



**STANISLAUS LAFCO
LOCAL AGENCY FORMATION COMMISSION**

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Chair Richard O'Brien, City Member
Vice Chair Vito Chiesa, County Member
Terry Withrow, County Member
Amy Bublak, City Member
Ken Lane, Public Member
Javier Lopez, Alternate City Member
Mani Grewal, Alternate County Member
Bill Berryhill, Alternate Public Member

**AGENDA
Wednesday, April 26, 2023
6:00 P.M.
Joint Chambers—Basement Level
1010 10th Street, Modesto, California 95354**

- Members of the public may attend this meeting in person.
- You can also observe the live stream of the LAFCO meeting at:
<http://www.stancounty.com/sclive/>
- In addition, LAFCO meetings are broadcast live on local cable television. A list of cable channels is available at the following website:
<http://www.stancounty.com/planning/broadcasting.shtm>

1. CALL TO ORDER

- A. Pledge of Allegiance to the Flag.
- B. Introduction of Commissioners and Staff.

2. PUBLIC COMMENT PERIOD

This is the period in which persons may comment on items that are not listed on the regular agenda. All persons wishing to speak during this public comment portion of the meeting are asked to fill out a "Speaker Card" and provide it to the Commission Clerk. Each speaker will be limited to a three-minute presentation. No action will be taken by the Commission as a result of any item presented during the public comment period.

3. CORRESPONDENCE

No correspondence addressed to the Commission, individual Commissioners or staff will be accepted and/or considered unless it has been signed by the author, or sufficiently identifies the person or persons responsible for its creation and submittal.

- A. Specific Correspondence.
- B. Informational Correspondence.

C. "In the News."

4. DECLARATION OF CONFLICTS AND DISQUALIFICATIONS

5. CONSENT ITEMS

The following consent items are expected to be routine and non-controversial and will be acted upon by the Commission at one time without discussion unless a request has been received prior to the discussion of the matter.

A. **MINUTES OF THE MARCH 22, 2023 LAFCO MEETING**
(Staff Recommendation: Accept the Minutes.)

B. **MUNICIPAL SERVICE REVIEW NO. 2023-01 AND SPHERE OF INFLUENCE UPDATE NO. 2023-01 – FOR SALIDA SANITARY DISTRICT:** The Commission will consider the adoption of a Municipal Service Review (MSR) and Sphere of Influence (SOI) Update for Salida Sanitary District. This item is exempt from the California Environmental Quality Act (CEQA) review pursuant to sections 15306 and 15061(b)(3). (Staff Recommendation: Approve the update and adopt Resolution No. 2023-04.)

6. PUBLIC HEARING

Any member of the public may address the Commission with respect to a scheduled public hearing item. Comments should be limited to no more than three (3) minutes unless additional time is permitted by the Chair. All persons wishing to speak are asked to fill out a "Speaker Card" and provide it to the Commission Clerk.

A. **PROPOSED LAFCO BUDGET FOR FISCAL YEAR (FY) 2023-2024.** The Commission will consider the adoption of the proposed LAFCO budget consistent with Government Code Sections 56380 and 56381. (Staff Recommendation: Approve the Proposed Budget and adopt Resolution No. 2023-05.)

7. OTHER BUSINESS

None.

8. COMMISSIONER COMMENTS

Commission Members may provide comments regarding LAFCO matters.

9. ADDITIONAL MATTERS AT THE DISCRETION OF THE CHAIRPERSON

The Commission Chair may announce additional matters regarding LAFCO matters.

10. EXECUTIVE OFFICER'S REPORT

The Commission will receive a verbal report from the Executive Officer regarding current staff activities.

A. On the Horizon.

11. ADJOURNMENT

A. Set the next meeting date of the Commission for May 22, 2023.

B. Adjournment

LAFCO Disclosure Requirements

Disclosure of Campaign Contributions: If you wish to participate in a LAFCO proceeding, you are prohibited from making a campaign contribution of more than \$250 to any commissioner or alternate. This prohibition begins on the date you begin to actively support or oppose an application before LAFCO and continues until three months after a final decision is rendered by LAFCO. No commissioner or alternate may solicit or accept a campaign contribution of more than \$250 from you or your agent during this period if the commissioner or alternate knows, or has reason to know, that you will participate in the proceedings. If you or your agent have made a contribution of more than \$250 to any commissioner or alternate during the twelve (12) months preceding the decision, that commissioner or alternate must disqualify himself or herself from the decision. However, disqualification is not required if the commissioner or alternate returns the campaign contribution within thirty (30) days of learning both about the contribution and the fact that you are a participant in the proceedings.

Lobbying Disclosure: Any person or group lobbying the Commission or the Executive Officer in regard to an application before LAFCO must file a declaration prior to the hearing on the LAFCO application or at the time of the hearing if that is the initial contact. Any lobbyist speaking at the LAFCO hearing must so identify themselves as lobbyists and identify on the record the name of the person or entity making payment to them.

Disclosure of Political Expenditures and Contributions Regarding LAFCO Proceedings: If the proponents or opponents of a LAFCO proposal spend \$1,000 with respect to that proposal, they must report their contributions of \$100 or more and all of their expenditures under the rules of the Political Reform Act for local initiative measures to the LAFCO Office.

LAFCO Action in Court: All persons are invited to testify and submit written comments to the Commission. If you challenge a LAFCO action in court, you may be limited to issues raised at the public hearing or submitted as written comments prior to the close of the public hearing. All written materials received by staff 24 hours before the hearing will be distributed to the Commission.

Reasonable Accommodations: In compliance with the Americans with Disabilities Act, hearing devices are available for public use. If hearing devices are needed, please contact the LAFCO Clerk at 525-7660. Notification 24 hours prior to the meeting will enable the Clerk to make arrangements.

Alternative Formats: If requested, the agenda will be made available in alternative formats to persons with a disability, as required by Section 202 of the Americans with Disabilities Act of 1990 (42 USC 12132) and the Federal rules and regulations adopted in implementation thereof.

Notice Regarding Non-English Speakers: Pursuant to California Constitution Article III, Section IV, establishing English as the official language for the State of California, and in accordance with California Code of Civil Procedure Section 185 which requires proceedings before any State Court to be in English, notice is hereby given that all proceedings before the Local Agency Formation Commission shall be in English and anyone wishing to address the Commission is required to have a translator present who will take an oath to make an accurate translation from any language not English into the English language.

IN THE NEWS

Newspaper Articles

- The Modesto Bee, April 5, 2023, “Ceres approves 145 apartments a short walk from Mitchell shops. Earlier council balked.”
- The West Side Index, April 6, 2023, “County puts \$12M towards Crows Landing Industrial Park
- The Modesto Bee, April 11, 2023, “MID farmers will pay \$9 more per acre for water. How does that compare with nearby areas?”

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IN THE NEWS – The Modesto Bee, April 5, 2023

Ceres approves 145 apartments a short walk from Mitchell shops. Earlier council balked

BY John Holland

A developer finally has won approval for 145 apartments just off Mitchell Road in Ceres.

The City Council voted 3-2 for the project, four years after rejection by a different council. It is on the east side of Mitchell a quarter-mile south of Whitmore Avenue.

The apartments will be market rate, rather than subsidized. Details on the monthly rents were not available.

The project also includes two buildings with a total of 21 small business spaces. Tenants have not yet been found.

Apartment construction could start in about a year, attorney Brett Jolley told the council on behalf of developer Rupinder Dhillon on March 27.

“This project brings much-needed housing to Ceres,” Jolley said. He added that the apartments will be more affordable to rent than the single-family homes that make up most of the city’s housing stock.

The apartments will be in six three-story buildings, with a gated entry and community building for residents. The council approval included changing this part of the site from commercial to high-density residential in the city’s general plan.

Several residents said the apartments will add too much traffic to Mitchell. Councilman James Casey cited that reason for his dissent. Councilman Daniel Martinez also voted against the project.

Mayor Javier Lopez and council members Bret Silveira and Rosalinda Vierra supported the apartments.

The 9.7-acre site is mostly open ground but also has a house, trucking business and warehouse. It is one of several empty spaces along Mitchell, one of the main commercial strips in Ceres.

“That’s been a dirt lot my whole life,” Silveira said. “My fear is it would continue to be a dirt lot until I’m not above the ground anymore.”

TRAFFIC STUDY TO COME

Silveira also said he watched peak-hour traffic near the site recently and does not believe the apartments will add too much.

Jolley said the traffic will be less than if the site had stayed commercial in the general plan, which guides growth in Ceres.

The developer still needs to do a traffic study before getting final approval to build. This could result in stoplights, a median or other upgrades to this stretch of Mitchell.

The apartment site is only a quarter-mile from a Save Mart grocery store and other businesses across Mitchell. But it can be dicey for a pedestrian to cross the four lanes, where the speed limit is 40 miles per hour.

IN THE NEWS – The Modesto Bee, April 5, 2023, Continued

None of the current council members was in office when the project was rejected in 2019. Critics cited the traffic concern and a desire to keep the entire site commercial. Councilman Bret Durossette cast the only vote in favor.

ONE, TWO OR THREE BEDROOMS

The approved project will have 48 one-bedroom apartments, 84 with two bedrooms and 13 with three. They will be east of the new commercial buildings.

Both of these buildings will be one story. One will have 15,230 square feet divided into 11 tenant spaces. The other will have 10 spaces totaling 13,782 square feet.

Jolley's law practice is based in Stockton but he has plenty of experience in Ceres. He represented opponents in a nine-year battle against a Walmart Supercenter and other businesses at Mitchell and Service Road. Walmart finally opened in late 2021, and the project continues to fill out.

IN THE NEWS – Westside Connect, April 6, 2023

County puts \$12M towards Crows Landing Industrial Park

By Joe Cortez

The Stanislaus County Board of Supervisors voted unanimously on March 28 to approve a set of spending priorities for \$17 million in American Rescue Plan Act funds.

In May of 2021, the board approved a set of spending strategies for the \$107 million it received in ARPA funds to deal with the aftermath of the COVID-19 pandemic: \$50 million was allocated for community infrastructure, \$30 million was positioned for economic development, \$5 million was pointed toward supporting families and individuals, and another \$5 million was earmarked for investment in a community development corporation.

The remaining \$17 million was held in reserve for additional consideration.

The supervisors opted to increase by \$5.8 million the investment in community infrastructure, bringing that total to \$55.8 million.

The board also made clear how it intends to divvy up the \$30 million prioritized for economic development.

In January, the board approved the use of \$10 million to support a bio-industrial manufacturing strategy included in the Stanislaus 2030 blueprint. In March, the board approved initial support for all other Stanislaus 2030 initiatives — a potential future investment of up to \$8 million, with specific investment strategies to be considered over the following 10-12 months. Included in this amount are all other items previously approved for Stanislaus 2030 and a pending proposal to invest \$1 million with the Central Valley Opportunity Center to support farmworker training programs — also approved Tuesday.

With the potential to support up to \$18 million, it was recommended that the remaining \$12 million be used to fund infrastructure support for the Crows Landing Industrial Business Park at the former airfield on the county's west side.

“This always comes to the top of my priority list because there’s not enough shovel-ready land in Stanislaus County,” said District 2 Supervisor Vito Chiesa, who represents Turlock. “If someone says, ‘I want to put in a bio-manufacturing facility and I need 200 acres,’ you’re extremely limited in the county. So, getting this ready with water, sewer and roadways is a high priority. It’s not in my district, but it’s priority No. 1 for me.”

The Crows Landing Air Facility was commissioned in 1942 as an auxiliary airfield to the Naval Air Station in Alameda. The airfield was identified for closure in the 1990s and Stanislaus County took ownership in 1999.

Ever since, the county has sought opportunities to revitalize the west side’s economy through the reuse of the former airfield.

The county has pursued development of a locally based, regional employment center on the 1,528-acre former military property to improve its jobs-to-housing balance and to provide sustainable-wage jobs that will not require long commutes outside of the county.

The project will be developed in multiple phases, which may take up to 30 or 40 years. Upon completion, there will be more than 14 million square feet of vertical building space and a 370-acre public-use airport.

IN THE NEWS – Westside Connect, April 6, 2023, Continued

The project's first phase is estimated to cost \$36-\$42 million. To date, the board has dedicated \$20 million of General Fund reserves for the project. The investment of the additional \$12 million in ARPA funds will bring the project closer to fully funded status.

"We've got 40,000 people in the county going (to the Bay Area) everyday, we've got air-quality problems, and we're trying to create jobs here," said Chiesa. "The Crows Landing money has been a topic of discussion since I got on this board; it's heated.

"Getting it shovel-ready for jobs is an opportunity to keep people from leaving our county. We have a thousand acres of usable land, plus the airport land, and getting it shovel-ready for jobs is an opportunity to keep those people from leaving our county. I don't see it as people coming from the Bay Area to work here. I think we maintain our workforce here in the county, which helps out in a multitude of ways."

Maria Arevalo, a farmworker advocate, was concerned by what she called a "lack of transparency" into how the Crows Landing decision came about.

"I think these are really exciting times, that we actually have this kind of money to do something to help our community," Arevalo told the board. "I have been asking about what was going to happen with the surplus money from ARPA. ... On Friday, you finally gave a (board agenda item) that explains what the surplus money is going to be spent on. It's a complicated item, there's lots of information in there.

That's not enough notice."

Arevalo then quoted from the county's 2021 economic impact report, which stated that "funded strategies will incorporate community and partner input to ensure services are delivered to areas of greatest need."

The EIR also recommended bringing together public and private stakeholders.

"It may be a great plan, I just don't know about Crows Landing to know whether that's an appropriate recommendation," Arevalo added. "And this certainly wasn't an open and transparent process, about how you decided to put \$12 million into Crows Landing. How did that decision get made? Who gave you the input? Who's going to benefit from that?"

IN THE NEWS – The Modesto Bee, April 11, 2023

MID farmers will pay \$9 more per acre for water. How does it compare with nearby areas?

By Kevin Valine

A vote Tuesday added \$9 per acre to the cost of water in the Modesto Irrigation District.

Its board decided 4-0, with Director Janice Keating absent, to adopt the increase for the irrigation season that just began.

The extra money will go to maintaining canals that deliver Tuolumne River water to about 3,100 farmers. Under state law, the proposal would have died if a majority of them filed protests at or before Tuesday's hearing. Only 11 did so.

The new rate reflects the cost of service as detailed in a study adopted in November, said Gordon Enas, assistant general manager for water operations.

That study came amid long-running debate over whether MID electricity customers have been subsidizing the irrigation system. Power rates will rise nearly 10% over two years following a separate board vote in November.

The water rate structure has two parts: a flat fee per acre to cover general maintenance, and prices based on actual water used. The increase involves only the former, raising it from \$44 to \$53.

These volume charges are unchanged: \$2 per acre-foot for the first two, \$5 for the third acre-foot, \$11.25 for the next half an acre-foot, and \$40 per acre-foot beyond that. An acre-foot is enough water to cover an acre a foot deep.

The wet winter has allowed MID to ease way back on the drought cutbacks of the past two years. A farmer will pay \$87.63 for four acre-feet in 2023, a typical volume.

The increase also applies to the river water feeding the treatment plant for the city of Modesto. This is only part of the bills for city residents, which also include maintenance of pipelines and other expenses.

MID's farm rate remains in the middle compared with other irrigation districts in the San Joaquin Valley. A rundown of charges this year for four acre-feet:

\$70 in the Turlock Irrigation District, also on the Tuolumne

\$49.21 in the Oakdale Irrigation District, on the Stanislaus River

\$36 in the South San Joaquin Irrigation District, on the Stanislaus

\$200 in the Merced Irrigation District, on the Merced River

\$114.40 in the Central California Irrigation District. It stretches from Crows Landing to Mendota and has senior rights for water pumped from the Sacramento-San Joaquin Delta.

\$895.08 in the Westlands Water District, west of Fresno, the largest of the junior rights holders in the Delta system.



STANISLAUS LOCAL AGENCY FORMATION COMMISSION MINUTES March 22, 2023

1. CALL TO ORDER

Chair O'Brien called the meeting to order at 6:00 p.m.

- A. Pledge of Allegiance to Flag. Chair O'Brien led in the pledge of allegiance to the flag.
- B. Introduction of Commissioners and Staff. Chair O'Brien led in the introduction of the Commissioners and Staff.

Commissioners Present: Richard O'Brien, Chair, City Member
Ken Lane, Public Member
Amy Bublak, City Member
Mani Grewal, Alternate County Member

Commissioners Absent: Terry Withrow, County Member
Vito Chiesa, Vice-Chair, County Member
Javier Lopez, Alternate City Member
Bill Berryhill, Alternate Public Member

Staff Present: Sara Lytle-Pinhey, Executive Officer
Javier Camarena, Assistant Executive Officer
Jennifer Vieira, Commission Clerk
Robert J. Taro, LAFCO Counsel

2. PUBLIC COMMENT

Jami Aggers spoke regarding her concerns about the City of Riverbank's River Walk Specific Plan proposal.

3. CORRESPONDENCE

- A. Specific Correspondence.
None.
- B. Informational Correspondence.
None.
- C. "In the News."

4. DECLARATION OF CONFLICTS AND DISQUALIFICATIONS

None.

5. CONSENT ITEMS

A. **MINUTES OF THE JANUARY 25, 2023 LAFCO MEETING**
(Staff Recommendation: Accept the Minutes.)

B. **MID-YEAR BUDGET REPORT FOR FISCAL YEAR 2022-2023**
(Staff Recommendation: Accept and file the report.)

Motion by Commissioner Bublak, seconded by Commissioner Grewal, and carried with a 4-0 vote to approve the consent items, by the following vote:

*Ayes: Commissioners: Bublak, Grewal, Lane and O'Brien
Noes: Commissioners: None
Ineligible: Commissioners: None
Absent: Commissioners: Berryhill, Chiesa, Lopez and Withrow
Abstention: Commissioners: None*

6. PUBLIC HEARING

None.

7. OTHER BUSINESS

A. **RECLASSIFICATION OF THE LAFCO EXECUTIVE OFFICER AND ASSISTANT EXECUTIVE OFFICER** The Commission will consider the recommendations of the County Human Relations Division for the reclassification of the Executive Officer and Assistant Executive Officer positions. (Staff Recommendation: Adopt Resolution No. 2023-03 authorizing the Executive Officer to execute amendments to agreements effectuating the reclassifications or form an ad-hoc advisory committee for future consideration by the Commission.)

Motion by Commissioner O'Brien, seconded by Commissioner Bublak and carried with a 4-0 vote to adopt Resolution No. 2023-03 authorizing the Executive Officer to execute amendments to agreements effectuating the reclassifications based on the recommendations of the County Human Relations Division, by the following vote:

*Ayes: Commissioners: Bublak, Grewal, Lane and O'Brien
Noes: Commissioners: None
Ineligible: Commissioners: None
Absent: Commissioners: Berryhill, Chiesa, Lopez and Withrow
Abstention: Commissioners: None*

Motion by Commissioner O'Brien, seconded by Commissioner Bublak and carried with a 4-0 vote to form an ad-hoc advisory committee consisting of the Chair and Vice-Chair to further discuss the reclassification of the Executive Officer with the County Human Relations Division, by the following vote:

Ayes: Commissioners: Bublak, Grewal, Lane and O'Brien
Noes: Commissioners: None
Ineligible: Commissioners: None
Absent: Commissioners: Berryhill, Chiesa, Lopez and Withrow
Abstention: Commissioners: None

8. COMMISSIONER COMMENTS

None.

9. ADDITIONAL MATTERS AT THE DISCRETION OF THE CHAIRPERSON

None.

10. EXECUTIVE OFFICER'S REPORT

A. On the Horizon. The Executive Officer informed the Commission of the following:

- At the April meeting, Staff will be presenting the Proposed Budget for Fiscal Year 2023-2024. Staff hopes to have more information from the ad-hoc committee in the next month.

11. ADJOURNMENT

A. Chair O'Brien adjourned the meeting at 6:32 p.m.

Not Yet Approved
Sara Lytle-Pinhey, Executive Officer

**EXECUTIVE OFFICER'S AGENDA REPORT
APRIL 26, 2023**

TO: LAFCO Commissioners

FROM: Javier Camarena, Assistant Executive Officer

SUBJECT: MSR NO. 2023-01, SOI UPDATE 2023-01: MUNICIPAL SERVICE REVIEW AND SPHERE OF INFLUENCE UPDATE FOR THE SALIDA SANITARY DISTRICT

INTRODUCTION

This proposal was initiated by the Local Agency Formation Commission in response to State mandates, which require the Commission to conduct Municipal Service Reviews and Sphere of Influence Updates for all cities and special districts every five years, as needed. The current review covers the Salida Sanitary District in Stanislaus County. The previous update for the District was adopted in 2018.

DISCUSSION

The Municipal Service Review and Sphere of Influence Update process provides an opportunity for districts to share accurate and current data, status of projects, and information regarding the services they provide. LAFCO Staff sent the District requests for information, researched District reports and reviewed the District's most recent audits and financial statements. Once this data was collected, a revised Municipal Service Review and Sphere of Influence Update document was completed.

The proposed Municipal Service Review and Sphere of Influence Update are attached to this report as Exhibit A. The relevant factors and determinations as put forth by the Cortese-Knox-Hertzberg Act are discussed for the District. No changes are being proposed for the District's Sphere of Influence at this time.

The District currently has adequate capacity to provide the necessary sewer services to customers within its existing service area. The District's Wastewater Treatment Plant currently processes approximately 1.2 million gallons per day (mgd), which represents half of the plant's current design capacity of 2.4 mgd.

ENVIRONMENTAL REVIEW RECOMMENDATIONS

Pursuant to the California Environmental Quality Act (CEQA), the adoption of a municipal service review is considered to be categorically exempt from the preparation of environmental documentation under a classification related to information gathering (Class 6 – Regulation §15306). Further, LAFCO's concurrent reaffirmation of an existing sphere of influence qualifies for a General Exemption as outlined in CEQA Regulation §15061(b)(3), which states:

The activity is covered by the general rule that CEQA applies only to projects which have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA.

As there are no land use changes, boundary changes, or environmental impacts associated with the Municipal Service Review and Sphere of Influence Update, an exemption from further environmental review is appropriate.

ALTERNATIVES FOR COMMISSION ACTION

After consideration of this report and any testimony or additional materials that are submitted, the Commission should consider choosing one of the following options:

Option 1: APPROVE the Municipal Service Review and Sphere of Influence Update for the Salida Sanitary District.

Option 2: DENY the update.

Option 3: If the Commission needs more information, it should CONTINUE this matter to a future meeting (maximum 70 days).

RECOMMENDED ACTION

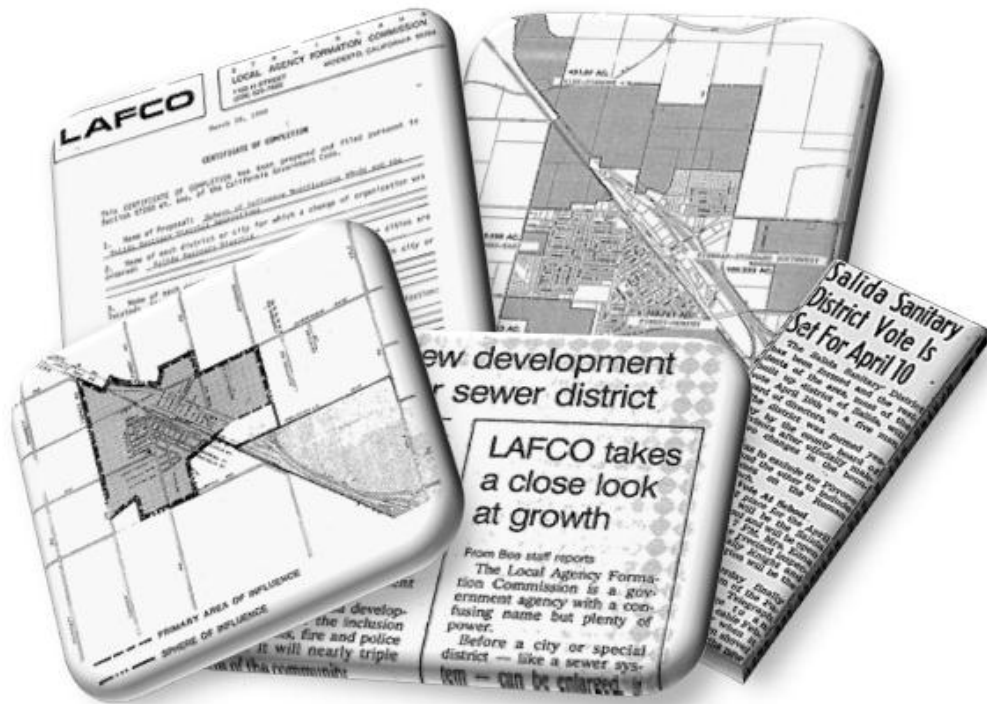
Approve Option 1. Based on the information presented, Staff recommends approval of Municipal Service Review and Sphere of Influence Update for the Salida Sanitary District. Therefore, Staff recommends that the Commission adopt Resolution No. 2023-04 which:

1. Determines that the Municipal Service Review and Sphere of Influence Update qualify for a General Exemption from further California Environmental Quality Act (CEQA) review based on CEQA Regulation §15061(b)(3);
2. Makes determinations related to the Municipal Service Review, as required by Government Code Section 56430; and,
3. Determines that the Sphere of Influence for the Salida Sanitary District should be affirmed as it currently exists.

Attachments:

- Exhibit 1 - Municipal Service Review and Sphere of Influence Update for the Salida Sanitary District*
- Exhibit 2 - Resolution No. 2023-04*

MUNICIPAL SERVICE REVIEW AND SPHERE OF INFLUENCE UPDATE FOR THE:



SALIDA SANITARY DISTRICT

Prepared By:

**Stanislaus Local Agency Formation Commission
1010 Tenth Street, Third Floor
Modesto, CA 95354
Phone: (209) 525-7660**

Adopted: _____

STANISLAUS

LOCAL AGENCY FORMATION COMMISSION

COMMISSIONERS

Amy Bublak, City Member
Richard O'Brien, City Member
Vito Chiesa, County Member
Terry Withrow, County Member
Ken Lane, Public Member
Javier Lopez, Alternate City Member
Mani Grewal, Alternate County Member
Bill Berryhill, Alternate Public Member

STAFF

Sara Lytle-Pinhey, Executive Officer
Javier Camarena, Assistant Executive Officer
Jennifer Goss, Commission Clerk
Rob Taro, Commission Counsel

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Municipal Service Review and Sphere of Influence Update For the Salida Sanitary District

Introduction

The Cortese/Knox/Hertzberg Local Government Reorganization Act of 2000 Act (CKH Act) requires the Local Agency Formation Commission (LAFCO) to update the Spheres of Influence (SOI) for all applicable jurisdictions in the County. A Sphere of Influence is defined by Government Code 56076 as “a plan for the probable physical boundary and service area of a local agency, as determined by the Commission.” The Act further requires that a Municipal Service Review (MSR) be conducted prior to or, in conjunction with, the update of a Sphere of Influence (SOI).

The legislative authority for conducting Service Reviews is provided in Government Code §56430 of the CKH Act. The Act states, that “in order to prepare and to update spheres of influence in accordance with §56425, the commission shall conduct a service review of the municipal services provided in the county or other appropriate area...” A Service Review must have written determinations that address the following factors:

Service Review Factors to be Addressed

1. Growth and population projections for the affected area
2. The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence
3. Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies including needs or deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged unincorporated communities within or contiguous to the sphere of influence.
4. Financial ability of agencies to provide services
5. Status of, and opportunities for, shared facilities
6. Accountability for community service needs, including governmental structure and operational efficiencies
7. Any other matter related to effective or efficient service delivery, as required by commission policy

This Service Review will analyze the Salida Sanitary District. The most recent Sphere of Influence (SOI) update for the Salida Sanitary District was adopted in 2012 and proposed no changes to the District’s SOI. The current update serves to comply with Government Code Section 56425 and will reaffirm the SOI for the District.

Sphere of Influence Update Process

A special district is a government agency that is required to have an adopted and updated Sphere of Influence. Section 56425(g) of the CKH Act calls for Spheres of Influence to be reviewed and updated every five years, as necessary. Stanislaus LAFCO processes the Service Review and Sphere of Influence Updates concurrently to ensure efficient use of resources. For rural special districts, which do not have the typical municipal level services to review, this Service Review will be used to determine what type of services each district is expected to provide and the extent to which they are able to do so. The Sphere of Influence will delineate the service capability and expansion capacity of the agency, if applicable.

Service Review – Salida Sanitary District

Authority

The Salida Sanitary District was organized under the Sanitary District Act of 1923, Health and Safety Code, Section 6400 et seq., and is a “registered voter district”, as the board members are elected by the registered voters residing within the district’s boundaries.

Background

Special districts are local governments that are separate from cities and counties, yet provide public services such as fire protection, sewer, water, and street lighting. In California there are over 2,000 special districts with great diversity of purposes, governance structures, and financing mechanisms. The major types of special districts range from airports to fire protection to mosquito abatement to water conservation.

Purpose

The Salida Sanitary District was formed for the purpose of providing sanitary sewer services to the unincorporated community of Salida.

Governance

Five Board members, elected by the registered voters within the District boundaries, govern the District. Meetings are held on the second Thursday of each month at 6:00 p.m., at the District’s Treatment Plant located at 6200 Pirrone Road, Salida. Meeting agendas are posted at the Salida Union School District Office, located at 4801 Sisk Road, Salida. Agendas are also posted on the District’s website: www.salidasanitary.net.

Formation

The Salida Sanitary District was formed on February 14, 1951.

Location and Size

The District is located in north-central Stanislaus County, and is in the vicinity of the Stanislaus River to the north, Highway 99, and the City of Modesto at its southeasterly boundary. The District encompasses an area of approximately 1,485 acres.

Sphere of Influence

The District’s Sphere of Influence (SOI) encompasses approximately 1,530 acres and is slightly larger than the existing District boundary (see Map 1).

While no changes to the District’s Sphere of Influence are anticipated at this time, it should be noted that the County Board of Supervisors adopted an updated Salida Community Plan in 2007. The updated plan added approximately 3,383 acres to the unincorporated community of Salida. It includes land use designations to accommodate up to 5,000 residential units and 2,029 acres of commercial, business park, and industrial uses. Prior to any development in the updated Community Plan area, infrastructure master plans and environmental review must be

completed. Should expansion of the District's existing service area be requested, an update to the adopted Municipal Service Review and LAFCO approval would be needed.

Personnel

The District employs seven full-time and one part-time employees. The District also contracts for the following services on an as-needed basis: engineering, legal, computer services and financial audits.

Classification of Services

The Salida Sanitary District is authorized to provide the functions or classes of services, which include wastewater collection, treatment and disposal, as identified in this report. Due to recent changes in the Cortese-Knox-Hertzberg Act, the District would have to seek LAFCO approval to exercise other latent powers not currently provided.

Services

The Salida Sanitary District provides wastewater collection, treatment and disposal for the unincorporated community of Salida. The District operates its wastewater treatment plant on the northern edge of Stanislaus County, just south of the Stanislaus River (6200 Pirrone Road, Salida).

To accommodate Salida's existing population and anticipated growth, the first phase of the current Wastewater Treatment Plant (WWTP) was completed in 1991. The first phase consisted of constructing two (2) process tanks that have a combined capacity of 1.2 million gallons per day (mgd). In 1998, two more process tanks were constructed during the second phase of the current WWTP. The completion of these two tanks brought the WWTP to its total design capacity 2.4 million gallons per day. The District serves the following customers with wastewater services within its boundaries:

Type of Customer	No. Of Connections
Domestic/Residential	4,038
Commercial	238
Industrial	1
Other: Churches/Schools	14
TOTAL	4,291

The District also currently provides wastewater services to various customers located outside its boundaries, including: BMC West Lumber Company (4237 Murphy Road), the former Modesto Tobacco and Candy (at 4900 Stoddard Road), Vella Middle School (5041 Toomes Road), Flory Industries (4737 Toomes Road), the former Shell Lab site (5731 Stoddard Road), and Gregori High School (5518 Stoddard Road). Out-of-boundary service extensions are regulated under Government Code Section 56133 and require LAFCO approval.

The Salida Sanitary District's Wastewater Treatment Plant currently processes approximately 1.2 million gallons per day (mgd), which represents approximately half of the plant's total capacity of 2.4 mgd.

In June 2010, the District retained the consulting firm of Black and Veatch to prepare a Wastewater Treatment Plant Evaluation. The report evaluated the District's existing facilities. By collecting, evaluating, and analyzing previous reports and plant upgrades, Black and Veatch was able to make recommendations to improve the effectiveness and efficiency of the existing plant.

Support Agencies

The District maintains collaborative relationships with other agencies, such as: Stanislaus County, Salida Fire Protection District, Salida Union School District, Modesto City Schools, City of Modesto Wastewater Collection Department, and regulatory agencies such as: State Water Resources Control Board and the California Regional Water Quality Control Board.

Funding Sources

The District's main source of revenue is derived from sewer service and connection fees. The District also receives a small portion of the shared property tax revenues from Stanislaus County. In addition, the District participates in the Salida Area Public Facilities Financing Agency (SAPFFA), which administers the bonds established by the Mello Roos district. The SAPFFA, which operates under a joint powers agreement between the Salida Sanitary District, Salida Fire Protection District, and the Salida Union and Modesto City School Districts, provides facilities financing to its participants. To date, the SAPFFA has provided approximately \$14.9 million to the District for improvements and upgrades to the wastewater treatment plant to serve the existing Salida Community Plan area.

Service Review Categories & Determinations:

The following provides an analysis of the six categories or components required by §56430 for a Service Review for the Salida Sanitary District:

1. Growth and Population Projections for the Affected Area

The District serves the unincorporated community of Salida, which has an estimated population of 13,900. The District currently serves approximately 4,038 residential and 238 commercial customers with sanitary sewer service. According to the County's 2015-2023 Housing Element, the town of Salida has the potential to add an estimated 4,361, based on current vacant and/or underutilized parcels. The estimates are based on the Salida Community Plan that was approved in 2007 by the Stanislaus County Board of Supervisors. The Salida Community Plan area is currently outside of the Salida Sanitary District boundaries. Due to limited infrastructure and resources, it is not expected that any significant population growth will occur within the District boundaries at this time.

2. The Location and Characteristics of Any Disadvantaged, Unincorporated Communities Within or Contiguous to the Sphere of Influence.

Based on annual median household income, the area within the Salida Sanitary District is not identified as a Disadvantaged Unincorporated Community (DUC) as defined in Section 56033.5 of the Cortese-Knox-Hertzberg Act of 2000. No additional DUCs have been identified within or contiguous to the District's sphere of influence.

3. Present and Planned Capacity of Public Facilities and Adequacy of Public Services, Including Infrastructure Needs or Deficiencies Including Needs or Deficiencies Related to Sewers, Municipal and Industrial Water, and Structural Fire Protection in Any Disadvantaged, Unincorporated Communities Within or Contiguous to the Sphere of Influence.

The wastewater treatment plant includes four processing tanks. Each tank has a processing capacity of 0.6 million gallons per day (mgd). Three of the four of the tanks are in operation. The processing tanks are operating below capacity and processing the current average daily flow of 1.2 million gallons, with acceptable results. The fourth tank has been converted to an aerobic digester. This has greatly improved the treatment of plant solids.

The infrastructure in the older section of downtown Salida or "old town" is susceptible to grease build-up in the lines, causing blockage in the system. The State Water Resources Control Board adopted the Statewide Waste Discharge Requirement (GWDR) on May 2, 2006, requiring each public collection system to prepare a Sanitary Sewer Management Plan (SSMP). The main purpose of this plan is to minimize the number and impact of sanitary sewer overflows (SSOs). A major cause of SSOs is grease blockages. The District has implemented a maintenance program to inspect the sewer system on a weekly basis and to clear the lines of the grease on a regular basis. Funding for this program is through revenues generated by sewer service charges.

The present sewer service demand within the District's current boundaries can be met with existing facilities and infrastructure. Any expansion of the District's service area will require an evaluation of the District's present facilities and an evaluation of what future facilities will be necessary to serve that area.

In May of 2022 the District executed a Professional Services Agreement with the consulting firm of Kjeldsen, Sinnock, and Neudeck, Inc. for the preparation of the Salida Recycled Water Planning Study. The study is to evaluate the feasibility for recycled water production at the Salida Wastewater Treatment Facility, and also evaluate the potential market for recycled water use within the Salida Sanitary District service area.

4. Financial Ability of Agencies to Provide Services

The District has the necessary financial resources to fund existing levels of sewer services within its service boundaries. The District receives funds for the on-going provision of sewer service through connection and usage fees. These fees are reviewed on a regular basis to ensure they reflect the appropriate revenues necessary to provide adequate levels of service. The District also receives a small share of the county property tax revenues.

The District is a participant in the Salida Area Public Facilities Financing Agency (SAPFFA), which administers Mello Roos bonds under a joint powers agreement with the Modesto and Salida School Districts, and the Salida Fire Protection District. To date, the SAPFFA has provided funds to the Salida Sanitary District for the construction of the first and second phases of the treatment plant upgrades in 1992 and 1998.

The Board of Directors adopts the District's budget on an annual basis, which provides funding for the District's operating, capital, and debt service costs for the upcoming year. The District retained Capitol/PFG to prepare a Sewer User Rate Study (dated May 2021). This study provided for a five-year revenue program to generate sufficient funds to maintain and operate the District's facilities, and fund a financial reserves policy. By District Ordinance (2021-1), the new sewer services charges were approved and went into effect July 1, 2021.

5. Status of, and Opportunities for, Shared Facilities

The District does not currently share any facilities with other districts or agencies. However, the District participates in several cost sharing resource entities to avoid service duplications, reduce costs, and minimize unnecessary resource consumption.

By participating in the Salida Area Public Facilities Financing Agency (SAPFFA), the District has been able to utilize Mello Roos bond funding for several upgrades to the wastewater treatment plant.

The District is a member in the Stanislaus County Employee's Retirement Association (StanCERA), a retirement system organized under the 1937 Retirement Act. StanCERA is a cost-sharing multiple-employer Public Employment Retirement System. One actuarial valuation is performed for the system as a whole, and the same contribution rate applies to each participating entity.

The District is also a member of the California Rural Water Association (CRWA), which provides education and training, insurance programs, public relations support, legislative advocacy, capital improvement and equipment funding. CRWA also provides current information that is crucial to a special district's management and operational effectiveness.

6. Accountability for Community Service Needs, Including Governmental Structure and Operational Efficiencies

The District's governing body consists of a five member Board of Director's elected by the registered voters within the District. The Board of Director's meet on the second Thursday of each month at 6:00 p.m., in the District's administration building, located at 6200 Pirrone Road, Salida. Meeting agendas are posted at the Salida Union School District Office, located at 4801 Sisk Road, Salida. The agendas are also posted on the District's website www.salidasanitary.net. The District is subject to the provisions of the Brown Act requiring open meetings.

A 5-member Board of Directors, elected by the registered voters within the District's boundaries, governs the District. The District employs a staff of eight persons (seven full-time and one part-time), including a District Manager - Engineer who is responsible for the efficient administration of all affairs of the District, and an Operations Manager who oversees the daily operations of the District. The District also contracts for accounting, engineering and legal services.

7. Any Other Matter Related to Effective or Efficient Service Delivery, as Required by Commission Policy

None

Sphere of Influence Update for the Salida Sanitary District

In determining the Sphere of Influence (SOI) of each local agency, the Commission shall consider and prepare determinations with respect to each of the following factors pursuant to Government Code Section 56425:

1. The present and planned land uses in the area, including agricultural and open-space lands.
2. The present and probable need for public facilities and services in the area.
3. The present capacity of public facilities and adequacy of public services that the agency provides, or is authorized to provide.
4. The existence of any social or economic communities of interest in the area if the Commission determines they are relevant.
5. For an update of a sphere of influence of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.

This document proposes no changes to the District's existing Sphere of Influence. Rather, it serves to reaffirm the existing SOI boundary. As part of this process, Staff researched the history of the establishment of the District's SOI. A map of the current District boundary and Sphere of Influence is attached in Appendix "A".

The following determinations for the Salida Sanitary District's Sphere of Influence update are made in conformance with Government Code §56425 and Commission policy.

Determinations:

1. The present and planned land uses in the area, including agricultural and open-space lands

The District's Sphere of Influence (SOI) includes approximately 1,485 acres. Territory within the District's boundaries consists of residential and commercial land uses. The District does not have the authority to make land use decisions, nor does it have authority over present or planned land uses within its boundaries. The responsibility for land use decisions within the District boundaries is retained by Stanislaus County.

2. The Present and Probable Need for Public Facilities and Services in the Area

The District has provided sanitary sewer service to the unincorporated community of Salida since 1951. Over the past several decades, Salida has become Stanislaus County's largest unincorporated community.

The County Board of Supervisors adopted an updated Salida Community Plan in 2007. The updated plan added approximately 3,383 acres to the unincorporated community of Salida.

It includes land use designations to accommodate up to 5,000 residential units and 2,029 acres of commercial, business park, and industrial uses. Prior to any development in the updated Community Plan area, infrastructure master plans and environmental review must be completed. The present and probable need for public facilities and services in the area is not likely to diminish, but rather increase in the long-term as the Salida area continues to develop in the future.

3. The present capacity of public facilities and adequacy of public services that the agency provides, or is authorized to provide.

The District currently has adequate capacity to provide the necessary sewer services to customers within its existing service area. The District's Wastewater Treatment Plant (WWTP) currently processes approximately 1.2 million gallons per day (mgd), which represents half of the plant's current design capacity of 2.4 mgd. It is anticipated that buildout of the larger Salida Community Plan area would generate additional flows beyond the plant's current design capacity. Therefore, the WWTP would need to be expanded to serve the projected growth of the Salida area. Any changes to the District's Sphere of Influence and/or service boundary would require LAFCO approval before the District could serve any new growth areas proposed in the Salida Community Plan update.


4. The existence of any social or economic communities of interest in the area if the Commission determines they are relevant.

In addition to the unincorporated community of Salida, the City of Modesto is considered to be a community of interest, due to the City's close proximity to the District. Although the City's Sphere of Influence does not overlap the District's boundaries, it is directly adjacent to the District and included within the City's General Plan.

5. For an update of a sphere of influence of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.

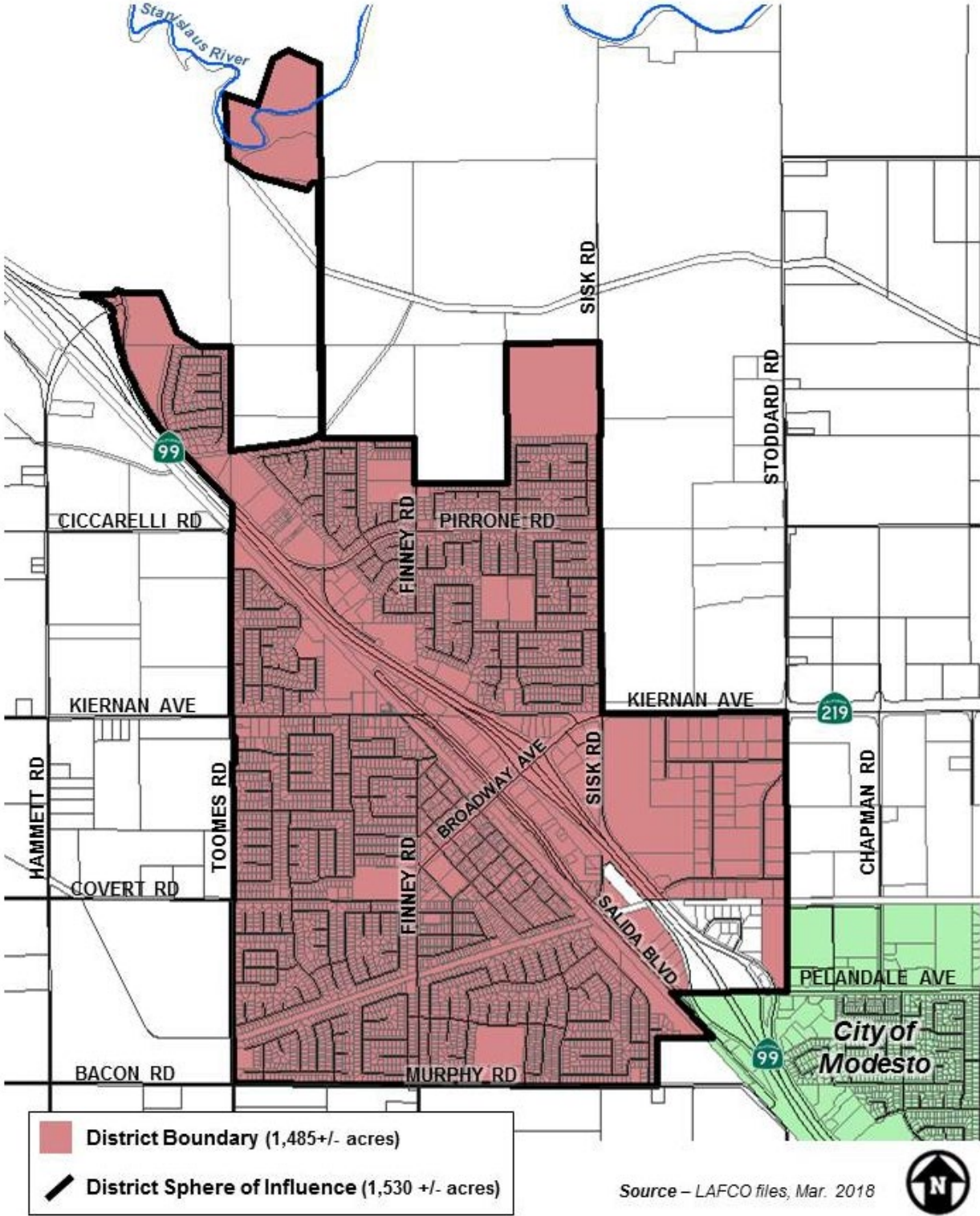
There are no proposals to change the District's existing Sphere of Influence. The District's area covers the town of Salida. Additional services, such as water and structural fire protection, are provided through the City of Modesto, other special districts, or by way of private systems.

APPENDIX “A” DISTRICT SUMMARY PROFILE

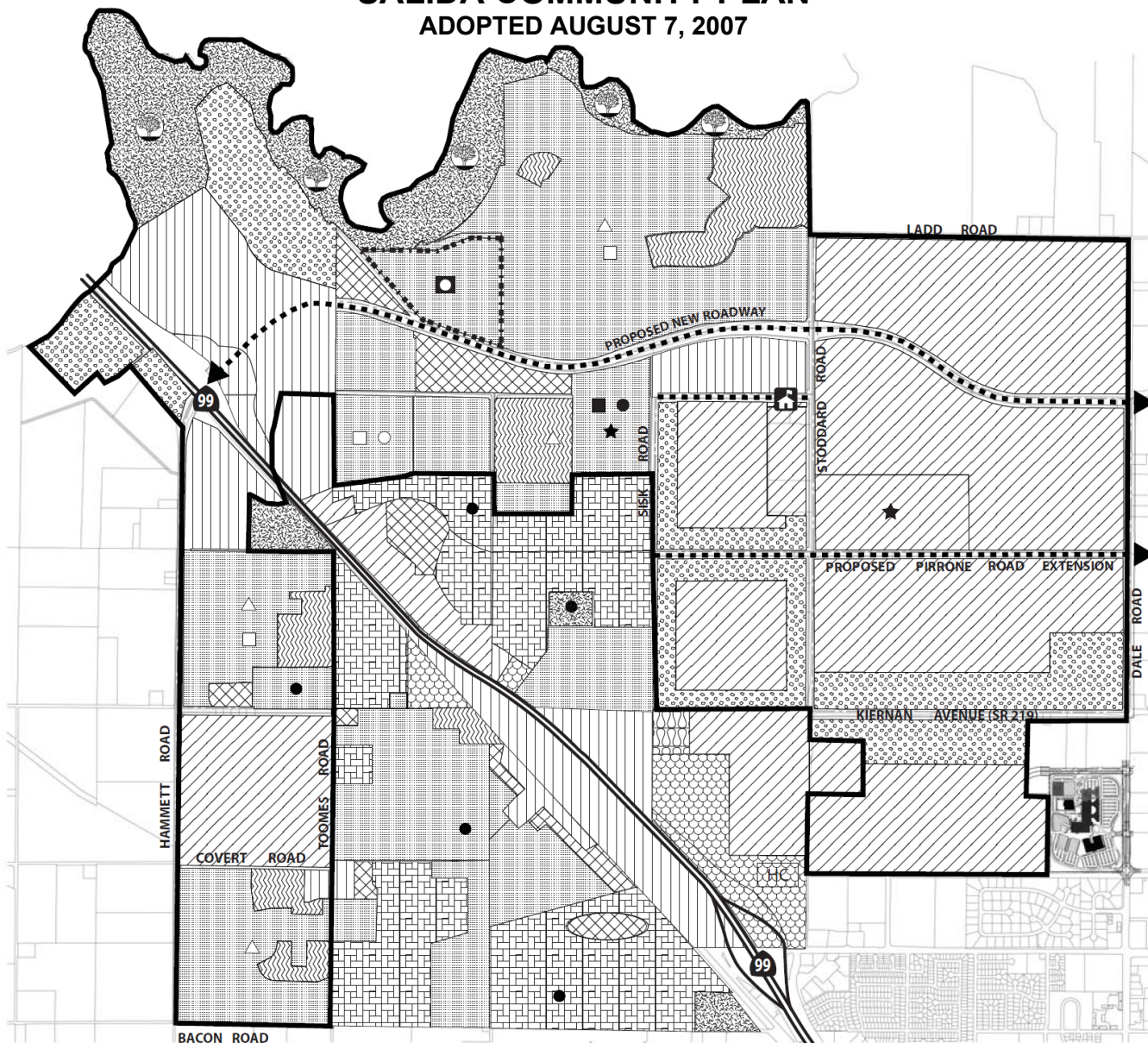
District:	SALIDA SANITARY DISTRICT	
Formation:	February 14, 1951	
Location:	The District is located in north-central Stanislaus County, immediately northwest of the City of Modesto.	
Boundary Area:	Approximately 1,485 acres	
Population*:	Approximately 13,900 persons	
Customers:	4,038 residential 238 commercial 1 industrial <u>14 other</u> 4,291 total	
Land Use:	Residential, commercial, and industrial (within the unincorporated community of Salida)	
District Services:	Wastewater collection, treatment and disposal services	
Enabling Act:	Sanitary District Act of 1923, Health & Safety Code, Section 6400 et. seq.	
Governing Body:	Five Board of Directors, elected by the registered voters within the District	
Administration:	The District employs 8 persons (7 full-time and 1 part-time)	
Budget:	\$3,173,990 (Fiscal Year 2022-2023)	
Revenue Sources:	Monthly service and connection fees, Mello Roos Bond funds (Salida Area Public Facilities Financing Agency), developer (annexation) fees, and a share of the county property tax revenues.	

*Source: 2020 Decennial Census












**MAP 1:
SALIDA SANITARY DISTRICT
BOUNDARIES AND SPHERE OF INFLUENCE**













MAP 2: SALIDA COMMUNITY PLAN ADOPTED AUGUST 7, 2007



LAND USES

-  Low Density Residential
-  Low Density Residential (Within Project Boundary)
-  Medium Density Residential
-  Medium High Density Residential
-  Business Park
-  Commercial
-  Industrial
-  Planned Industrial
-  Planned Development
-  Highway Commercial
-  Agricultural

PARKS AND SCHOOLS

- | Existing | Proposed | |
|---|---|------------------------|
|  |  | Neighborhood Park* |
|  |  | Elementary School* |
|  |  | Middle School* |
|  |  | High School* |
|  |  | Stanislaus River Park* |

PUBLIC FACILITIES

-  New Road
-  Special Treatment Area
-  Amendment Area Boundary
-  Existing Waste Water Treatment Plant*
-  Proposed Fire Station*



Source: Stanislaus County
For Illustrative Purposes Only. Check with the County Planning & Community Development Department to Verify Designations

* Symbol denotes general location

APPENDIX “B”

REFERENCES

1. California Special Districts Association website (www.csda.net)
2. District’s Make the Difference website (www.districtsmakethedifference.org)
3. Previous MSR/SOI Update for the Salida Sanitary District, Adopted by Stanislaus LAFCO on May 23, 2018.
4. Salida Sanitary District Solar Feasibility Study, Prepared by Black and Veatch, April 9, 2013.
5. Salida Sanitary District Operations and Maintenance Budget 2022-2023.
6. Salida Sanitary District Sewer User Rate Study, Prepared by Capital PFG, May 2021.
7. Salida Sanitary District Website: www.salidasanitary.net.
8. Salida Times, news articles dated April 7, 1950, January 5, 1951, and November 19, 1951.
9. Senate Local Government Committee, “What’s So Special About Special Districts? (Fourth Edition)”, October 2011.
10. Wastewater Connection Fee Study, Final Revision, Prepared by Parsons and Associates, October 3, 2011.
11. WWTP Facilities Evaluation, Final Report, Prepared by Black and Veatch, July 22, 2010.
12. United States Census Bureau Website. Accessed March 30, 2023. www.census.gov.

INDIVIDUALS AND AGENCIES CONTACTED

1. Linda Walker, Operations Manager, Salida Sanitary District.

**STANISLAUS COUNTY LOCAL AGENCY
FORMATION COMMISSION**

RESOLUTION

DATE: April 26, 2023

NO. 2023-04

SUBJECT: Municipal Service Review No. 2023-01 and Sphere of influence Update No. 2023-01: Salida Sanitary District

On the motion of Commissioner _____, seconded by Commissioner _____, and approved by the following vote:

Ayes: Commissioners:
Noes: Commissioners:
Absent: Commissioners:
Ineligible: Commissioners:

THE FOLLOWING RESOLUTION WAS ADOPTED:

WHEREAS, a Service Review mandated by California Government Code Section 56430 and a Sphere of Influence Update mandated by California Government Code Section 56425, has been conducted for the Salida Sanitary District, in accordance with the Cortese-Knox-Hertzberg Reorganization Act of 2000;

WHEREAS, at the time and in the form and manner provided by law, the Executive Officer has given notice of the April 26, 2023 public hearing by this Commission on this matter;

WHEREAS, the subject document is exempt from the provisions of the California Environmental Quality Act (CEQA) pursuant to Section 15061(b)(3) of the State CEQA Guidelines;

WHEREAS, Staff has reviewed all existing and available information from the District and has prepared a report including recommendations thereon, and related information as presented to and considered by this Commission;

WHEREAS, the Commission has duly considered the draft Municipal Service Review and Sphere of Influence Update on the Salida Sanitary District and the determinations contained therein;

WHEREAS, the Salida Sanitary District was established to provide sewer services within its boundaries;

WHEREAS, pursuant to Government Code Section 56425(h), the range of services provided by the Salida Sanitary District are limited to those as identified above, and such range of services shall not be changed unless approved by this Commission; and

WHEREAS, no changes to the District's Sphere of Influence are proposed or contemplated through this review.

NOW, THEREFORE, BE IT RESOLVED by the Commission:

1. Certifies that the project is statutorily exempt under the California Environmental Quality Act (CEQA) pursuant to Section 15061(b)(3) of the State CEQA Guidelines.
2. Approves the Service Review prepared in compliance with State law for the review and update of the Salida Sanitary District Sphere of Influence, and written determinations prepared by the Staff and contained herein.
3. Determines that except as otherwise stated, no new or different function or class of services shall be provided by the District, unless approved by the Commission.
4. Determines, based on presently existing evidence, facts, and circumstances filed and considered by the Commission, that the Sphere of Influence for the Salida Sanitary District should be affirmed as it currently exists, as more specifically described on the map contained within the Service Review document.
5. Directs the Executive Officer to circulate this resolution depicting the adopted Sphere of Influence Update to all affected agencies, including the Salida Sanitary District.

ATTEST: _____
Sara Lytle-Pinhey, Executive Officer

TO: LAFCO Commissioners

FROM: Sara Lytle-Pinhey, Executive Officer *SLP*

SUBJECT: PROPOSED LAFCO BUDGET FOR FISCAL YEAR 2023-2024

RECOMMENDATION

It is recommended that the Commission:

1. Receive the Executive Officer's report and accept public testimony regarding the Proposed LAFCO Budget.
2. Adopt Resolution No. 2023-05, approving the Proposed LAFCO Budget for Fiscal Year 2023-2024.
3. Schedule a public hearing for May 24, 2023, to consider adoption of the Final LAFCO Budget for Fiscal Year 2023-2024.

EXECUTIVE SUMMARY

The Proposed Fiscal Year (FY) 2023-2024 Budget includes operating expenses totaling \$658,490 and reflects an 11% increase as compared to the FY 2022-2023 budget. The increase is attributable to base salary and a cost-of-living increases approved by the County, in addition to salary adjustments based on approved reclassifications. The table below summarizes the Proposed Budget and includes a comparison to the current year's budget.

Table 1: LAFCO Proposed Budget Summary

Expenses	Current Budget FY 2022-2023	Proposed Budget FY 2023-2024	% Change (Proposed v. Current)
Salaries & Benefits	\$510,110	\$554,735	9%
Services & Supplies	82,170	102,555	25%
Other Charges	1,200	1,200	0%
Total Expenses	\$593,480	\$658,490	11%
Revenues			
Undesignated Fund Balance	(\$20,000)	(\$20,000)	0%
Application & Other Revenues	(20,000)	(20,000)	0%
Agency Contributions	\$553,480	\$618,490	12%

An analysis of the Commission's estimated year-end fund balance is also included in this report. Following allocations of reserve funds, Staff recommends the use of \$20,000 in undesignated fund balance to offset agency contributions. A chart depicting individual accounts for the Proposed Fiscal Year 2023-2024 Budget is attached to this report.

BACKGROUND

LAFCO is an independent commission established in each county by the State legislature. The Cortese-Knox-Hertzberg Local Government Reorganization Act establishes the specific funding methods and process for the annual LAFCO budget.

The Commission is funded by the County and its nine cities. Adopting the LAFCO budget is solely the responsibility of the Commission. The statutes governing LAFCO and directing its operations do not require separate approval of the financial program by the County, the nine cities, the independent special districts, nor any other local governmental agency. Section 56381(a) of the Government Code specifies that:

- The Commission shall adopt annually, following noticed public hearings, a proposed budget by May 1, and final budget by June 15. At a minimum, the proposed and final budget shall be equal to the budget adopted for the previous fiscal year unless the Commission finds that reduced staffing or program costs will nevertheless allow the Commission to fulfill the purposes and programs of this chapter.
- The Commission shall transmit its proposed and final budgets to the board of supervisors, to each city, and to each independent special district.

Following adoption of a final budget, the County Auditor will allocate and charge LAFCO's final net budget to the County and nine cities as required by Government Code Section 56381(b).

EXPENSES

The expense portion of the Proposed Budget is divided into three main categories: Salaries and Benefits, Services and Supplies, and Other Charges. The County transitioned to a new Oracle Cloud financial system in October 2022. As part of this transition, certain accounts were relocated and renamed to align with the State Controller's office accounting standards. The proposed budget detail attached to this report includes new account locations for the Commission's information. The following are highlights from various accounts in the Proposed Budget.

SALARIES AND BENEFITS (Accounts 50000+)

Expenses in the salaries and benefits category are projected to increase by 9% overall during Fiscal Year 2023-2024. LAFCO's employee benefits mirror the County's benefits, including health insurance and retirement (through StanCERA), pursuant to a Memorandum of Understanding between the County and the Commission. Similarly, LAFCO Staff receive increases to base salaries (e.g. cost-of-living increases) concurrently with respective County positions. Estimates for salaries and benefits are typically provided by the County during each budget cycle and are incorporated into the LAFCO Budget. In August 2022, after the Commission's approval of the current year's budget, the County approved base salary increases affecting County employees (including the three LAFCO staff). A 3% cost-of-living increase was also approved that will take affect the first pay period after July 1, 2023. The Proposed Budget anticipates the impact of these cost-of-living increases in conjunction with the recent reclassifications approved for the Executive Officer and Assistant Executive Officer.

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APRIL 26, 2023
PAGE 3

SERVICES AND SUPPLIES (Accounts 60000+)

The proposed expenditures in the Services and Supplies category have increased by \$20,385 as compared to the FY 2023-2024 budget. The majority of this increase is attributed to inclusion of \$12,000 for the Commission's biennial audit (included in Account #63090). The services and supplies category also includes items associated with the County's Cost Allocation Plan (CAP) charges. CAP charges reimburse the County for various services provided by agreement to LAFCO, including County payroll, information technology, accounts payable/receivable, mailroom services, building services, legal services and overhead charges. The following are highlights for various line items in the Services and Supplies category.

Insurance – SDRMA (Account #61000)

Like many other LAFCOs, the Commission uses the Special District Risk Management Authority (SDRMA) for its general liability insurance. SDRMA's rates had remained relatively stable over the last decade, with only a slight increase in the current year based on overall rate increases in the insurance market. The overall increase was less than anticipated in the current year and combined with longevity credits.

Memberships: CALAFCO & CSDA (Account #62200)

The California Association of Local Agency Formation Commissions (CALAFCO) and the California Special Districts Association are organizations that assist LAFCOs with educational, technical, and legislative resources that would otherwise not be available. For the upcoming fiscal year, CALAFCO adopted increased dues based on a Construction Price Index of 8.27%. A similar increase is anticipated for CSDA membership dues.

Professional & Special Services (Account #63000)

This account includes costs for office space, utilities, as well as overhead charges from the County for human resources, risk management, and purchasing. Charges for janitorial and building maintenance services are billed on a pass-through basis and budgets for each have increased based on inflation. With the new Oracle account numbering, the account now also includes IT and digital media services (previously located in #63990).

OTHER CHARGES (Accounts #70000+)

This category includes one account (#73024) for copy costs and a shared portion of the copier lease with the County Planning Department. While copy costs trended lower in the current fiscal year, it is recommended to maintain the item at \$1,200.

REVENUES

The primary revenue source for LAFCO is contributions from the County and nine cities. Government Code Section 56381(b)(2) requires that the county and its cities each provide a one-half share of the Commission's operational costs. By statute, the cities share is apportioned by the County Auditor relative to each city's total revenues, as reported in the most recent edition of the Cities Annual Report published by the State Controller.

Application revenues, although charged at actual cost, represent a very small percentage of

LAFCO revenues (typically 3-5%). The majority of Staff's duties are considered unfunded State mandates, including preparation of municipal service review updates, informational reports, responses to inquiries, and coordination with local and state agencies. For FY 2023-24, Staff proposes maintaining application fee revenue estimates of \$20,000. Application fees that are received in any given year can vary widely, so this item is estimated conservatively. Any additional revenue received above this amount will be factored in during the Commission's next budget cycle.

FUND BALANCE & RESERVES

Government Code Section 56381(c) provides that "if at the end of the fiscal year, the Commission has funds in excess of what it needs, the Commission may retain those funds and calculate them into the following fiscal year's budget."

Table 2 outlines the changes to the fund balance based on projected operating revenues and expenses in the current fiscal year. The actual amount of fund balance will be calculated at year's end (typically by September). However, based on the beginning year fund balance and projected revenues and expenses, Staff has estimated a year-end fund balance of \$332,987 for the current fiscal year.

Table 2: LAFCO Fund Balance

Fund Balance July 1, 2022		\$ 336,057	
Revenues	Estimated Year-End	Budgeted FY 22-23	<i>Variance with Budget Over / (Under)</i>
City/County Contributions	\$ 553,480	\$ 553,480	\$ -
Application Revenue	22,500	20,000	2,500
Interest	3,200	-	3,200
Total Revenues	\$ 579,180	\$ 573,480	\$ 5,200
Expenses	Estimated Year-End	Budgeted FY 22-23	<i>Difference</i>
Salaries and Benefits	\$ 510,000	\$ 510,110	\$ (110)
Services and Supplies	71,450	82,170	(10,720)
Other Charges (Copier)	800	1,200	(400)
Total Expenses	\$ 582,250	\$ 593,480	\$ (11,230)
Revenue Less Expenditures	\$ (3,070)	\$ (20,000)	\$ 16,930
Estimated Fund Balance June 30, 2023		\$ 332,987	

Reserve Funds & Long-Term Pension Liability

The Commission's Reserve Fund Policy identifies two reserve categories to be calculated annually and allocated during the annual budget process: an Accrued Leave Fund (based on accumulated cash-out liability) and a General Fund Reserve (15% of operating expenses). The Commission also requested a reserve fund be included to represent long-term liabilities. Proposed reserve funds for FY 2023-2024 are shown in the following table.

Table 3: Proposed Reserve Funds

General Fund Reserve (15%)	\$ 99,000
Accrued Leave Fund (Cash-Out Liability)	107,000
Long-Term Liability Reserve	100,000
<i>Total Reserves</i>	<i>\$ 306,000</i>

The Commission's addition of a Long-Term Liability Reserve was in response to an accounting requirement known as GASB 68. GASB 68 requires employers to report long-term unfunded pension liabilities on their balance sheets. The estimated unfunded portion of the pension can vary significantly each year based on investment returns and contribution rates. It can be viewed as an indicator of the overall health of the StanCERA retirement system from year to year. Accounting and budgeting for retirement costs are based on retirement contribution rates that are updated annually using actuarial analysis and adopted by the StanCERA Board. The rates are subsequently approved by the County Board of Supervisors.

Long-term pension liability is no longer reported directly on the Commission's balance sheet and is instead reported on the County's overall pension liability. This is based on LAFCO's employees being classified by the County Auditor as "contract employees," with the Commission reimbursing benefits costs to the County. Previously, estimates of unfunded pension liability were based on what LAFCO's proportion would be of the StanCERA system's overall unfunded pension liability and *not* actual amounts for LAFCO employees based on their years of service, retirement date, etc. Staff from the County Auditor's office identified that there are many uncertainties with regards to the exact amount and timing of the long-term pension liability.

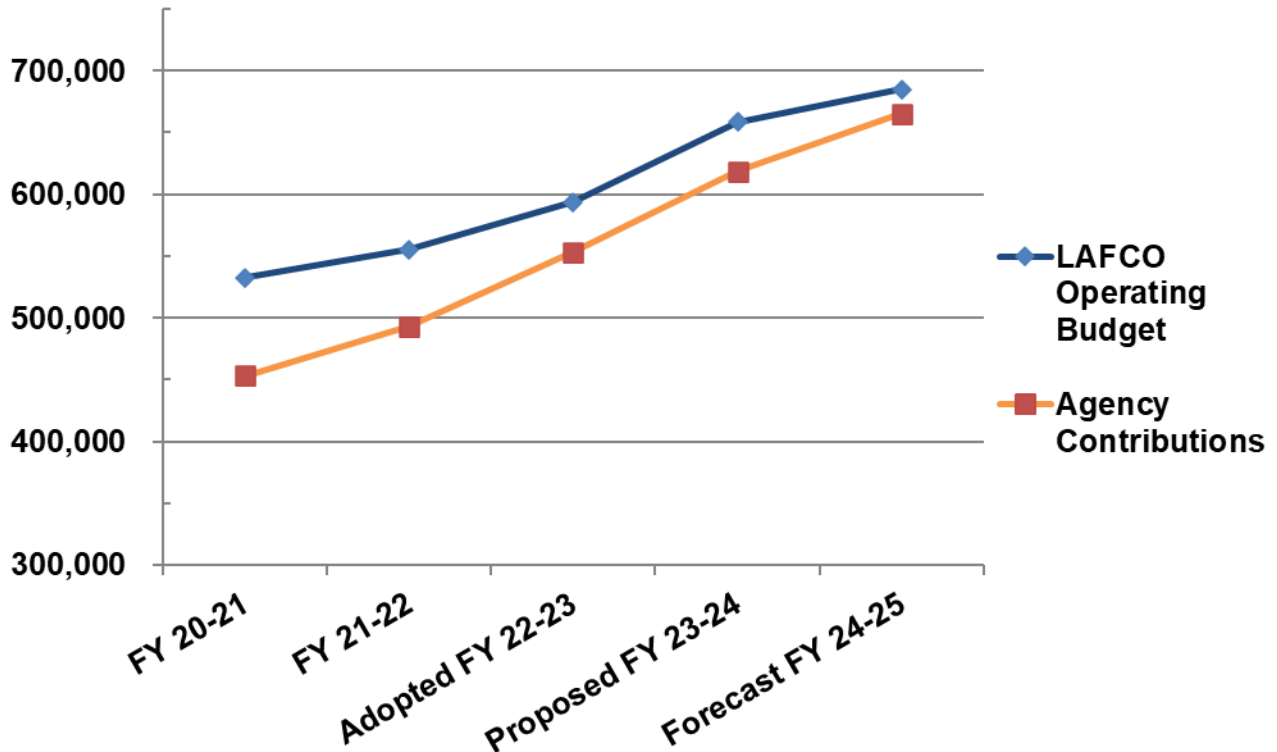
Fund Balance Status – Use of Undesignated Funds

As the Commission has been depleting the remainder of its undesignated fund balance, agency contributions will continue to see a corresponding increase in their allocation amounts. For the Proposed Budget, an estimated \$26,987 in undesignated fund balance is available to offset agency contributions. The majority of this amount (\$20,000), in addition to \$20,000 in estimated application revenues will help to offset contributions; however, as anticipated, agency contributions are now gradually rising to meet the Commission's actual operating expenses. A forecast of the following year's budget shows that agency contributions will soon be closer to matching the Commission's operating expenses (see Table 4 and Figure 1 on the next page).

Table 4: Total Budget & Agency Contributions

	Proposed FY 23-24	Forecasted FY 24-25
Total Budget	\$ 658,490	\$ 685,000
Agency Contributions	618,490	665,000
Fund Balance Beg. (Estimated)	332,987	312,987
Drawdown (Projected Use of Fund Balance to Reduce Agency Contributions)	(20,000)	-
Fund Balance End (Year End Est.)	312,987	312,987
Designated Reserves: 15% Reserve	99,000	102,750
<i>Accrued Leave (Cash-Out Liability)</i>	107,000	110,000
<i>Long-Term Liability Reserve</i>	100,000	100,000
<i>Total Reserves</i>	306,000	312,750
Estimated Undesignated Fund Balance for Use in <u>Following</u> Year	\$ 6,987	\$ 237

Figure 1: Forecast of Agency Contributions



Agency Contributions

LAFCO is funded by contributions from the County and nine cities. By statute, the County is apportioned a half-share of the Commission's operational costs. The cities' share is calculated annually by the County Auditor and is relative to each city's total revenues, as published in the most recent State Controller reports.

Combined, the County and City of Modesto contribute about 79% of the Commission's budget, with the remainder split amongst the other cities (see Chart 1 below). Contribution amounts fluctuate from year to year amongst the cities, as their revenues increase or decrease relative to each other. Cities with larger increases in revenues may see their LAFCO contribution increase at a higher rate than other cities. Likewise, if a city has very low reported revenues, they may see their contribution amount *decrease*, even with an increase in LAFCO's budget. Table 5 on the next page outlines the County and Cities' contributions to the LAFCO budget for the current year and an estimate of the contributions for FY 2023-2024 based on the proposed budget.

Chart 1: City/County Allocations (Estimated FY 2023-2024)*

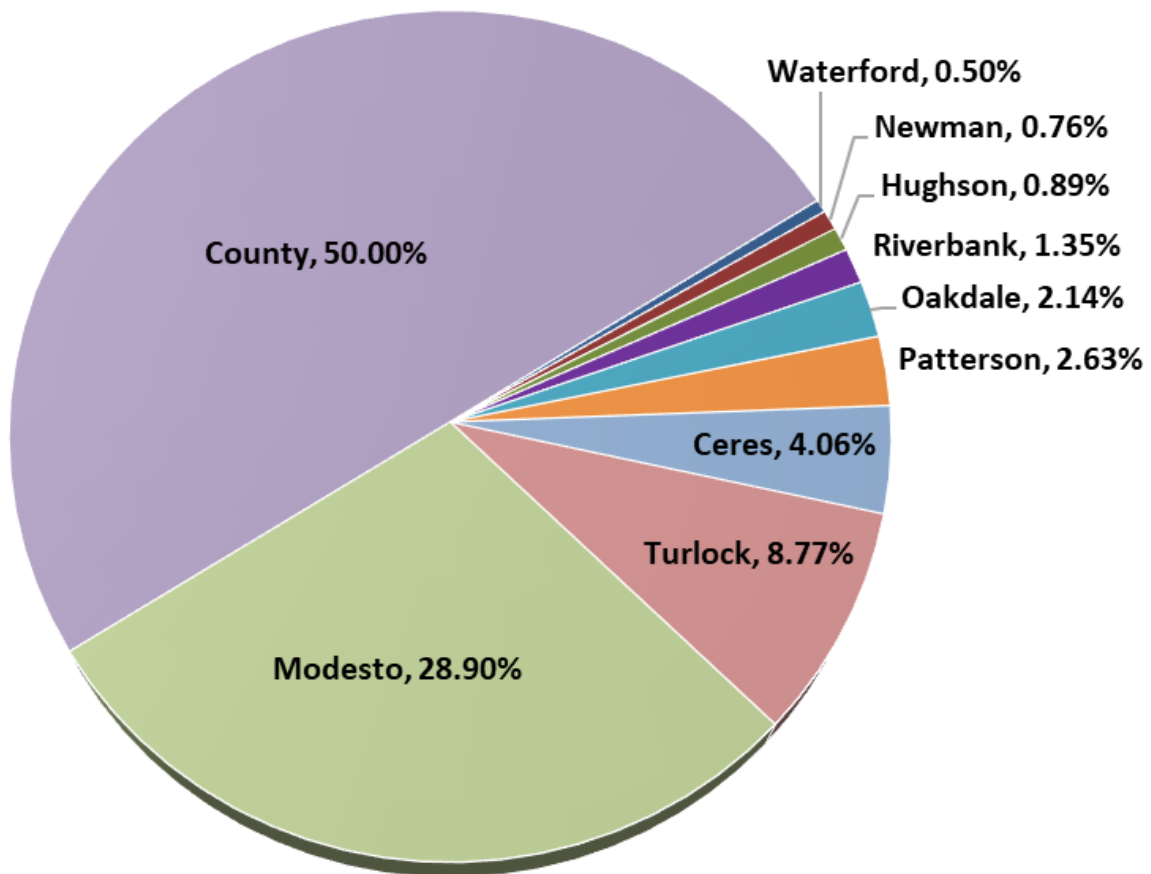


Table 5: Estimated Agency Contributions FY 2023-2024*

	State Controller Reported Revenues (FY 20-21)	% of LAFCO Budget	Current FY 22-23 Contribution	Estimated FY 23-24 Contribution*	Total Change	% Increase (Decrease)
Ceres	77,703,979	4.06%	22,939	25,117	2,179	9.5%
Hughson	17,040,882	0.89%	3,649	5,508	1,860	50.97%
Modesto	553,005,013	28.90%	165,215	178,755	13,540	8.2%
Newman	14,529,882	0.76%	4,852	4,697	(156)	(3.21%)
Oakdale	41,025,924	2.14%	11,489	13,261	1,772	15.42%
Patterson	50,416,599	2.63%	16,363	16,297	(67)	(0.41%)
Riverbank	25,741,596	1.35%	6,605	8,321	1,715	25.97%
Turlock	167,715,241	8.77%	42,848	54,213	11,365	26.52%
Waterford	9,514,007	0.50%	2,779	3,075	297	10.68%
All Cities	956,693,123	50%	276,740	309,245	32,505	11.75%
County Contribution		50%	276,740	309,245	32,505	11.75%
Total Agency Contributions		100%	\$ 553,480	\$ 618,490	\$ 65,010	11.75%

* Estimates are based on the most recent State Controller's Reports. Final amounts will be determined by the County Auditor following adoption by the Commission.

WORK PROGRAM & APPLICATION ACTIVITY

Staff completed a majority of the 2022 work program of municipal service review updates with the fire district update nearing completion and has already initiated the 2023 updates. During the current fiscal year, Staff also processed seven service extensions applications, an activation of latent powers, a fire district contract, and a district detachment. Staff also received draft documents for a large-scale annexation in Patterson, with an application expected to be completed soon. Staff continues to see steady pre-application activity with at least one other city annexation and three district applications on the horizon for the coming fiscal year.

CONCLUSION

The Commission and LAFCO Staff continue to exercise fiscal prudence, recognizing the financial constraints faced by our funding agencies. Approval of the Proposed LAFCO Budget will enable the Commission to perform its core responsibilities effectively, and continue its work on municipal service review updates, policy development, and current projects.

Attachments: LAFCO Resolution No. 2023-05
 Proposed Fiscal Year 2023-2024 Budget Detail

**STANISLAUS COUNTY LOCAL AGENCY
FORMATION COMMISSION**

RESOLUTION

DATE: April 26, 2023

NO. 2023-05

SUBJECT: Adoption of the Proposed LAFCO Budget for Fiscal Year 2023-2024

On the motion of Commissioner _____, seconded by Commissioner _____, and approved by the following vote:

Ayes: Commissioners:
Noes: Commissioners:
Absent: Commissioners:
Ineligible: Commissioners:

THE FOLLOWING RESOLUTION WAS ADOPTED:

WHEREAS, Government Code Section 56381(a) requires the Commission to adopt annually, following noticed public hearings, a proposed budget by May 1 and a final budget by June 15;

WHEREAS, the Stanislaus Local Agency Formation Commission wishes to provide for a budget to fulfill its purposes and functions as set forth by State law;

WHEREAS, pursuant to Government Code Section 56381(a), the proposed budget must be, at a minimum, equal to the previous budget, unless a finding is made that the reduced costs will nevertheless allow the Commission to fulfill the purposes and programs of the Stanislaus Local Agency Formation Commission (LAFCO);

WHEREAS, approval of the Proposed Budget will enable the Commission to perform its core responsibilities effectively, and to continue its work on State-mandated Municipal Service Reviews and Sphere of Influence Updates;

WHEREAS, the Commission mailed notices of the Proposed Budget to the County Board of Supervisors, the nine cities and the independent special districts; published a notice; and

WHEREAS, the Commission has conducted a public hearing on April 26, 2023, to consider the Proposed Budget for Fiscal Year 2023-2024, as submitted by the Executive Officer.

NOW, THEREFORE, BE IT RESOLVED that the Commission:

1. Finds that the Proposed Budget for Fiscal Year 2023-2024 will allow the Stanislaus Local Agency Formation Commission to fulfill the purposes and programs of the Cortese-Knox-Hertzberg Local Government Reorganization Act.
2. Adopts the Proposed Budget for Fiscal Year 2023-2024 as outlined in Exhibit 1, in accordance with Government Code Section 56381(a).

3. Hereby schedules the public hearing to consider the adoption of the Final Budget for Fiscal Year 2023-2024, for the Commission's May 24, 2023 meeting.

ATTEST:

Sara Lytle-Pinhey
Executive Officer

Attachment: Proposed Fiscal Year 2023-2024 Budget

Stanislaus LAFCO
PROPOSED FISCAL YEAR 2023-2024 BUDGET

Account	FY 22-23 Adopted Budget	FY 22-23 Estimated Year-End	Oracle Account Changes	FY 23-24 PROPOSED BUDGET	Increase or (Decrease)	% Change
Salaries and Benefits						
50000+ Salaries and wages	\$ 313,905	\$ 320,200		\$ 350,000	\$ 36,095	11%
52000 Retirement	98,500	95,100		99,800	1,300	1%
52010 FICA	23,175	24,020		26,600	3,425	15%
53000 Group health insurance	61,080	58,500		62,900	1,820	3%
53020 Unemployment insurance	460	460		460	-	0%
53051 Benefits admin fee	200	200		200	-	0%
53081 Long term disability	407	410		425	18	4%
54000 Workers compensation insurance	1,330	1,330		1,450	120	9%
55000 Auto allowance	4,200	3,000		4,800	600	14%
55080 Professional development	2,500	2,180		2,500	-	0%
55130 Deferred comp mgmt/conf	4,353	4,600		5,600	1,247	29%
Total Salaries and Benefits	\$ 510,110	\$ 510,000		\$ 554,735	\$ 44,625	9%
Services and Supplies						
60400 Communications (ITC - Telecom)	\$ 1,065	\$ 1,160		\$ 1,225	\$ 160	15%
61000 Insurance (SDRMA)	4,950	4,815		5,235	285	6%
61030 Fiduciary liability insurance	65	50		15	(50)	-77%
61070 Crime & fidelity insurance	-	-	(fm. w/ 61030)	40	40	new
62200 Memberships (CSDA, CALAFCO)	10,990	10,435		11,700	710	6%
62400 Miscellaneous expense	3,000	(900)		5,000	2,000	67%
62450 Indirect costs (A87 roll forward)	(1,805)	(1,805)	Moved to 62400	-	1,805	-100%
62600 Office supplies	1,500	1,200		1,500	-	0%
62730 Postage	1,200	800		1,200	-	0%
62750 Other mail room expense	350	350	Moved to 62400	-	(350)	-100%
63000 Professional & special serv	14,940	14,830	Now incl. IT	34,025	19,085	128%
Building maint & supplies	4,500	4,500		4,600	100	2%
Office lease	4,290	4,180		4,505	215	5%
Utilities	1,500	1,500		1,600	100	7%
Janitorial	1,300	1,300		1,400	100	8%
Purchasing	400	400		420	20	5%
HR/Risk Mgt overhead	2,950	2,950		3,250	300	10%
<i>New</i> Oracle ERP	-	-		1,525	1,525	new
IT Services (ITC)	-	-	(fm. 63990)	12,150	12,150	#DIV/0!
Video Streaming (ITC)	-	-	(fm. 63990)	1,000	1,000	#DIV/0!
Mtg Recording (Final Cut Media)	-	-	(fm. 63990)	1,800	1,800	#DIV/0!
Licenses: GIS & Adobe (ITC)	-	-	(fm. 63990)	1,775	1,775	#DIV/0!
63090 Auditing & accounting	2,040	2,040		14,200	12,160	596%
County Auditor Services	2,040	2,040		2,200	160	8%
<i>New</i> Independent Auditor (Biennial Audit)	-	nb		12,000	12,000	new
63400 Engineering services	2,000	2,000		2,000	-	0%
63640 Legal services	12,000	12,000		12,000	-	0%
63990 Outside data proc services (IT & GIS Lic)	15,525	15,525	Moved to 63000	-	(15,525)	-100%
IT Services (ITC)	11,525	11,525	Moved to 63000	-	(11,525)	-100%
Video Streaming (ITC)	1,000	1,000	Moved to 63000	-	(1,000)	-100%
Mtg Recording (Final Cut Media)	1,800	1,800	Moved to 63000	-	(1,800)	-100%
GIS License (ITC)	1,200	1,200	Moved to 63000	-	(1,200)	-100%
65000 Publications & legal notices	1,200	1,200		1,200	-	0%
65660 Special dept. exp (commissioners)	-	nb	(fm. 65890)	6,415	6,415	new
65780 Education & training	6,000	3,000		6,000	-	0%
65810 Other supportive services (messenger)	315	315	Moved to 65660	-	(315)	-100%
65890 Commission expense (stipends, training)	6,100	4,000	Moved to 65660	-	(6,100)	-100%
67040 Other travel expenses (mileage)	600	300		600	-	0%
67200 Salvage disposal	135	135	(fm. 67201)	200	65	48%
Total Services and Supplies	\$ 82,170	\$ 71,450		\$ 102,555	\$ 20,385	25%
Other Charges						
73024 Planning dept services	\$ 1,200	\$ 800		\$ 1,200	\$ -	0%
Total Other Charges	\$ 1,200	\$ 800		\$ 1,200	\$ -	0%
TOTAL EXPENSES	\$ 593,480	\$ 582,250		\$ 658,490	\$ 65,010	11%
TOTAL REVENUES						
40680+ Agency Contributions	\$ 553,480	\$ 553,480		\$ 618,490	\$ 65,010	12%
36414 Application & Other Revenues	20,000	22,500		20,000	-	0%
17000+ Interest Earnings & Refunds	-	3,200		-	-	nb
Use of Undesig. Fund Balance	\$ 20,000	3,070		\$ 20,000	\$ -	0%

Stanislaus LAFCO
PROPOSED FISCAL YEAR 2023-2024 BUDGET
Reserve Funds & Undesignated Fund Balance

Estimated Fund Balance June 30, 2023	\$	332,987
<i>General Fund Reserve (15%)</i>		(99,000)
<i>Accrued Leave Fund (Cash-Out Liability,</i>		(107,000)
<i>Long-Term Liability Reserve</i>		(100,000)
Undesignated Fund Balance (Est.)	\$	26,987