

**Action Minutes**  
**San Mateo Local Agency Formation Commission Meeting**  
**September 16, 2015**

**REVISED**

11:27 am, Nov 17, 2015

In the Board of Supervisors' Chambers, 400 County Center, Redwood City, California, Chair Craig called the September 16, 2015 meeting of the Local Agency Formation Commission (LAFCo) to order at 2:32 pm.

**1. Roll Call**

Members Present: Commissioners Joshua Cosgrove, Rich Garbarino, Don Horsley, Mike O'Neill, Joe Sheridan, Adrienne Tissier (arrived at 2:35 pm), and Chair Linda Craig

Members Absent: None.

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

Chair Craig noted that Commissioner Sepi Richardson (Alternate Public Member) was in the audience.

**2. Consent Agenda**

Executive Officer Poyatos requested that Item 2b, "LAFCo File No. 15-06—Extension of Water Service to Proposed Single-family Home at APN 068-021-320, 681 Glenloch Way (Unincorporated San Mateo County) Pursuant to Government Code Section 56133," be removed from the consent agenda because the necessary action by the City of Redwood City was not taken in time for it to be considered.

Chair Craig noted that the commissioners who were not present at the July 15, 2015 LAFCo meeting have watched the meeting video and are therefore eligible to vote on approving the minutes.

Commission Action: Commissioner Horsley moved approval of the consent agenda consisting of the Action Minutes for July 15, 2015. Commissioner Garbarino seconded the motion, which passed unanimously. (Ayes: Commissioners Cosgrove, Garbarino, Horsley, O'Neill, Sheridan, and Chair Craig; Noes: None; Abstentions: None. Absent: Commissioner Tissier)

**3. Public Comment for Items Not on the Agenda**

None.

Chair Craig said it had been requested that Item 5, "Public Hearing: LAFCo File No. 15-05—Proposed Minor Sphere Amendment of the East Palo Alto Sanitary District and Extension of Sewer Service to Cooley Landing Park, East Palo Alto, Pursuant to Government Code Section 56133," be considered in advance of Item 4, "Public Hearing: Continued from July 15, 2015: Consideration of Municipal Service Review and Sphere Study for the North County Cities and Special Districts."

Chair Craig noted the arrival of Commissioner Tissier at 2:35.

**4. Public Hearing: LAFCo File No. 15-05—Proposed Minor Sphere Amendment of the East Palo Alto Sanitary District and Extension of Sewer Service to Cooley Landing Park, East Palo Alto, Pursuant to Government Code Section 56133**

Ms. Poyatos referred to the September 9, 2015 staff report noting that the City of East Palo Alto, as project proponent, is the lead agency for the California Environmental Quality Act (CEQA). She said that in preparing the project for construction, the City prepared a special study and mitigated negative declaration. She identified the Cooley Landing Park area on the projected map, which is located in both East Palo Alto and the City of Menlo Park. She noted that before a public agency can extend service outside their boundaries, they must request LAFCo approval. She referred to the slide of Cooley Landing Park, explaining it was once a contaminated site and was opened to the public in 2012 following clean-up and remediation. She said the City is in the final phase of construction, which includes an interpretive center that requires a sewer connection.

She referred to a slide showing the boundaries of the East Palo Alto Sanitary District (EPASD), the City of Menlo Park, and the Midpeninsula Regional Open Space District (MROSD), the three agencies who are collaborating on this project, and the adjacent City of East Palo Alto Baylands reserve. She noted that the project site is just barely outside the boundaries of EPASD.

Ms. Poyatos stated that the attached environmental study contains adequate information for the Commission to approve the extension. She said when the City of East Palo Alto conducted an initial environmental study on the project, they did not identify that the area was not within the boundaries of EPASD. She said that even though the initial study did not contemplate an sphere amendment or extension of service, there is no need to prepare an addendum to the environmental document to approve the sewer extension. She noted that Bay Road, which leads into Cooley Landing Park, contains the sewer line maintained by EPASD. She said the proposed extension would be constructed and maintained by the City of East Palo Alto, not EPASD.

Ms. Poyatos said the recommended action is to first certify that the Commission has considered the initial study and mitigated negative declaration for Cooley Landing Park prepared by the City and find that any changes or alterations contained therein are within the responsibility and jurisdiction of the City or EPASD and not LAFCo, and that such changes have been or should be adopted by the City and the District. She said that while the Commission relies on the environmental document, it acknowledges that it has no role in implementing any of the mitigation measures.

She then noted it is recommended that LAFCo by motion approve LAFCo File No. 15-05, Proposed Minor Sphere Amendment of the East Palo Alto Sanitary District and Extension of Sewer Service to Cooley Landing Park, and direct staff to transmit a letter of approval to EPASD and the City.

Chair Craig said she was interested to notice on the first map in the presentation that the City of Palo Alto owns property within the City of East Palo Alto, which has property out in the Bay. Ms. Poyatos confirmed, however, that the proposed sphere amendment only concerns EPASD and the Cities of East Palo Alto and Menlo Park.

Public Comment: None.

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

Commission Actions:

- 1) Commissioner Horsley moved to certify that the Commission has considered the Cooley Landing Park Initial Study and Mitigated Negative Declaration and find that the Mitigation and Monitoring Program adopted by the City of East Palo Alto and the changes or alterations contained therein are within the responsibility and jurisdiction of the City of East Palo Alto and EPASD and not LAFCo and that such changes have been or should be adopted by the City and the District. Commissioner Garbarino seconded the motion, which passed unanimously. (Ayes: Commissioners Cosgrove, Garbarino, Horsley, O'Neill, Sheridan, Tissier, and Chair Craig; Noes: None; Abstentions: None.)
- 2) Commissioner Horsley moved to approve LAFCo File No. 15-05, Minor Sphere Amendment of the East Palo Alto Sanitary District and Extension of Sewer Service to Cooley Landing Park, East Palo Alto, Pursuant to Government Code Section 56133, and direct staff to transmit a letter of approval to the East Palo Alto Sanitary District and the City of East Palo Alto. Commissioner Tissier seconded the motion, which passed unanimously. (Ayes: Commissioners Cosgrove, Garbarino, Horsley, O'Neill, Sheridan, Tissier, and Chair Craig; Noes: None; Abstentions: None.)

Chair Craig noted that Commissioner Ray Mueller (Alternate City Member) had joined the audience.

Continued Matters:

**5. Public Hearing Continued from July 15, 2015: Consideration of Municipal Service Review and Sphere Study for the North County Cities and Special Districts**

Chair Craig noted that the two Commissioners who were not present at the July 15, 2015 meeting have watched the meeting video and therefore eligible to vote on this item.

Ms. Poyatos noted the comments made by the public and the agencies under study at the prior meeting. She said those comments were taken into consideration in the revised draft released on August 5, 2015. She noted the record consists of the minutes for the July 15 meeting, the addendum report dated September 9, and the Municipal Service Review circulation draft document dated August 5. She noted Attachment B, the Draft Recommended Service Review

and Sphere Determinations for the agencies under study, and Attachment C, LAFCo responses to comments from the original Municipal Service Review draft.

She reported that the area under study includes the Cities of Pacifica, Daly City, and Brisbane, and the Town of Colma plus Guadalupe Valley Municipal Improvement District (GVMID), Bayshore Sanitary District (BSD), North Coast County Water District (NCCWD), North San Mateo County Sanitation District (NSMCSD), Colma Fire Protection District (CFPD), and Broadmoor Police Protection District (BPPD). She noted that the map in the presentation indicates the unincorporated areas in the spheres of influence of each agency. Ms. Poyatos stated that based on the level of concern expressed at the July meeting, she sent a letter to the affected agencies and the public to clarify the purpose and effect of a municipal service review, and emphasize that there is no proposal to annex or dissolve any agency and that the study could be used as a tool by the agencies under study. She noted that she received positive feedback on the letter. She also acknowledged that the language in the Government Code could be difficult to understand and said that a glossary of common terms would be included in the final draft. She noted that the substantive changes in the August 5 draft are in bold font.

Ms. Poyatos said that the September 9 staff report was written in a specific order to cover the agencies that had the least level of complication first followed by the agencies that were more complex. She proposed summarizing the determinations in Attachments B and C by agency, hearing public comment, and then addressing specific concerns with the Commission or the public. She said the final action would be one resolution that incorporates all of the determinations for all the agencies.

Regarding City of Brisbane (Attachment B, Page 1), Ms. Poyatos said that growth and population projections don't take into consideration the Baylands development, which is located between Caltrain tracks and U.S. 101 and could potentially triple the City's population. She said there is overlapping service responsibility with BSD. Regarding GVMID, she noted that there's a recommendation to merge it with the City formally rather than maintaining a separate governing body meetings, etc. She said the City would need to determine the cost savings of such a measure. She said that a portion of the City is served by BSD, which also serves the City of Daly City. She noted discussion of future study by both cities of the potential benefits to dissolving BSD.

Regarding Guadalupe Valley Municipal Improvement District (Attachment B, Page 4), she explained that GVMID is a special district created by special legislation to serve an industrial portion of the City of Brisbane. She stated that the City needs to account for the revenues and expenditures of the District separately but it is for all practical purposes merged with the public works function of the city. Stated that other than the City Council have having to meet as the governing body of the District, there are not significant issues regarding the district.

Regarding Bayshore Sanitary District (Attachment B, Page 9), she said there are no issues except getting more clarity about the sphere of influence. She noted that the District takes issue with any proactive recommendation by LAFCo that the Cities of Daly City and Brisbane pursue dissolution.

Regarding City of Pacifica (Attachment B, Page 34), she noted that the City of Pacifica had sent some comments prior to today's meeting. She identified City boundaries and sphere of influence on the projected slide and said that LAFCo received a request to annex an old unincorporated, undeveloped subdivision at the southern end of the City for proposed single-family homes. She noted with the economic recovery and real estate market resurgence, there would be much more interest in these types of unincorporated areas. Referencing a slide prepared by the consultants but edited with new information highlighted in bold that was provided by the City, including that the June 2014 audit is available, she said that the City requested that the final draft include the updated financial information, e.g., a \$900,000 increase in their net position. She said the City would like the final report and the determinations to include unassigned general fund reserves increased from \$128,000 to \$1.3 million and overall net position increased from \$72.2 million to \$75.3 million. She added that City staff has reviewed the status of all funds and is working to reduce negative balances and improve financial footing. She noted that the City is on target to finish the June 2015 audit by December 2015. She said the City was concerned that the Municipal Service Review being prepared without the completed June 2014 audit gave a more negative narrative of the city than was merited and it is recommended that this language be included in the final version of the service review.

Regarding North Coast County Water District, Ms. Poyatos noted that the map shows overlay with Pacifica's boundaries. She said that the District's sphere also include some unincorporated area. She stated the District had no issues with determinations but that there is a correction made on Page 39 regarding revenue sources. She noted that recommendations for the City of Pacifica include reaffirming the sphere of influence for NCCWD – that it be established as a subsidiary district of the City. She noted that the sphere is something the City and the District would investigate, not LAFCo. She stated that the City and the District have a very good working relationship, noting that they have a very advanced water recycling program.

Regarding City of Daly City (Attachment B, Page 13), she said the City sphere includes several unincorporated islands - in particular, Broadmoor Village/Garden Village – plus unincorporated Colma. She said she had no new information from the City and that language has been added/changed (in bold) for sections of the report pertaining to Daly City, Colma, CFPD, and BPPD to clarify that any further study related to dissolution/annexation would come from the agencies themselves and not from a mandate by LAFCo. She said the study recommends adopting Municipal Service Review determinations in the basic categories and reaffirming the sphere of influence to include the unincorporated areas identified in the report.

Regarding North San Mateo County Sanitation District (Attachment B, Page 18), she said NSMCSD is a subsidiary district of the City of Daly City that includes territory outside City boundaries and operates as a public works function of the City. She said that a subsidiary district can exist as long as 70 percent of the land area and population is located within City boundaries. She said that recommendations start on Page 18 of the report. She said there's discussion on Page 19 that merging the District with the City could only be achieved upon annexation of all unincorporated areas to the City. She said the report recommends reaffirming

the coterminous (same as the boundaries of the agency) sphere of influence and that the governance sphere is that it could one day be completely merged with the City on the condition that there is no unincorporated area.

Regarding Town of Colma (Attachment B, Page 21), Ms. Poyatos noted the key issues for the Town include: County operates the Colma Highway Lighting District, which includes the Town plus unincorporated areas, because when the Town incorporated there was no detachment from the lighting district. She noted that this requires County participation in City projects that affect streetlights. She said the report recommends creating a City-governed lighting district as successor to the property tax to relieve the County from providing a municipal service inside a city and also to give the City complete control over lighting and streets. She noted that because the Town is a low-tax city and only receives 7 percent of the 1 percent property tax, forming a Town-governed lighting district would provide segregated funding for streetlights. She noted that revisions to the study include language to clarify that if CFPD is dissolved, there would need to be input from and collaboration with the Town as well as the City of Daly City. The sphere of influence is identical to the Town boundaries and no areas are eligible for annexation to the Town.

Regarding Colma Fire Protection District, she noted that CFPD includes the Town of Colma, unincorporated Colma adjacent to the Town, and Broadmoor Village/Garden Village. She said the District is paid-call/volunteer with a paramedic at the station at all times. She said that when there is a 911 call, the call is forwarded to the fire station and the firefighters are paged to the station to respond to the call. She noted that this is not intended as a negative commentary about the quality of the Fire Board or the firefighters, but an observation on the level of service that differs from that of surrounding agencies. She noted the District's challenges including a very low share of the 1 percent property tax, that it cannot raise the revenue to achieve a conventional staffing model, and that it doesn't have a station that can accommodate 24-hour staffing. She said she recently received the audit for June 2014 and adopted budget for the District and noted the Municipal Service Review is based on older financial information.

Regarding Broadmoor Police Protection District (Attachment B, Page 30), Ms. Poyatos said the District is working on establishing some budgeting practices and getting up to date on their audit. She said it has plans along with CFPD to improve their websites. She said the report recommended that the sphere of influence, like CFPD, be dissolved because the District serves unincorporated Broadmoor Village and unincorporated Colma, which are both in the sphere of influence of the City of Daly City. She added that the District does not serve the Town of Colma but that it works closely with surrounding agencies – Daly City Police and Colma Police. She said that the sphere of dissolution would be (1) annexation of the unincorporated areas to the City of Daly City, which is unlikely in the near future or (2) dissolution and a contract where the County would become successor to property tax of the District, which would then contract with the City of Daly City for services. She noted that BPPD, CFPD, the Town of Colma, and the residents are adamant that they do not support any of these governance alternatives, yet these

are consistent with the laws under which LAFCo operates. She said the recommendation is to reaffirm the sphere of influence.

Ms. Poyatos displayed a table showing the agencies under study and the recommendations that included no changes for any of their spheres of influence. She displayed the map showing the larger study area and noted that it underscores the challenge the County has in serving multiple unincorporated areas. She said that the current spheres have not impeded the districts from operating or the cities from providing services. She said the recommended action is to re-open the public hearing continued from July and receive comment. She asked the Commission to discuss any needed changes before accepting the study, adopt the Municipal Service Review determinations in Attachment B and the sphere of influence determinations, and then reaffirm the spheres of influence for the agencies in one resolution. She noted that the Municipal Service Review as a study is exempt from CEQA.

Public Comment:

- Iris Gallagher, Bayshore Sanitary District board president and former LAFCo member, said that BSD is comfortable with the zero sphere of influence because they have existed for 90 years and will continue to provide service. Concerning the sphere of influence and comments that go in the report such as “indicating the district should be dissolved and the cities would become successor agencies,” she said that it would be good to have a glossary containing what “zero sphere” means; however, she said that is not what has to be done. She said her concern is to have a glossary and when these reports are completed, don’t add that extra little sentence that created so much angst at the last meeting. Ms. Gallagher said that although it is recommended by LAFCo, she didn’t think LAFCo has to state the meaning of the sphere in the report. She cited a previous action by LAFCo to initiate dissolution of BSD and stated the whole Bayshore community came to the meeting and they did not want to have BSD dissolved. She stated the same occurred in July with Broadmoor and Colma. She recommended that LAFCo provide a glossary containing explanations of terms such as “coterminous,” “status quo,” etc. She said she was in favor of not changing any of the spheres of influence.
- Sepi Richardson, former mayor of the City of Brisbane and current LAFCo Commissioner (Alternate Public Member), noted that Brisbane Councilmember Cliff Lentz was present at the meeting. She thanked LAFCo staff and the Commission for their hard work on the study. She urged the cities and agencies to do further study on the issues raised in the report.
- Ann Draper, Menlo Park resident, supported following the staff recommendations. She said that exploring the opportunities for consolidation that were identified could help with cost-effectiveness and make government more efficient.

Commission Action: Commissioner Horsley moved to close the public hearing. Commissioner Garbarino seconded the motion, which passed unanimously. (Ayes: Commissioners Cosgrove, Garbarino, Horsley, O’Neill, Sheridan, Tissier, and Chair Craig; Noes: None; Abstentions: None.)

Commissioner O'Neill said he had remarks that the City Manager wanted to have entered into the record of the meeting. He stated the City of Pacifica's audit report was completed and the comprehensive annual financial report (CAFR) is on their website now. He said as part of the City Council's adopted work plan for 2014-15, they included two initiatives: (1) to begin funding an emergency reserve and (2) begin repaying the inter-fund loans that have created negative balances. He said City staff expects to bring forward action steps this fiscal year to deal with both of these items. He said the Council also identified economic development in the work plan as its highest priority to increase revenues for City operations. He said they have hired an economic development manager and they are developing and launching projects and initiatives. He said the City is moving in a new direction and trying to strengthen its financial base.

Commissioner Tissier asked Ms. Archer if "zero sphere of influence" needed to be defined in each instance of use. Ms. Archer said it's not necessary to spell it out each time. She said she was in favor of the public being able to more easily understand the documentation, however, with something like a glossary.

Ms. Poyatos said the "zero sphere of influence" phrase is not defined in the Cortese-Knox-Hertzberg Act (CKH) and said she believed it was coined by San Mateo LAFCo in the 1970s, commenting that "zero" is not a very transparent word in this context. She acknowledged the need to clarify for the public that it meant that all services would continue and suggested looking into the sphere policies and clarifying naming conventions in the future. She said that one of the reasons the study was so disconcerting to certain communities is that CKH directs the elimination of overlapping service boundaries and there was a misunderstanding that the LAFCo study was a proposal to carry out dissolutions. She said it is important to make it clear that if dissolution is recommended that there would be successor agencies designated to continue the service.

Commissioner Tissier acknowledged that language is always a challenge in government and that there is a need to spell out terms where needed to improve understanding.

Vice Chair Cosgrove noted that the City of Pacifica and the Town of Colma provided additional financial information following the report and wondered how much time they had to review it. Ms. Poyatos said she recommends that the Commission accept Pacifica's narrative about their audit and acknowledge that they received the document from CFPD. She pointed out that other agencies are also behind in their audits and said she didn't think it would be practical to stop the review process to integrate a lot of new information.

Vice Chair Cosgrove said he agreed with Ms. Gallagher that LAFCo needs to be as transparent as possible. He noted in the report that while there was diversity in how services are provided, most of the agencies met the performance metrics.

Commissioner Sheridan also agreed with Ms. Gallagher. He said that the service review should prove very beneficial to the districts, yet could have a deflating effect on the residents. He said the residents want the service they receive by the agencies providing the service. He suggested making changes to the terminology or the way the recommendations are worded. He suggested



in future reviews to state each agency's stance on their current sphere. He said he was okay with the zero sphere of influence but did not agree with the recommendations.

Commissioner Tissier noted LAFCo has a role in which special districts are necessarily the appropriate way to provide a service. She said she understands that communities have preferences but that is not what LAFCo's role is. She said if you want to change the law, you're changing what LAFCo's role is. She suggested that prior to future reviews that they send out an explanation of LAFCo's role to the agencies to be studied and/or visit the agencies. She said in the future, the Commission could do more education with the community to clarify that LAFCo law recognizes that unincorporated areas served by special districts should be included in cities. She cautioned against attempting to change the terminology.

Commissioner Sheridan said he wasn't trying to change the law right away but that the agencies' longevity should be taken into account and maybe the law needs to change at some point.

Commissioner Horsley said he felt that some special districts are an anachronism. He said that special districts originally came about in situations where there wasn't enough tax revenue to form a city to provide services. He noted that the metrics give useful information to policymakers. He also agreed with the need to emphasize to residents that nothing happens to their special districts without their consent.

Ms. Poyatos added that the next step following adoption of the review is that it will be circulated to the agencies and affected community, and posted on the LAFCo site. She proposed including an overview of LAFCo's role and a glossary of terms along with the review. She noted that LAFCo is bound by CKH as far as phraseology. She suggested including language that clarifies that the review is not intended as an attack on any city, district, or agency employee.

Commission Actions:

- 1) Commissioner Horsley moved to receive the staff report and public comment as a result of the continued public hearing and acknowledge the additional information of the financial reports and information from the City of Pacifica. Commissioner Sheridan seconded the motion, which passed unanimously. (Ayes: Commissioners Cosgrove, Garbarino, Horsley, O'Neill, Sheridan, Tissier, and Chair Craig; Noes: None; Abstentions: None.)
- 2) Commissioner Tissier moved to accept the Municipal Service Review and Sphere of Influence Update and public comment. Commissioner Garbarino seconded the motion, which passed unanimously. (Ayes: Commissioners Cosgrove, Garbarino, Horsley, O'Neill, Sheridan, Tissier, and Chair Craig; Noes: None; Abstentions: None.)
- 3) Commissioner Garbarino moved to find that the Municipal Service Review and Sphere of Influence Update, reaffirming the spheres of influence of North County Cities and Special Districts, are exempt from CEQA based on CEQA Regulation §15061(b)(3). Commissioner Tissier seconded the motion, which passed unanimously. (Ayes:

Commissioners Cosgrove, Garbarino, Horsley, O'Neill, Sheridan, Tissier, and Chair Craig; Noes: None; Abstentions: None.)

- 4) Commissioner Garbarino moved to, by resolution, adopt the Municipal Service Review and Sphere of Influence determinations and reaffirm the spheres of influence of the North County Cities and Special Districts enumerated therein. Commissioner O'Neill seconded the motion, which passed unanimously. (Ayes: Commissioners Cosgrove, Garbarino, Horsley, O'Neill, Sheridan, Tissier, and Chair Craig; Noes: None; Abstentions: None.)

**New Matters:**

**6. Public Hearing: Consideration of Amendment of the Adopted 2015-16 Fiscal Year Budget Pursuant to Government Code Section 53861**

Ms. Poyatos noted the September 9<sup>th</sup> staff report outlines the two-hearing budget process, with adoption of the proposed budget in March and adoption of a final budget in May. She said since these occur before the end of the fiscal year and the final fund balance is not known, it is necessary to consider a September revision of the budget based on the actual expenditures. She noted the attached spreadsheet that shows the various revenue and expenditure accounts. She recommended that the Commission amend the budget to reflect application of a portion of actual surplus fund balance to a special reserve account and then use the balance as an offset to the net operating budget thereby partially reducing the apportionment to the County, the cities, and the special districts. She said the recommended amended adopted budget amount is \$476,248.

She said that another needed adjustment is that County was overcharged for their one-third share in 2014-15. She recommended that the expenditure should be corrected to show as a refund to the County in the amount of \$12,416. She noted that the apportionment was correct for the current fiscal year, however.

Ms. Poyatos clarified for Vice Chair Cosgrove the increase in the one-time reserve from \$40,000 to \$65,000. He asked if the one-time reserve fund was for hiring consultants. She responded that historically it has been there for legal defense. She said it can only be used with Commission approval following action at a public hearing. She confirmed that both reserves are discretionary by the Commission. She said that the County's standard practice is a 2 percent reserve and the Commission has had a 3 percent reserve. She said unlike other LAFCos, San Mateo LAFCo does not carry over fund balance in a growing reserve. She said the San Mateo Commission relies on a frugal annual reserve amount and also relies on a Government Code provision that requires the County to make a loan to the Commission if the budget amount falls short, with the loaned funds being repaid in the following fiscal year.

Vice Chair Cosgrove asked what the reason was for the \$65,000 reserve amount. Ms. Poyatos said it is a relatively small amount to spend on any events that might arise, e.g., legal defense. Ms. Poyatos added that the Commission has the discretion to set the reserve amount and establish that any surplus fund balance could be used to offset the appropriations budget and

reduce the funding by the County, cities, and special districts. She said that any unspent funds go back into that same formula in the subsequent fiscal year. Vice Chair Cosgrove advocated keeping the reserve at \$40,000.

Commissioner Tissier asked about the formula used. Ms. Poyatos said it isn't just divided among the number of agencies. She explained that while the special districts get one-third apportionment, individual agencies pay based on their proportional revenues.

Commissioner Sheridan asked if they left the amount in the current budget could they reduce the amount allocated in the subsequent fiscal year, which Ms. Poyatos confirmed.

Public Comment: None.

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

Commission Action: Commissioner Horsley moved to approve the amended recommended 2015-16 budget of \$476,248 to reflect application of a portion of actual surplus final fund balance to the special reserve account and a refund to the County of San Mateo for overpayment in the 2014-15 Fiscal Year. Commissioner Garbarino seconded the motion, which passed unanimously. (Ayes: Commissioners Cosgrove, Garbarino, Horsley, O'Neill, Sheridan, Tissier, and Chair Craig; Noes: None; Abstentions: None.)

#### **7. Public Hearing: Consideration of a Resolution Authorizing an Agreement with the County of San Mateo for Staffing, Legal Counsel, Office Space, and Supplies for the 2015-16 Fiscal Year**

Ms. Poyatos noted the September 9<sup>th</sup> staff report outlining the contract LAFCo has with the County. She said the contract amount is not identical to the budget because it does not include the reserve amount and other charges paid to an outside agency, e.g. insurance. She stated that the contract, if approved, would go on the Board of Supervisors' agenda for their consideration.

Public Comment: None.

Chair Craig closed the public hearing.

Commission Action: Commissioner O'Neill moved to authorize the Chair to execute the agreement with San Mateo County for office space, staff, and legal services in the amount of \$370,299 for the 2015-16 fiscal year. Commissioner Garbarino seconded the motion, which passed unanimously. (Ayes: Commissioners Cosgrove, Garbarino, Horsley, O'Neill, Sheridan, Tissier, and Chair Craig; Noes: None; Abstentions: None.)

#### **8. Legislative Report**

Ms. Poyatos noted the legislative update provided in the packet that she received at the CALAFCO conference in Sacramento, September 2-4, 2015 with two position letters for AB 851 and SB 25. She stated that there was no major news provided by the legislative analyst.

She noted that SB 239 (Hertzberg), which would change Government Code Section 56133 to allow for fire union input into extending service by contract, is at the Governor's desk for signature. She said LAFCOs originally opposed the bill but are not taking a position since its amendment.

Vice Chair Cosgrove asked how many support letters have been sent out since the decision was made to have the legislative committee send out letters without the full Commission approving it. Chair Craig said approximately five letters have been sent. In response to Vice Chair Cosgrove asking about being able to review the letters and the timing of letters being sent, Chair Craig said he had the option of joining the legislative committee and explained that since legislation often moves quickly, there isn't time to wait until the next LAFCo hearing to get approval from the entire Commission. She said that the Committee receives recommended position letters from CALAFCO and that the Committee sends a position letter if the CALAFCO positions are consistent with adopted Commission policies.

Ms. Poyatos noted that the recent letters were at the end of the legislative cycle and said in the future that legislation will likely appear on a LAFCo meeting agenda. She added that other LAFCOs have expressed interest in San Mateo LAFCo's process for producing support letters.

Commissioner Tissier said the Board of Supervisors has a similar process with guidelines to handle support letters in a timely manner.

Chair Craig suggested getting a copy of the CALAFCO legislative committee's view of the bills that have been introduced that affect LAFCo's enabling legislation. Vice Chair Cosgrove agreed that that would be helpful.

Public Comment: None.

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

**a. *The Sphere* Newsletter - Annual Report to the Membership**

Ms. Poyatos noted the newsletter also includes an article that staff submitted about the major matters that the Commission considered at the July 15, 2015 meeting.

**b. Letter Regarding New Strategic Plan Goals and Dues Increase**

Ms. Poyatos noted a letter outlining increased dues for CALAFCO membership.

**c. Report on Attendance at the Annual Conference**

Ms. Poyatos noted that she and each of the Commissioners who attended the September CALAFCO conference in Sacramento reported on their experience there and Ms. Poyatos expressed her appreciation for being able to attend.

Public Comment: None.

**10. Letter from Special District Risk Management Authority Regarding President's Special Acknowledgement Award**

Ms. Poyatos noted that LAFCo is a member of the Authority for their liability insurance. She said the letter acknowledged that they had no paid claims in the past year, thus minimizing any premium increases.

**11. Commissioner/Staff Reports**

Chair Craig noted there were no additional commissioner or staff reports.

**12. Adjournment**

The meeting was adjourned at 4:02 pm.