. This year we are proud to announce a
very special luncheon keynote speaker, Mr. Jean-
Michel Cousteau.

We acknowledge and thank Santa Barbara
LAFCo for hosting the Conference, their staff for
all of their hard work: Paul Hood, Michael Allen
and Jacqueline Alexander, the Conference
Committee Chair Sblend Sblendario (Alameda
LAFCo), the Program Committee Chair David
Church (San Luis Obispo LAFCo), and all who
are working on the Program Committee to make
this an outstanding Conference.

We wish to also thank all of our sponsors for this
year’s Annual Conference, without whom this
special event would not be possible.

This is the last year a local LAFCo will host the
Annual Conference. Next year’s Conference will
be hosted by CALAFCO and held at the
beautiful Bahia Hotel in Mission Bay, San
Diego, October 25 – 27.

CALAFCO University

Last year the Board
approved a reduction in
the number of annual
offerings for CALAFCO U courses. Now, we
offer two sessions annually, one in Sacramento
and the other in the southern part of the state.
Your feedback was to hold fewer courses with
topics that were meaningful and timely, as
LAFCos have limited training dollars and there
were too many options from which to choose.

The final CALAFCO U for 2015 was held in
Sacramento on November 9 and had 34 people
in attendance. The topic was Implementing SB 88 –
Water System Consolidations: What Does It
Mean For LAFCo? Panelists included staff from
the State Water Resources Control Board
(SWRCB) and the Governor’s Office of Planning
and Research (OPR). After hearing about the
functions of the SWRCB, an overview of SB 88
and how the SWRCB plans to implement the
legislation, attendees had an opportunity, in
small group discussions, to provide the panel
feedback on potential issues, how we see LAFCo
involved in the implementation, and what would
be needed in order to make that work. This
information was collated and presented to the
SWRCB and OPR, and used by CALAFCO to
inform clean-up legislation this past year.

Topics for the next two sessions have been
identified as Enhancing Partnerships and
Relationships With Affected Agencies and
Negotiations and Mediation: How LAFCos Have
Dealt With Unique Situations. Watch for
confirmation of dates and locations as staff
continues to work out details.

Accreditations

CALAFCO’s educational activities continue to
be accredited by the American Planning
Association to provide AICP credits for certified
planners. This benefit is provided at no cost to
LAFCo staff and helps them maintain their
certifications. In addition, both the Conference
and Workshop have sessions for LAFCo counsel
that have been accredited for MCLE credits by
the California Bar.

Web Site

The CALAFCO web site is a vital resource for
both LAFCOs and the community with questions
about local government in California. The site
consistently attracts between 5,500 and 6,500
visits per week. The vast majority of the visits are
for the reference and resource materials found on
the site and referral information to member
LAFCos.

This year we planned to migrate to our new
website and email host in the spring. We
seamlessly transitioned our email services to the new host as planned. However, the website revision and migration have taken longer than expected. After receiving input from various LAFCo staff on the look and feel of the design and the features and functionalities desired, the site was designed. Migration of the existing data took longer than expected due to many broken links and content duplication behind the scenes. These things are a result of a lack of security updates and patches, not a result of the original design. Other primary delays were due to a very heavy legislative year and an unexpected call to testify before the LHC.

We are happy to report full migration will occur before the end of this year, and our new host will provide technical support and full security for our new site.

**List-Serves**

The list-serves maintained by the Association continue to be an important communication and information sharing tool among LAFCo staff. In total, we maintain eight list serves to help members share information, materials, and expertise. The List-Serves for executive officers, analysts, clerks and counsel discussions remain the most popular and serve to foster the sharing of information and resources. As mentioned above, all of the Association’s email services have successfully been transferred to the new provider.

**Quarterly Updates**

After each Board meeting, the Association’s executive director creates and distributes through the list serves a quarterly report on the activities of the Board and Association. Since The Sphere is now an annual newsletter, these quarterly reports have been enhanced to contain more information, a special feature highlighting Associate Members and local LAFCo updates. These bulletins provide informational updates in a timelier manner and at less cost to the Association. The feedback we’ve received as a result of these changes is positive, so this is a change the Association will keep in place.

**White Papers**

This year we focused our efforts on a White Paper pertaining to the Sustainable Management Groundwater Act (SGMA) and LAFCos. Last minute feedback from OPR and the SWRCB requires one final update to the paper before release, which is scheduled within the next month. CALAFCO wishes to thank David Church (SLO LAFCo), John Marchand and Mona Palacios (Alameda LAFCo), and Best Best and Krieger for their work on this paper.

Additionally, CALAFCO recently teamed up with the American Farmland Trust (AFT) on a joint collaboration White Paper on Agricultural Land Preservation. With work just getting underway on this paper and an estimated completion date of June 2017, we want to acknowledge the volunteers working on this paper: Christine Crawford (Yolo LAFCo), David Fey (Fresno LAFCo), Elliot Mulberg (Solano LAFCo), Neelima Palacherla (Santa Clara LAFCo) and Serena Unger of the AFT.

Finally, in July of this year your Board approved an earmark for part of the carry-over from the FY 2015-16 budget that is being moved into Contingency for a White Paper to be completed on disadvantaged unincorporated communities (DUCs) that would include mapping all DUCs throughout the state at the census block group level. This project is a result of the work done by CALAFCO this past year on SB 1318 (Wolk), during which we determined that not all LAFCos are in compliance with the mapping requirements of SB 244 (Wolk, 2011). This document allows CALAFCO to proactively be in control of the information being shared and most importantly brings all 58 LAFCo members into compliance with the requirements of SB 244. Once completed, the information will be shared with OPR, the SWRCB and the Legislature. CALAFCO is committed to updating the maps every five years.
LEGISLATIVE PROGRAM

This year CALAFCO sponsored two bills, responded to a host of bills that impacted LAFCOs, remained in discussions with OPR and the SWRCB on water-related matters, and testified before the LHC. Due to our efforts to help solve problems and resolve issues constructively, CALAFCO continues to be a sought-after resource to legislative committees, members and staff, and to state agencies.

The CALAFCO Legislative Committee (Committee) began work in November and met regularly throughout the year. Based on a very narrow scope of legislative priorities set by the Board last year, the focus this year was on a limited Omnibus bill, sponsoring legislation that strengthened the communication relationship between LAFCOs and JPAs, and we continued work on finding an author to carry the technical clean-up language needed for SB 88 (2015). The limited scope was due to the anticipation of a need to react to legislation introduced that would impact LAFCo, which turned out to be an insightful decision.

This year’s Omnibus bill, AB 2910, which was signed by the Governor on August 22, contained eight different changes to Cortese-Knox-Hertzberg (CKH) such as clarifying several definitions, making changes to obsolete and incorrect code references, and making minor updates to several outdated sections. In particular there were minor clean-ups done to the work CALAFCO did last year in the disincorporation statutes and the removal of the requirement of a comprehensive fiscal analysis based on last year’s changes to GC §56133 done through SB 239 (Hertzberg).

With thirteen proposals submitted by LAFCo staff and two additional items included from the Assembly Local Government Committee (ALGC), a large number of items had to be left off the bill this year. These will likely be considered for next year’s Omnibus bill.

We are grateful for the efforts of Committee member Paul Novak (LA LAFCo) and ALGC consultant Misa Lennox for their efforts on shepherding this bill, and to all of you who did the work of submitting proposals for insertion into the Omnibus.

The other CALAFCO sponsored bill is SB 1266 (McGuire). This bill was also signed by the Governor on August 22. This bill requires certain JPAs that were formed for the purpose of providing municipal services to file a copy of their agreement, or any amendments to their agreement, with the local LAFCo, just as they do with the Secretary of State. The bill allows for the same punitive actions for the JPA that are under existing statutes should they not comply with this filing. JPAs have until July 1, 2017 to comply with the filings. This data will help inform every LAFCo as to exactly which JPAs exist and the exact services they were formed to provide. CALAFCO conducted extensive stakeholder outreach prior to the bill’s introduction and continued these efforts in the bill’s early stages. This concentrated effort afforded us no opposition to this piece of legislation (although several amendments were required to get to that point). We want to thank Keene Simonds (Marin LAFCo) for his work in leading the efforts with this bill.

The other big piece of legislation that required great resources from CALAFCO this year was SB 1318 (Wolk), which was a follow up bill to SB 244. CALAFCO assumed an Oppose position but worked very hard with the author’s office and sponsor on several rounds of amendments. We wish to thank José Henríquez (El Dorado LAFCo), Steve Lucas (Butte LAFCo), Bill Nicholson (Merced LAFCo), Paul Novak (LA LAFCo) and Keene Simonds (Marin LAFCo) for assisting the executive director with the efforts pertaining to this bill. CALAFCO attended hours of stakeholder meetings, and meetings with the sponsor and author’s staff in an effort to reach common ground. Additionally, this team spent many hours crafting multiple re-writes of the bill. The bill, which focused on the provision of
drinking water and wastewater to DUCs, initially severely restricted LAFCos when considering certain annexations and created, for LAFCo, a host of unfunded mandates pertaining to DUCs. In that the bill was widely opposed by stakeholders, the author's office and sponsor considered a number of amendments. In the end, however, no agreement was reached among stakeholders, the sponsor and the author, and Senator Wolk dropped the bill. The bill also contained an amendment that addressed our need to amend GC §56653, but that was lost when the bill was dropped.

As mentioned previously in this report, even though the bill died, CALAFCO came away with a significant outcome in the form of a future action. As a direct result of our involvement and discussions on SB 1318, CALAFCO will undertake a White Paper and full mapping project of all DUCs within the state in 2017.

CALAFCO was also actively involved in stakeholder discussions regarding SB 1262 (Pavley). A follow up to the groundwater legislation passed in recent years, this bill made substantive changes to the Water Code as it pertains to water supply planning. Several of our requested amendments were taken and ultimately the bill was signed into law by the Governor. CALAFCO maintained a Watch with Concerns position on this bill until the majority of our concerns were addressed, at which time we moved to a Watch position.

This year we saw a rash of bills introduced that either bypassed LAFCo completely or in some way diminished LAFCo authority. The ALGC saw enough of these bills (almost all of them introduced in the Assembly) such that, by mid-year, the Chair created a questionnaire asking authors their reasoning behind the action. CALAFCO worked on a number of these bills with the respective authors' offices. These and other bills on which we worked included:

- **SB 552** (Wolk) This bill served as the vehicle to pass the one technical amendment CALAFCO sought to SB 88 (2015). It contained several other technical amendments and gave the SWRCB the authority to appoint an Administrator for a water system (as opposed to mandating consolidation). The bill was signed by the Governor. CALAFCO did not take a formal position on this bill.

- **SB 817** (Roth) As he has done the past several years, Senator Roth again carried this bill which called for reinstatement of the VLF through ERAF for cities that incorporated between January 1, 2004 and January 1, 2012. Although it passed the Legislature, the bill was again vetoed by the Governor. CALAFCO had a Support position on this bill.

- **AB 2414** (Garcia) As amended, this bill requires Riverside LAFCo to approve the expansion of the Desert Healthcare District providing a determination is made that the expansion is financially feasible. Although the author accepted several of CALAFCO's requested amendments, in the end it left no discretion to Riverside LAFCo. As a result, we maintained our Oppose position. The Governor signed the bill September 21.

- **AB 2470** (Gonzalez) As amended, this bill requires a water agency to provide water service upon request of an Indian tribe and under certain conditions, to the tribe at substantially the same terms as existing customers of the water district even though no annexation of the land to be serviced is required. The proposed process bypasses entirely the LAFCo process and requires the water agency to provide the service without discretion. The author introduced the bill to deal with a local issue, despite the fact the bill did not name the Indian tribe for which it was written. CALAFCO maintained a Watch With Concerns position on the bill. The author had the support of the entire San Diego legislative delegation as well as the local water providers. Ultimately the bill was signed by the Governor.
• **AB 2471** (Quirk) As amended, the bill divested Alameda LAFCo of its authority and discretion pertaining to the Eden Healthcare District. The bill required the Alameda LAFCo to review Eden Healthcare District's compliance with certain criteria set forth in the bill and if all of the prescribed criteria was met, required the LAFCo to order the dissolution of the district. After much work by Alameda LAFCo and CALAFCO and a formal request by the City of Hayward to the LAFCo to conduct a thorough district review, the author dropped the bill. CALAFCO maintained an Oppose Unless Amended position.

Thorough legislative updates are provided in each Quarterly Report. For a complete list of CALAFCO bills, please visit the CALAFCO website. Information is updated daily.

**CALAFCO AS A RESOURCE**

**The Little Hoover Commission**

The LHC contacted CALAFCO in early summer this year as it planned to hold an informational hearing on special districts. This hearing was a follow-up to the Commission’s 2000 report on the effectiveness of special districts. CALAFCO was one of six primary witnesses to testify at the hearing on August 25. Preparation leading up to the hearing required CALAFCO to submit written testimony to the LHC in response to a specific series of questions posed. Our executive director, with the proofreading help of several local LAFCo and legal staff (and we thank Harry Ehrlich, San Diego LAFCo, Steve Lucas, Butte LAFCo, John Leopold and Pat McCormick of Santa Cruz LAFCo, and Clark Alsop and Paula de Sousa Mills of BB&K for their assistance) produced a 19-page written testimony in advance of the hearing. The report was also distributed to the CALAFCO membership and placed on the CALAFCO website.

In addition to CALAFCO’s testimony, during the hearing the LHC heard from the CA Special Districts Association (CSDA), the CA Healthcare Districts Association, the North Tahoe Fire Protection District, the Howard Jarvis Taxpayers Association, and Michael Coleman. The Commission heard from Pamela Miller, John Leopold and Steve Lucas on the primary points of our written testimony, which included: (1) how the evolution of the resources available to LAFCo has not kept pace with the evolution of the role and responsibilities of LAFCo through the years; (2) the role that Municipal Service Reviews (MSRs) actually play in the relationship between LAFCos and special districts; (3) LAFCo limitations as they pertain to actions and accountability of MSRs; and (4) the short and long term effects of the Legislature making state-level decisions on local LAFCo matters.

This was the perfect opportunity for CALAFCO to address the need for additional funding and resources, to urge the LHC to encourage the Legislature to keep local LAFCo decisions local, and to clarify the actual role of LAFCo in the relationship with special districts.

The LHC is holding a follow-up hearing in late October which will focus on special districts and climate change, at which CALAFCO was not required to testify. Additionally the Commission is holding a roundtable discussion for stakeholders on the issue of healthcare (hospital) districts operating with a hospital that does not provide direct healthcare services in November, at which CALAFCO will be present.

CALAFCO will distribute the Commission’s final written report as soon as it becomes available.

**Collaborative Projects with CSDA**

This year CALAFCO teamed up with CSDA on two special projects. The first was a Special District Formation Guide, which is intended to assist anyone who is considering the formation of a special district. The Guide is not intended to sway readers either in favor of or against the formation of a district. The Guide is set to be released late October. CALAFCO wishes to thank CSDA for its partnership in the creation of this Guide, and especially those who represented CALAFCO along with our executive director in
its preparation: Jeff Brax (Sonoma LAFCo), SR Jones (Nevada LAFCo) and Elliot Mulberg (Solano LAFCo). Each LAFCo will receive one complimentary copy of the Guide and it will be available for download or purchase.

The other project was the creation of a White Paper and an outreach campaign plan on the implementation of the statutory requirements of the Countywide RDA Oversight Board Special District appointments. Thirty-seven counties have multiple oversight boards that will require consolidation. Of those, eleven counties do not currently have an independent special district selection committee in place. If not addressed in time, the Governor will have the authority to make those appointments. This White Paper is intended to address how to best meet these requirements. CALAFCO thanks CSDA for its partnership in addressing this issue, and we would like to thank those who represented CALAFCO along with our executive director in its preparation: Gary Bell (Colantuono, Highsmith & Whatley), José Henríquez (El Dorado LAFCo) and Keene Simonds (Marin LAFCo).

**OPR statewide workshops**

In the latter months of 2015, OPR hosted statewide workshop on both rural community needs and the connection between water and land use. CALAFCO was one of a few (if not the only) statewide entity allowed to attend all of these invitation-only sessions. They were held in various locations around the state and brought together a select group of local people to discuss the issues of rural community needs and land use and water. The messages received at each were very different, as you can imagine. OPR is still deliberating on the data received and plans to publish a report sometime in 2017. CALAFCO thanks those who attended these workshops to ensure LAFCOs’ voice was heard: George Spiliotis (Riverside LAFCo), Kris Berry (Placer LAFCo), Steve Lucas (Butte LAFCo), David Church (SLO LAFCo), Bill Nicholson (Merced LAFCo), George Williamson (Del Norte LAFCo) and Kate McKenna (Monterey LAFCo).

**FINANCIAL POLICIES AND REPORTING**

The Association continues to stand on a strong financial base. The Board maintains policies and current filings which are in compliance with all federal and state requirements for 501(c)(3) organizations. The CALAFCO Policy Manual, IRS Form 990 and other key Association documents are available on the CALAFCO website. The Association also maintains its records with the national non-profit reporting organization, GuideStar (www.guidestar.com). In 2016 CALAFCO once again earned the GuideStar Exchange Gold Seal in recognition of its transparency and completeness in documentation.

All financial records are reviewed quarterly by an outside CPA with reports to the Treasurer and the Board. The Board also reviews the annual IRS Form 990 tax filing prepared by the CPA and staff.

**2016-17 Budget**

The Board continues to manage the financial resources of the Association closely. This year, after many years of either no dues increase or an increase only by the CPI, LAFCo dues were increased by seven (7) percent, which is a range of $55 to $530 per year. This increase was unanimously approved by the Board to cover the costs required to maintain sustainable organizational support for the Association. These changes were communicated to the membership during last year’s Annual Business meeting (as well as in a letter distributed to the membership in advance of that meeting). Prior to this fiscal year, the last time the dues were increased beyond the CPI was 2008-09.

The adopted budget for 2016-17 provides for several changes from the 2015-16 budget. The close of the fiscal year showed a slightly greater year-end balance than anticipated in the adopted budget, allowing the Association to once again avoid the use of reserves. The budget adopted in
May 2016 was revised and adopted as such in July by the Board. The revised FY 2016-17 budget is $441,854, which includes a carryover net balance of $59,242 and contingency fund of $28,306. This is due in part to another profitable Annual Conference as well as diligent fiscal management on the part of staff. The Board approved several allowances for the use of Contingency funds during the last fiscal year which includes a website design, services to increase sponsorship revenue at Conferences, 2015 Conference support services, special LAFCO 101 sessions at the Capitol for legislative staff in the fall of 2015, and the purchase of updated visual equipment (LCD projectors) for use at Workshops and Conferences. The year-end balance in Contingency was $11,274. For the current fiscal year, Contingency funds will be used to fund several additional projects that will create high value for the membership, including the White Paper and mapping of DUCs and the Ag Policies White Paper.

**Restricted Fund Reserve**

Since 2005 an important goal established by the Board has been to grow and maintain a fund reserve to support member services in uncertain economic times and to avoid the need to tap members for additional funds, as had been done in the past. With an initial goal of 35% of non-conference operating expenses, the reserve balance at the close of the 2015-16 fiscal year was $150,754, about 72% of the annual operations budget outside of the Conference, Workshop and CALAFCO U. The reserve is not part of the annual budget and requires a vote of the Board to use its funds. The Association has not used the fund reserve since the early 2000s. CALAFCO maintains its funds with the Local Agency Investment Fund (LAIF). While the interest rate has remained low again this year, we have not lost any of the principal in our savings or investments. The current Policy calls for having a minimum of 25% held in reserves. At the beginning of the current fiscal year, the Board approved the transfer of $8,000 to Fund Reserves, making the current total held $158,754.

All financial reports, including budgets and annual tax filings, are available to the membership on the CALAFCO website as well as on GuideStar’s website.

**ASSOCIATION MANAGEMENT**

**Board Member Activity**

As a result of last year’s regional Board elections, the Board welcomed four new members: Bill Connelly (Butte) representing the Northern region County seat; John Marchand (Alameda) representing the Coastal region City seat; Anita Paque (Calaveras) representing the Central region’s Public seat; and Sblend Sblendorio (Alameda) representing the Coastal region’s Public seat.

**New Associate Members**

We are proud to welcome several new Associate members to the Association this past year. We welcomed new Gold member CV Strategies, and Silver members Braitman & Associates and Meijun, LLC. We also welcomed back to the CALAFCO Associate member family Rosenow Spevacek Group Inc. (RSG). Each of these new members was featured in one of our Quarterly Reports to the membership. We are proud to feature our Associate Members in these reports and look forward to continuing that practice in the future.

**A Final Thank You**

We wish to thank Paul Novak (LA LAFCo) who served the past two years as Deputy Executive Officer (DEO) representing the Southern region. We welcome Carolyn Emery (Orange LAFCo)
who will step in as the Southern region’s DEO effective October 31, 2016.

Finally we want to recognize the leadership of our executive director Pamela Miller and executive officer Steve Lucas (Butte LAFCo). Added to that is our appreciation for all the contributions of executive assistant Jeni Tickler in the CALAFCO office, DEOs David Church (San Luis Obispo LAFCo) and Kris Berry (Placer LAFCo), Legal Counsel Clark Alsop (BB&K), and CPA Jim Gladfelter (Alta Mesa Group). These people, along with many other volunteers, Associate members, and members of the Board have all worked together this year to bring many achievements and a strong Association to you, our member LAFCOs and Associate members.

Sincerely Yours,

The CALAFCO Board of Directors

Redefining the Meaning of Long-term

Written by Michael Ott, San Diego LAFCo Executive Officer

The San Diego LAFCo recently approved a complicated fire agency reorganization that took over 30-years to complete. Work on this reorganization redefined the meaning of “long-term.” The reorganization consisted of the dissolution of a 6,163-acre volunteer fire organization, operating as County Service Area No. 107 (Elfin Forest / Harmony Grove); annexation of the dissolved CSA territory to the Rancho Santa Fe Fire Protection District; annexation of another 341 acres to eliminate several large service islands; and the initiation of a second cross-conditional annexation totaling 3,163 acres. The cross-conditional aspect of this reorganization was a unique feature permitted by Government Code Section 56886(o) and involved the initiation of an annexation to an ambulance transport district run by the County of San Diego, called CSA No. 17 (San Dieguito Ambulance).

This multi-faceted reorganization involved prolonged discussions, substantial outreach, and adherence to basic LAFCo principles. Approval of the reorganization not only improved fire protection response times -- but will eventually upgrade emergency medical and ambulance transport services from basic life support to advanced life support levels. When fully implemented, the reorganization will bring safer conditions to over five thousand people and tens of thousands of commuters and visitors traveling on winding roads that traverse this fast growing semi-rural part of San Diego County.

The most unique element of the reorganization is the condition the San Diego LAFCo placed on the overall reorganization, requiring the initiation of a second proposal per Government Code Section 56886(o). The use of this condition proved to be a valuable tool for phasing in the delivery of services over an extended period of time. In the case of the Elfin Forest / Harmony Grove reorganization, LAFCo staff needed to break down 30 years of political barriers that prevented community members and the County of San Diego from agreeing on adequate funding to support paramedic transport services. The use of this obscure LAFCo condition placed the funding issue in the proper forum and provided additional time for LAFCo staff to mediate stakeholder discussions.

While it would have been preferable for the ambulance transport issue to have been addressed together with the overall fire district reorganization, the timing was such that additional outreach was necessary with ambulance transport stakeholders. Rather than risking more
delays and the high probability of failure for both the fire district reorganization and emergency medical services annexation, the use of this LAFCo condition permitted one proposal to move forward, albeit contingent on the initiation of a second proposal. The second proposal was initiated within months of the first proposal. This approach is admittedly unorthodox and not applicable in all situations. It should be used sparingly -- but it can be an effective and innovative way to focus public attention on certain jurisdictional issues that would otherwise be overlooked. In the future, residents, commuters, and recreationalists that drive the winding roads in this unincorporated San Diego County community will probably not know the lengths and time in which the San Diego LAFCo was involved with improving public safety; however, it will be reassuring to know that the public will be safer and finally receive an adequate level of fire protection and emergency medical services.

Fire Everywhere

Written by Kathy Rollings McDonald, San Bernardino LAFCo Executive Officer

California continues its late summer/early fall designation as the tinderbox of the nation. But during 2015-16, San Bernardino LAFCo was consumed by fire, as in reorganizations prompted by financial crisis. Adequate fire protection and emergency medical response are key health and safety issues for any community. This was no more evident as the tragic events of December 2, 2015, in San Bernardino County played out on our television screens and cellphones, and the exemplary response by all emergency responders was on display. Fiscal stress, lack of economic investment and a population experiencing high unemployment, however, have placed a severe strain on many cities and special districts in San Bernardino County. Some can no longer afford to provide a sustainable revenue source to support adequate fire and emergency medical response services, which is threatening the health, safety and welfare of residents.

During 2016, San Bernardino LAFCo was presented with three extraordinarily complex fire reorganizations which proposed the transfer of responsibility for fire and emergency medical response services from two cities (San Bernardino and Needles) and one special district (Twentynine Palms Water District) to the San Bernardino County Fire Protection District (County Fire). By taking advantage of the economies of scale available through County Fire, including existing fire stations and personnel, and the transfer of an existing special tax to financially support the enhanced services, these communities now have adequate fire and emergency medical response services that are fiscally sustainable over the long-term.

Each reorganization involved an array of complex issues, including but not limited to, the transfer of facilities and personnel, retirement funding, agency debt obligations, workers' compensation, the transfer of property tax and an existing special tax, and the creative crafting of conditions of approval to ensure that the transition of services was successful. Each of the three reorganizations was unique, and the many technical, fiscal and procedural issues that surfaced throughout their review often stretched staff’s abilities to develop solutions. However, with the support of the commission, legal counsel and affected agencies, staff was able to meet the challenges and bring forward all three proposals for commission review. All became effective July 1, 2016.

What follows is a summary of key issues which LAFCo addressed during the processing of the City of San Bernardino and Twentynine Palms Water District fire reorganizations.

City of San Bernardino Fire Reorganization

In June 2014, Citygate Associates, a fire services consultant, completed a study evaluating the City of San Bernardino Fire Department. The study described the City’s fire department and community as under “severe stress” from a combination of factors, including:
(1) a lack of economic investment, (2) the City’s bankruptcy, and (3) a population experiencing high unemployment (and a low median income), placing additional strain on City social, recreation and social services. Staff reductions in the City Fire Department, combined with an exceptionally high volume of emergency medical calls and structure fires, resulted in longer response times which threatened the health, safety and welfare of the City of San Bernardino residents.

On May 18, 2015, the City adopted a Plan of Recovery and Plan of Adjustment in support of the City’s efforts to emerge from bankruptcy. The Plan described in detail the City’s inability to pay for adequate levels of municipal services, including fire protection and emergency medical services. Thereafter, the City conducted a Request for Proposal (RFP) process to outsource its fire protection and emergency medical response service. This process was fraught with legal questions, for the Superior and Bankruptcy courts, which were submitted by the Fire Union representatives and others. Ultimately, it was identified that annexation into the San Bernardino County Fire Protection District was the best option for the City. On August 24, 2015, the City Council of the City of San Bernardino initiated the annexation of its corporate territory to County Fire.

This approach allowed the City to take advantage of substantial economies of scale available from the District, including existing fire stations and personnel located close to the City. This approach also allowed the City to include its territory into one of County Fire’s established fire zones with an existing special tax that is spread to City property owners to address service delivery costs. This strategy allowed the City to reduce the level of revenue currently allocated to fire service delivery and enable scarce revenue to be redirected to address other critical service needs in the community. It was a philosophically simple approach – provide the most efficient and effective means to continue the service through annexation to County Fire.

Simple in approach, but as for many LAFCo proposals, the “devil is in the details,” and this proposal had some of the most unique details ever encountered by LAFCo, including:

- Significant unfunded retirement obligations;
- Ongoing litigation between the City and the fire union over outsourcing fire responsibilities;
- Complex transfer of facilities, employees and benefits; and
- Transfer of an existing special tax to fund fire and emergency medical response services without a vote of landowners – while legal, it raised the level of controversy in an already contentious process.

While challenging, each issue was addressed through the perseverance and creative problem solving efforts of LAFCo and all affected agencies in an overall effort to provide critical services to residents both effectively and efficiently.

**Twentynine Palms Fire Department Fire Reorganization**

In 1958, the Twentynine Palms County Water District began to provide fire protection services to the community of Twentynine Palms under the name Twentynine Palms Fire Department (TPFD), after the California Department of Forestry ceased providing local fire protection. Over time, the TPFD evolved into a two station, fully staffed Basic Life Support operation providing fire, rescue and EMS functions to the citizens of the City of Twentynine Palms and surrounding communities.

Through staff attrition and funding shortfalls, the foundation for the TPFD’s fire and emergency services eroded over time. On June 1, 2013, the provision of fire protection and emergency medical services was reduced from two staffed fire stations to one staffed fire station due to the lack of a sustainable revenue source. Staffing was reduced to five full time personnel augmented by a small “paid call” fire fighter and volunteer force to serve a population of 17,974 residents.

In June 2015, members from the Twentynine Palms City Council and the TPFD formed an ad hoc committee to discuss alternatives. Ultimately, the committee expressed support for a LAFCo application to annex the TPFD into
the San Bernardino County Fire District. Like the other fire reorganizations processed by San Bernardino LAFCo staff, the TPFD proposal was complex and required strategic and creative problem solving skills to keep the proposal moving forward.

One of the more complicated issues addressed by LAFCo on this proposal related to unfunded retirement obligations. At the outset of LAFCo’s review, it was estimated that the unfunded retirement obligation for closure of the Safety portion of the TPFD’s California Public Employee Retirement System (CALPERS) contract would be in the range of $1,000,000, and LAFCo staff proposed the creation of a separate service zone to address that liability. Later, it was learned the amount was actually estimated at $2.9 million, three times the original estimate, which set in motion fervent discussions on the best method to resolve this liability.

To resolve this situation, the Safety portion of the TPFD’s PERS contract was placed in “inactive” status on the effective date of the reorganization, and the City agreed to assume the long-term obligation through a contractual relationship. This unprecedented mechanism to have an agency that is not directly affected by a jurisdictional change assuming an uncapped liability caused heartburn for LAFCo staff. This concern was tempered, however, by staff’s primary concern – providing effective and sustainable emergency medical response and fire protection to the community and its residents.

The cumulative results of these efforts represent the best of what LAFCos can achieve – structurally reorganizing failing agencies that can no longer provide critical services into efficient and financially sustainable organizations to effectively serve the public long into the future and working collaboratively with the agencies involved to craft the solutions for that future. In addition, we don’t expect 2016 to be the end of Fire Season in San Bernardino County.

CALAFCO Associate Member Corner

CALAFCO deeply appreciates our Associate Members and we thank you for your partnership and support.

This past year we welcomed several new Associate Members. All of these members’ contact information is in the CALAFCO Directory as well as on the CALAFCO website.

New Gold Associate Member

CV Strategies

CV Strategies is a dedicated team helping companies with strategic planning, communications and training. To learn more about their team and the services they offer, visit them at www.cvstrategies.com or contact Erin Gilhuly at erin@cvstrat.com.

New Silver Associate Members

Braitman & Associates

Fresh into retirement, Bob Braitman is now a Silver Associate Member. Braitman & Associates services include preparing municipal service reviews and spheres of influence, the analysis of proposed boundary changes and the extension of public services proposals in support of the efforts of LAFCo staffs. You can contact Bob at bob@braitmanconsulting.com.

Meijun, LLC

Meijun, LLC provides custom programming services and business solutions related to IT. They create websites, software applications, mobile engagement platforms and provide general consulting for
process improvement and streamlining information technology in the workplace. To learn more about them, visit them at www.meijun.cc or contact Huy Ly at hly@meijun.cc.

Rosenow Spevacek Group, Inc.
We welcome back to the CALAFCO family Rosenow Spevacek Group, Inc., or RSG.

RSG is a creatively charged counterpart to California public agencies. They work with the people responsible for vibrant places and propel them to their goals. Better Communities. Bolder futures. To learn more about them visit their website at www.webrsg.com or contact Cassandra Ravenna at cravenna@webrsg.com.

These summaries are written by the Associate Members themselves, not CALAFCO, and can be found in the Membership Directory Associate Members section.

2017 STAFF WORKSHOP
April 5 - 7, 2017
DoubleTree by Hilton
Fresno, CA
Hosted by Fresno LAFCo

2017 ANNUAL CONFERENCE
October 25 – 27, 2017
Bahia Hotel, Mission Bay
San Diego, CA
Hosted by CALAFCO

2018 STAFF WORKSHOP
April 11 – 13, 2018
Four Points by Sheraton
San Rafael, CA
Hosted by Marin LAFCo

2018 ANNUAL CONFERENCE
October 3 – 5, 2018
Tenaya Lodge
Yosemite, CA
Hosted by CALAFCO
Thank You to All of Our Associate Members

CALAFCO GOLD ASSOCIATE MEMBERS

CALAFCO SILVER ASSOCIATE MEMBERS

Berkson Associates
Braitman & Associates
City of Fontana
City of Rancho Mirage
County Sanitation Districts of L. A. County
Cucamonga Valley Water District
Dudek
E. Mulberg & Associates
Fresno County Fire Protection District
Goleta West Sanitary District
Griffith & Matsuda, a Professional Law Corp.
GST Consulting
HdL Coren & Cone
LACO Associates
Lamphier-Gregory
Marjorie Olsson Blom Consulting
Meijun, LLC
Planwest Partners, Inc.
Policy Consulting Associates
Quad Knopf
Rancho Mission Viejo
P. Scott Browne
Rosenow Spevacek Group (RSG)
Ukiah Valley Sanitation District
The Year In Pictures
Scenes from CALAFCO Activities

CALAFCO Annual Conference 2015
Sacramento, CA

CALAFCO Annual Staff Workshop 2016
Universal City, CA
This report highlights all of my activities since your July 29 Board meeting, since no report was provided in October.

**Member Services**

**CONFERENCES AND WORKSHOPS**

**2016 Annual Conference**
With the theme of *Orchards to Oceans: Balancing California’s Diversity*, our members gathered in Santa Barbara in October for the Annual Conference. Much of my time in the months leading up to the Conference was spent on tending to logistics and details. Weekly calls were held with the Host LAFCo and with CV Strategies. There were a high number of last minute details to address this year. In addition, there was a lot of coordination required with CV Strategies on collateral material and sponsor registrations. Further, I was co-lead on the planning of one of the Conference sessions (Legislative Overrides) as well as the lead in the Legislative Update session. The past several weeks has been spent on closing the books on the Conference. Thank you letters have been sent to all participating LAFCos and a full debrief conducted with CV Strategies (pursuant to the contract). Your Board is receiving a full Conference report at today’s meeting.

**Future Conferences and Workshops**
The RFP for the 2018 Staff Workshop was completed and a site selected. We are now set for the Sheraton Four Points in San Rafael and will be hosted by Marin LAFCo. The dates are April 11-13, 2018.

Shortly after the New Year I will conduct an RFP for our 2020 Annual Conference and the 2019 Staff Workshop.

I’ve solicited volunteers for the 2017 Staff Workshop program planning team, and that work will begin in the next few weeks.

**MEMBER AND STAKEHOLDER RELATIONS**

In September I visited Del Norte, Shasta and Humboldt LAFCos, and the week after the Annual Conference I was at Santa Cruz LAFCo. CALAFCO 101 presentations were made at all four LAFCo meetings.

On September 13 I made a presentation to the Assoc. of CA Water Agencies (ACWA) Task Force on drinking water solutions for disadvantaged unincorporated communities.

Also during these months I met several times with the staff of CSDA to discuss the concept of a Legislative Days event. The intent of the meetings was to understand the cost/benefit of this kind of event, the resources required to plan and execute, and explore the notion of a joint event in the future.

**Administrative and Board Services**

As I was staff to both the Achievement Awards and Nominations Committees, there was a good deal of time working with them in the month prior to the conference.

**SPECIAL PROJECTS**

**CALAFCO Website**
The new website migration will take place the last week of December. This project has taken longer than anticipated due to high demands on my time in legislative matters. I’ve been working with our new host to get the new site updated and ready for the migration.

**CSDA/CALAFCO Project Teams**
Over these months, I completed my work with the team in the creation of the guide for the implementation of countywide RDA oversight boards. Both this document and the Special District Formation Guide have been published.

**White Papers**
I am still in the process of finalizing the White Paper on SGMA. CALAFCO received late feedback from the SWRCB on two specific matters that need to be incorporated. Estimated completion is the end of December.

We are now working with American Farmland Trust on a White Paper on Ag Policies. I worked with their representative in creating the outline of the Paper and a timeline. We gathered the team for a first call on October 13, after which they’ve been tasked with going forward pursuant to the timeline.

**LEGISLATIVE UPDATE**

What a wild ride the 2016 legislative year was for CALAFCO! The month of August was filled with last minute meetings and bill negotiations.

A full 2016 legislative report was provided to the membership during the Annual Conference. As a result I will be very brief here. In the end, both CALAFCO sponsored bills, AB 2910 (Omnibus) and
SB 1266 (JPA filings) were signed by the Governor. SB 1318 (Wolk) also took a great deal of my time. In the end the bill was dropped by the author. However, a positive outcome of this work is that during your July meeting you approved a DUC mapping project and White Paper for 2017. I've had a conversation with UC Davis as a potential vendor to conduct the mapping portion of the project as they may already have the tools necessary to get the mapping done.

The Legislative Committee (Committee) met for the last time for the 2016 year in August. The Committee began their 2017 work in early November and their first real substantive meeting is set for December 16. Bills are already being introduced by the legislature, so things are starting early this year.

It is expected to be a very full year. There is great uncertainty about what will happen at the federal level and how that will impact the state and trickle down to local governments. This is creating visible tension in the Capitol. The legislature is expected to focus on things such as affordable housing, transportation infrastructure, access to safe drinking water, and the implementation of the many Propositions that passed last month.

I've already attended several meetings for the 2017 legislative year, so things are getting out of the starting gate quickly.

A full legislative report for the upcoming year is contained in your packet for today.

LITTLE HOOVER COMMISSION
Much of July and early August was spent researching and preparing CALAFCO’s testimony for the Little Hoover Commission’s (LHC) August hearing. I would estimate that at least 60 hours were spent in preparation, research and writing. Along with Chair John Leopold and EO Steve Lucas, I testified at the August 15 at the hearing.

A follow up meeting was held by the LHC on November 16, focusing on healthcare districts. Again I represented CALAFCO at this meeting.

The findings of the LHC will be made in their final report which is expected to come out in the spring.