

**APPROVED**

SAN MATEO



## LOCAL AGENCY FORMATION COMMISSION

455 COUNTY CENTER, 2ND FLOOR • REDWOOD CITY, CA 94063-1663 • PHONE (650) 363-4224 • FAX (650) 363-4849

### Action Minutes

#### San Mateo Local Agency Formation Commission Meeting

July 19, 2017

In the Board of Supervisors' Chambers, 400 County Center, Redwood City, California, Chair Horsley called the Wednesday, July 19, 2017 meeting of the Local Agency Formation Commission (LAFCo) to order at 2:26 pm.

#### 1. Roll Call

Members Present: Commissioners Joshua Cosgrove, Ann Draper, Rich Garbarino, Harvey Rarback (Alternate City Member), Joe Sheridan, Warren Slocum, and Chair Don Horsley

Members Absent: Commissioner Mike O'Neill

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

#### 2. Welcome to New Alternate City Member Harvey Rarback

Chair Horsley welcomed Harvey Rarback to the Commission, noting his role as councilmember with the City of Half Moon Bay and former role on the Coastside Fire Protection District board.

#### 3. Consent Agenda

- a. Approval of Action Minutes: May 17, 2017
- b. LAFCo File 17-03—Proposed Annexation of 900 Portola Road, Portola Valley (APN 076-261-010) to West Bay Sanitary District (1.68 acres)
- c. LAFCo File 17-07—Proposed Annexation of 191 Meadowood Drive, Portola Valley (APN 077-211-050) to West Bay Sanitary District (2.17 acres)
- d. LAFCo File 17-08—Proposed Annexation of 185 Meadowood Drive, Portola Valley (APN 077-290-010) to West Bay Sanitary District (1.02 acres)
- e. LAFCo File 17-10—Proposed Annexation of 450 Golden Oak Drive, Portola Valley (APN 079-122-310) to West Bay Sanitary District (1.69 acres)
- f. LAFCo File 17-11—Proposed Annexation of 105 Santa Maria Avenue, Portola Valley (APN 076-211-530) to West Bay Sanitary District (less than one acre)

**COMMISSIONERS:** DON HORSLEY, CHAIR, County ▪ MIKE O'NEILL, VICE CHAIR, City ▪ JOSHUA COSGROVE, Special District ▪ ANN DRAPER, Public  
RICH GARBARINO, City ▪ JOE SHERIDAN, Special District ▪ WARREN SLOCUM, County

**ALTERNATES:** VACANT, Special District ▪ HARVEY RARBACK, City ▪ SEPI RICHARDSON, Public ▪ DAVE PINE, County

**STAFF:** MARTHA POYATOS, EXECUTIVE OFFICER ▪ REBECCA ARCHER, LEGAL COUNSEL ▪ JEAN BROOK, COMMISSION CLERK

Commissioner Rarback requested to abstain from voting to approve the minutes since he did not attend the May meeting. Commissioners Cosgrove and Sheridan noted that although they did not attend the May meeting, they had reviewed and would vote on the minutes.

Commission Action: Commissioner Draper moved approval of the consent agenda consisting of the Action Minutes for May 17, 2017 and LAFCo File 17-03—Proposed Annexation of 900 Portola Road, Portola Valley (APN 076-261-010), LAFCo File 17-07—Proposed Annexation of 191 Meadowood Drive, Portola Valley (APN 077-211-050), LAFCo File 17-08—Proposed Annexation of 185 Meadowood Drive, Portola Valley (APN 077-290-010), LAFCo File 17-10—Proposed Annexation of 450 Golden Oak Drive, Portola Valley (APN 079-122-310), and LAFCo File 17-11—Proposed Annexation of 105 Santa Maria Avenue, Portola Valley (APN 076-211-530) to West Bay Sanitary District. Commissioner Garbarino seconded the motion, which passed with Commissioner Rarback voting on the consent items only and abstaining from voting on the minutes. (Consent Agenda Ayes: Commissioners Cosgrove, Draper, Garbarino, Rarback, Sheridan, Slocum, and Chair Don Horsley; Abstentions: None; Noes: None; Absent: Commissioner Mike O’Neill; Action Minutes Ayes: Commissioners Cosgrove, Draper, Garbarino, Sheridan, Slocum, and Chair Don Horsley; Abstentions: Commissioner Rarback; Noes: None; Absent: Commissioner Mike O’Neill)

#### **4. Public Comment for Items Not on the Agenda**

#### **Continued Matters**

#### **5. *Continued from May 17, 2017: Addendum Report—Consideration of Municipal Service Review, Sphere Update, and Recommended Determinations for the Sequoia Healthcare District and the Peninsula Health Care District***

Executive Officer Poyatos began by requesting that the Commission receive the report and public comment and then continue it to the September meeting. She explained that this would allow adequate time for the Districts and other interested parties to comment on the final report.

She noted that the Circulation Draft – consisting of the health care districts Municipal Service Review (MSR) and Sphere of Influence report prepared by Harvey M. Rose Associates, LLC, and written and oral comments – was considered at the May 17 meeting and was subsequently revised to include comments and respond to questions received at that meeting. She noted that the Final Report goes into greater detail than the recommendations prepared by the consultants and includes key issues identified in the report. It contains recommended draft MSR determinations with recommended actions, an updated inventory of services provided, recommended sphere determinations, and a recommendation to reaffirm the transitional sphere of influence adopted in 2007.

Ms. Poyatos said the ultimate actions to be taken by the Commission include:

1. Accept the report.
2. Adopt the recommended MSR determinations, which include recommended actions to be taken by the Districts.
3. Adopt an updated inventory of active services provided by the Districts as required by Government Code Section 56824.10.
4. Adopt the recommended sphere determinations and reaffirm the transitional sphere of influence
5. Require that the Districts report back annually to LAFCo on District finances and provide updates on the implementation of recommended determinations, including the feasibility of expansion of District boundaries.

Ms. Poyatos reiterated her recommendation that the Commission continue the hearing to the September 20, 2017 meeting to allow time for the Districts, and affected agencies and organizations to comment prior to taking formal action on the MSR determinations, sphere determinations, and inventory of active powers.

Ms. Poyatos said there are currently three statewide initiatives involving health care districts: the Little Hoover Commission is preparing a study due in August, Assembly Bill 1728 looks at transparency and accountability of health care districts, and a review and rewrite of health care-enabling legislation affecting health care districts is planned in the next legislative year.

Ms. Poyatos reviewed key points of the MSR. She stated that while the financial condition of the Districts has improved since the 2007 review, the transitional nature of health care needs and funding has not changed and the Districts' boundaries still exclude significant areas in the County.

She noted that the current MSR shows that PHCD's financial outlook has improved significantly, allowing the District to fund community programs and provide capital for facility projects such as the Peninsula Wellness Community. She added that property taxes are being accumulated for the future. She said the consultants recommend that the District reevaluate its business plan and reconsider the best use of accumulated capital for community benefit.

Ms. Poyatos said that SHD's primary source of revenue is the annual property tax allocation. She noted the District's policy is to return all unused property tax back into the community in health-related programs and services after administrative costs have been met. She said the District has an agreement with Sequoia Hospital to recoup the \$75 million equity contribution for construction of the new hospital. She said that according to SHD's Executive Director, the District is reviewing the ability of Sequoia Hospital to make the annual payments to the District. She said that the Executive Director should provide regular reports to the District's Board of Directors on the financial condition of Sequoia Hospital and its ability to make the annual payment on the District's equity contribution.

She also noted a recommendation that the County Health System and the two Districts continue to collaborate to the extent possible to leverage resources. She emphasized that LAFCo's Municipal Service Review process is mandated by the State of California and is not intended to discount the value of District programs.

Ms. Poyatos pointed out a recommendation that the boundaries of the Districts be expanded. She stated that since the Districts' formation, the County has experienced considerable urbanization and health care programs could benefit residents in areas that are currently outside District boundaries. Ms. Poyatos reviewed governance alternatives, pointing out possible advantages of consolidating the two Districts. She noted that expansion of boundaries would address the currently excluded areas and would also require a new revenue source; i.e., the County and cities involved would need to transfer a portion of property tax to fund the services that would be provided. She said she did not recommend amending the sphere adopted in 2007.

Ms. Poyatos reviewed the active services of the Districts as authorized by the Health and Safety Code and as detailed in the staff report. She stated that of the authorized services, the active services of the District include:

- Pursuant to H&S Section 32126.5(a)(1), the power to enter into contracts with health provider groups, community service groups, independent physicians and surgeons, and independent podiatrists for the provision of health care services
- Pursuant to H&S Section 32126.5(a)(2), the ability to provide assistance or make grants to nonprofit provider groups and clinics already functioning in the community

Public Comment:

- KindyLee Mackamul, Associate Superintendent, Student Services, San Mateo Union High School District (SMUHSD), discussed how PHCD helps District students by providing a school-based mental health program.
- Ashley McDevitt, Community Outreach Coordinator, Peninsula Health Care District, outlined PHCD's commitment to providing community-based health care and how the District gathers feedback from its residents.
- Bonnie Jue, DDS, Dental Director, Apple Tree Dental, discussed her history of providing dental care to the medically underserved community in San Mateo County. She noted that Apple Tree is unique in that it can accommodate the special needs of patients with a variety of disabilities, including pediatric and geriatric patients.
- Daniel Eckert, City of San Mateo resident, expressed his appreciation of Apple Tree Dental's ability to accommodate his needs as a wheelchair-bound patient. He noted that the facility has a lift to assist with transfer from a wheelchair to the dental chair.

Commissioner Draper asked if the County examined health care delivery as a whole. Ms. Poyatos said the County Health System looked at health care delivery and future needs based

on potential changes to the Affordable Care Act. She said the County also performs a periodic health needs assessment that the Districts rely on in determining some of their programs.

Chair Horsley added that County has a robust health care system. He said that Health Plan of San Mateo helps support the approximately 150,000 Medi-Cal participants in the County, the County's Behavioral Health and Recovery System provides mental health services for low-income clients, and the ACE (Access and Care for Everyone) program provides care for those residents who are ineligible for other programs. He said that both health care Districts also provide a safety net of care. Chair Horsley reiterated what Ms. Poyatos said about monitoring the federal government's health care legislation.

Agency Comment:

- Dennis Zell, Board Treasurer, Peninsula Health Care District, said that the District fills the gaps left by the private sector and the County, which provides indigent care. He noted that unlike the County, health care districts must be self-sustaining per the California Health and Safety Code. He said the Health Needs Assessment reviews services and outcomes in specific regions. He said the older demographic in the County triggered the District's development of a new memory care facility and wellness community. He noted that San Mateo County was rated number one in outcomes and number two in access to health care in the State of California, according to the 2017 County Health Rankings & Roadmaps from the Robert Wood Johnson Foundation in collaboration with the University of Wisconsin Population Health Institute.

Mr. Zell noted that during the economic recession when the County was having trouble funding health programs, PHCD spent \$4.6 million on adult health care and between \$1.3 and \$1.5 million per year for children's health insurance. He added that the District also partnered with the SMUHSD to establish suicide prevention programs.

Chair Horsley echoed Ms. Poyatos's recommendation that the Districts expand their boundaries, particularly in regards to serving residents of East Palo Alto. He noted that SHD needs to work with Sequoia Hospital to manage their revenue stream and noted that PHCD needs to look into ways to extend memory care services to lower-income residents.

Commissioner Rarback stated that the Coastsides has a demonstrated need for medical care. He noted that many of the residents cannot afford private health care services yet do not qualify for County services that target indigent residents. Chair Horsley said that SHD would be the District serving the Coastsides.

New Matters

**6. Application Received and Not Certified as Complete and Ready for Hearing (Information Only):**

LAFCo File 17-14—Proposed Annexation of 169 Wayside Road, Portola Valley (APN 076-213-020) to West Bay Sanitary District (less than one acre)

**7. Appointment of Legislative/Policy Committee Member**

Ms. Poyatos requested that one commissioner volunteer to be on the Legislative/Policy Committee along with Commissioners Draper and O'Neill. Commissioner Sheridan asked about the time commitment. Ms. Poyatos stated that the legislative part of the committee reviews and approves correspondence to legislators in support of or opposition to pending legislation that affects LAFCos. She added that the committee also would review and update Commission policies on an ongoing basis. She said that the committee would ideally consist of the different types of Commission members, i.e., City, Special District, County, and Public.

Commission Action: Commissioner Slocum moved to nominate Commissioner Sheridan as the new committee member. Commissioner Cosgrove seconded the motion, which passed unanimously. (Ayes: Commissioners Cosgrove, Draper, Garbarino, Rarback, Sheridan, Slocum, and Chair Don Horsley; Noes: None; Absent: Commissioner Mike O'Neill.)

**8. Legislative Report**

Ms. Poyatos noted that her staff report summarizes three bills that are being proposed and supported by CALAFCO. She stated that one of the bills, AB 464, was recently signed by Governor Brown.

She said regarding SB 448, which would streamline the dissolution process of inactive districts, that idle districts are defined as districts that can receive revenues to provide programs but may have years in which they do not receive revenues. She said those "idle" districts were removed so as not to compromise a district that, for example, doesn't receive property tax but may receive periodic grants.

Commissioner Draper requested that the Commission send copies of all legislative support or opposition letters to LAFCo's local representatives.

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

a. 2017 Annual Conference, October 25-27 in San Diego

Ms. Poyatos stated that the budget allows for one staff member in addition to one commissioner from each member category (i.e., City, Special District, County, or Public) to attend the conference. She said that staff handles registration for all participants and that each participant must arrange his or her own travel and hotel accommodations, which will be reimbursed by LAFCo.

b. Nominations for 2017-2018 Board Members

Ms. Poyatos clarified that these nominations are for the Coastal Region of CALAFCO and that the upcoming vacancies are for a City Member and a Special District Member. She added that since the nominations aren't due until September 25, there would be time to

consider nominating a City and/or Special District Member at the September 20 LAFCo meeting. She noted that CALAFCO board meeting locations alternate between Southern California and Sacramento, so if a member of San Mateo LAFCo is elected, it would require budget approval of additional funds for travel.

c. 2017 Achievement Award Nominations due by August 31

None.

**10. Special District Risk Management Authority – 2017 Board of Directors Election Packet and Ballot**

Ms. Poyatos explained that LAFCo is insured by the Special District Risk Management Authority (SDRMA), which is part of the California Special Districts Association (CSDA). Chair Horsley asked the Commission if anyone wanted to vote for any of the listed candidates. Commissioner Cosgrove said he declined to vote due to unfamiliarity with the candidates.

**11. Commissioner/Staff Reports**

None.

**12. Adjournment**

The meeting was adjourned at 3:19 pm.