

M E M O

TO: Board of Directors
FROM: Jack Bebee, General Manager
DATE: November 8, 2019
SUBJECT: Public Hearing for Board Consideration of an Application to LAFCO to Activate Latent Powers to Support Public Community Facilities

Purpose

For the Board to consider an application to LAFCO to support activation of District latent powers for support of public community facilities.

Summary and Background

At the July regular Board meeting, the Board voted to direct staff to complete an application for activation of the District's latent powers for a community benefit program for future Board consideration at a public hearing. The formal Resolution of Application is completed and attached. The public hearing was noticed in both the Fallbrook/Bonsall Village News and the San Diego Union Tribune on October 17 pursuant to the applicable provisions of the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000.

Back at the regular Board meeting on May 29, 2018, local community leaders from various community groups requested that the District consider evaluating providing additional funding to support public facilities in the community. These community groups had evaluated various options to accomplish this, including formation of a new district under the County of San Diego. Based on the evaluation the groups determined that utilization of the District latent powers was their recommended option. The groups represented were the non-profit groups that raise money to improve and maintain downtown Fallbrook ("Community Groups") and the surrounding area and include the following:

- Fallbrook Beautification Alliance
- Fallbrook Chamber of Commerce
- Fallbrook Land Conservancy
- Fallbrook Village Association
- Fallbrook Trails Council
- Save Our Forests, CSA 81

At that Board meeting, the Board established an ad hoc committee to study a community benefit program and to direct staff to investigate the Local Agency Formation Commission ("LAFCO") process and bring back the requirements and costs to the Board for further consideration. The ad hoc committee consisted of President McDougal and Vice-President DeMeo.

The Community Groups held numerous meetings over the past two years including meetings with other local organizations, community meetings and town hall meetings. In general, the feedback from those who attended was positive on the concept of using the District's latent powers to develop a mechanism to provide for local public community facilities.

Activation of Latent Powers to Provide for Community Benefits Program¹

In order to activate its latent powers, the District must first approve the attached Resolution of Application to San Diego LAFCO. Staff will then complete the application and submit it to San Diego LAFCO. San Diego LAFCO will then review the application and may request additional information to ensure the application is complete. LAFCO is also in the process of initiating a Municipal Service Review for the District and the activation of the power to provide public community facilities, would likely be included and evaluated as part of this process.

Once the application is deemed complete by LAFCO, the request for activation of the District's latent powers will be brought before the San Diego LAFCO commission for consideration.

Budget Impact

For the initial application process, an amount of \$16,653 must be deposited with LAFCO together with the application materials. There could be additional processing fees from LAFCO depending on their efforts to complete the review of the application.

If approved by LAFCO, the District intends to fund the services with the proceeds of unrestricted property tax revenue that the District currently uses to pay for certain costs and services, including portions of the District's capital improvement program, that would otherwise be payable from fees and charges collected for water and/or sewer services. In other words, the District currently uses property tax revenues to offset the costs of water and/or sewer services, and to offset portions of the District's capital improvement program. The concept developed by these groups would be for the District to redirect property tax revenues toward community facilities, in an amount equal to approximately \$5 per meter per month. Since these property taxes previously paid for costs that would otherwise be payable from fees and charges collected for water and/or sewer services, property related fees, the District would increase its fees accordingly to make up for the shortfall (which would require undertaking a rate increase process pursuant to the requirements of

¹ This Board Agenda Memo uses the terms "Community Benefits Program" and "Public Community Facilities" to describe the types of powers the District seeks to activate. The types of services and activities contemplated to be provided by the District are considered by LAFCO to fall within parks and recreation, street lighting, and roads and streets "functions" which a public utility district, like the District, is permitted to exercise pursuant to Public Utilities Code section 16463. Section 16463 lists, in part the following powers: public parks, public playgrounds, public recreation buildings, buildings used for a public purpose, street lighting systems and works to provide for the drainage of roads, streets, and public places, including but not limited to, curbs, gutters, sidewalks, and pavement of streets.

Proposition 218). This would generate approximately \$546,000 annually in additional funding for Public Community Facilities.

Recommended Action

There are three alternatives for the Board to consider:

- a. *Approve Resolution No. 4983 and direct staff to finalize and submit application documents to LAFCO to support the request of the community groups to activate the District's latent powers as specified in the Resolution for support of public community facilities.*
- b. *Do not approve Resolution No. 4983 and do not direct staff to finalize and submit an application to LAFCO to activate the latent powers as specified in the Resolution and request groups find an alternative source of funding for community facilities.*
- c. *Other action as determined by the Board.*