



San Diego County
Local Agency Formation Commission
 Regional Service Planning | Subdivision of the State of California

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AGENDA REPORT
 Business | Action

May 6, 2019

TO: Commissioners

FROM: Keene Simonds, Executive Officer
 Alex Vidal, Analyst I

**SUBJECT: Scheduled Policy Updates and Related Actions |
 Fund Balance and Agricultural Preservation Policies**

SUMMARY

The San Diego County Local Agency Formation Commission (LAFCO) will continue its review of proposed updates involving the Fund Balance and Preservation of Open-Space and Agricultural Lands Policies. The updates are calendared as part of the current workplan and return with additional analysis following their initial review by the Commission in March. It is recommended the Commission proceed with approving the proposed update to the Fund Balance Policy with any desired changes along with taking related actions to set reserve designations for 2019-2020. It is separately recommended the Commission pause the update on the Preservation of Open-Space and Agricultural Lands Policy and allow for additional stakeholder outreach before returning to the item as part of a future workplan.

BACKGROUND

Current Workplan

San Diego LAFCO’s current workplan was adopted at a noticed hearing held on April 4, 2018 and outlines over two-dozen project goals for the fiscal year. The workplan includes preparing two high priority updates. The first update involves the Fund Balance Policy and timed in response to interest by the Commission to formalize standards in managing

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agency reserves. The second policy update involves the Preservation of Open-Space and Agricultural Lands Policy and timed in response to the issuance of a topical CALAFCO white paper exploring best practices among LAFCOs.

Initial Review of Draft Policy Updates | Direction for Additional Analysis

San Diego LAFCO reviewed draft updates on the Fund Balance and Preservation of Open-Space and Agricultural Lands Policies at its March 4, 2019 meeting. The draft presented on the Fund Balance Policy focused on adding discretionary standards and headlined by establishing a minimum reserve level of unassigned monies equal to four months of budgeted expenses. The draft presented on the Preservation of Open-Space and Agricultural Lands Policy focused on avoidance and minimization actions and marked by adding guiding performance measurements using land use inventory from the State.

The Commission's review and discussion on the two drafts in March were markedly distinct. Commission feedback on the draft update for the Fund Balance Policy was favorable with interest to further expand and establish a maximum reserve level as well as create additional commitment categories. Commission feedback on the draft update for the Preservation of Open-Space and Agricultural Lands Policy was less favorable with collective interest in rescaling the document to better reflect local conditions and needs. The Commission concluded its review of the drafts with direction for staff to return with additional analysis at a future meeting.

DISCUSSION

This item is for San Diego LAFCO to continue its review of proposed updates to the Fund Balance and Preservation of Open-Space and Agricultural Lands Policies. The following discussion summarizes main components underlying each update and changes made since drafts were presented in March as applicable

Fund Balance Policy

San Diego LAFCO's Fund Balance Policy was adopted in June 2013 and responded to earlier guidelines issued by the Governmental Accounting Standards Board (GASB) under Statement No. 54 and its provisions to ensure uniformity in the reporting of fund balances. The existing policy codifies the central components of GASB 54 and establishes fund balance classifications for spendable monies divided between restricted, committed, assigned, and unassigned as defined in short-form in the accompanying footnote.¹

¹ Restricted monies are subject to external restrictions outside of the Commission – including legal and contractual obligations – with prescribed spending allowances. Committed monies are subject to internal restrictions by the Commission for specific spending purposes; monies can be designated only with membership approval. Assigned monies are subject to internal restrictions by the Commission or its delegate for specific spending purposes. Unassigned are remaining monies do not meet the definition of restricted, committed or assigned, and as such are not subject to any spending restrictions.

The proposed update incorporates seven distinct amendments. These amendments – which include additions since the initial review in March based on Commission feedback – are paired with editorial clarifications and establish discretionary standards in the Commission’s management of the fund balance. A summary of the amendments follows.²

- Minimum Reserve Level

The update proposes establishing a minimum designation of unassigned monies in the fund balance equal to 33.3% of budgeted operating expenses. This minimum threshold would provide four months of monies to cover expected operating costs and represents the time reasonably needed to collect all agency apportionments for the new fiscal year as further detailed in the accompanying footnote.³ This policy provision was included in the draft presented in March.

- Maximum Reserve Level

The update proposes establishing a maximum designation of unassigned monies in the fund balance equal to 50.0% of budgeted operating expenses. This maximum threshold would provide six months of monies to cover expected operating costs with the remaining amount of unassigned monies considered excess and either designated for committed uses or refunded to the agencies in the form of credits. This policy provision has been added to the update following the draft presentation in March based on Commission feedback.

- Committed Designations

The update proposes establishing two perennial designations of committed monies in the fund balance for (a) stabilization and (b) opportunity uses. This policy provision has been added to the update following the draft presentation in March based on Commission feedback and further described below.

- Committed monies designated for stabilization use would be available to absorb unexpected costs incurred during the fiscal year. This would include – but not limited to – operating shortfalls, special litigation, and controlling increases in new agency contributions.
- Committed monies designated for opportunity use would be available to pursue long-term efficiencies and/or related costs-savings. This includes – but not limited to – Commission initiated proposals, capital purchases (office space, equipment, etc.), prepayments, and one-time transitional costs involving organizational restructuring.

² At the March 2019 meeting the Commission separately expressed interest in establishing an investment policy. Staff anticipates bringing a proposed policy for Commission consideration at the June 2019 meeting.

³ State law provides all local agencies 60 days to voluntarily make payment to the Commission after the July 1st noticing requirement of the County Auditor. Should payment not be received within the 60 days, the Commission is authorized to direct the Auditor to collect from property taxes and/or other eligible revenues owed to the affected local agency. This latter procedure would take 30 to 60 days to complete given related noticing requirements and paired with the voluntary remittance period underlies the proposed four-month minimum unassigned fund balance standard.

- Executive Officer Authority to Assign Monies
The update proposes delegating authority to the Executive Officer to assign monies in the fund balance for the specific purpose of covering legal services and proposal fee waivers. This delegation is limited to \$125,000 per fiscal year to match the Executive Officer's procurement authority and cannot result in unassigned monies in the fund balance falling below the minimum reserve level. This policy provision was included in the draft presented in March.
- Crediting Excess Unassigned Monies
The update proposes establishing procedures to credit unassigned monies in the fund balance to the funding agencies. The Commission would determine whether credits are authorized as part of the annual budget process with individual amounts to be equal to the agency's proportional share of the apportionment total in the most recent fiscal year. Credits would automatically be provided to the funding agencies should the unassigned monies exceed the maximum reserve level. This policy provision has been updated since its draft presentation in March.
- Restoration of the Minimum Reserve Level
The update proposes procedures for the Executive Officer to present a restoration plan to the Commission for approval should unassigned monies in the fund balance fall below the minimum reserve level. The plan shall outline procedures to restore the unassigned fund balance to the minimum reserve level within three fiscal years. This policy provision was included in the draft presented in March.
- Regular Commission Review
The update proposes the Commission conduct a regular review of the fund balance no less than once a fiscal year as part of the annual budget process. The regular review will inform the Commission whether actions are appropriate with respect to fund balance commitments, issuing agency credits, and – if needed – considering a restoration plan prepared by the Executive Officer. This policy provision was included in the draft presented in March.

The update in track-change format is shown as Attachment One with proposed implementing designations for 2019-2020 shown as Attachment Two.

Preservation of Open-Space and Agricultural Lands Policy

San Diego LAFCO's Preservation of Open-Space and Agricultural Lands Policy was adopted in November 1978 and most recently amended in May 1998.⁴ The policy restates germane provisions of LAFCO law with respect to the priority of preserving open-space and agricultural land with statutory cross-references. This includes a premising statement to discourage proposals that would convert prime agricultural or open-space lands to other uses unless such an action would promote the planned orderly, efficient development of an

⁴ Technical updates to the policy to update cross-references were performed by the Executive Officer in January 2001 and June 2015.

area. The existing policy does not provide any local discretionary thresholds in preserving and/or otherwise protecting agricultural and open-space resources.

The proposed update presented to the Commission in March in draft-form has been further revised in further clarifying LAFCO intentions in protecting agricultural and open-space lands. This includes – most notably and based on Commission feedback – amend an existing policy statement that discourages proposals that would convert prime agricultural or open-space lands unless it would otherwise promote planned and orderly growth. The amendment would broaden the statement to reference all agricultural lands and strike the existing qualifier (i.e., unless promote planned orderly growth.) This and other revised amendments, however, remain a work in progress given concerns identified in initial outreach with the San Diego County Farm Bureau and Special Districts Advisory Committee. The updated draft in track-change format is shown as Attachment Three.

ANALYSIS

The proposed update to San Diego LAFCO’s Fund Balance Policy expands the scope of the document from codifying GASB guidelines to include discretionary standards. This expansion aligns with the Commission’s interest to assume a more proactive role in managing reserves and highlighted by establishing cash flow parameters with minimum and maximum reserve levels of unassigned monies between four and six months of operating costs. Establishing two perennial designations of committed monies broadly targeted for (a) stabilization and (b) opportunity uses similarly reflects Commission interest to help protect against unforeseen events – such as operating shortfalls and litigation – and one-time investments ranging from LAFCO-initiated projects to capital purchases, respectively. Amendments to formalize procedures to provide agency credits and require restoration plans to replenish minimum reserve levels further service to prescribe standards in managing the Commission’s public monies going forward.

As detailed in the preceding section, the update to the Preservation of Open-Space and Agricultural Lands Policy remains a work in progress and requires additional analysis. This includes expanding outreach to respond to interest by the San Diego County Farm Bureau and the Special Districts Advisory Committee to participate in the review process with the expectation other groups may seek similar involvement. Accordingly, it appears prudent for the Commission to pause the update and return with a coordinated stakeholder process as part of a future workplan as early as 2021-2022.⁵

RECOMMENDATION

It is recommended San Diego LAFCO proceed with the proposed update on the Fund Balance Policy with any desired changes as well as take related actions in establishing reserve designations for 2019-2020. It is separately recommended the Commission pause the update on the Preservation of Open-Space and Agricultural Lands Policy for revisiting as

⁵ Revisiting the update as part of the upcoming 2019-2020 workplan is not advisable given other existing and time-sensitive commitments and highlighted by several municipal services.

part of a future workplan to enable more stakeholder input. These recommendations are provided as Alternative One in the succeeding section.

ALTERNATIVES FOR ACTION

The following alternatives are available to San Diego LAFCO through a single motion:

Alternative One (recommended):

- (a) Approve the proposed update to the Fund Balance Policy as presented as Attachment One with any desired changes.
- (b) Approve the fund balance designations for 2019-2020 as presented in Attachment Two with any desired changes.
- (c) Defer consideration of an update to the Preservation of Open-Space and Agricultural Lands Policy to a future workplan and remove from the current workplan.

Alternative Two:

Continue consideration to a future meeting and provide direction as needed.

Alternative Three:

Take no action.

PROCEDURES

This item has been placed on the agenda for action as part of San Diego LAFCO's business calendar. The following procedures are recommended in the consideration of this item:

- 1) Receive verbal report from staff unless waived;
- 2) Invite comments from interested audience members (voluntarily); and
- 3) Consider recommendation.

Respectfully,



Keene Simonds
Executive Officer

Attachments:

- 1) Proposed Update to Fund Balance Policy with Track Changes
- 2) Proposed Fund Balance Designations for 2019-2020
- 3) Draft Update to Preservation of Open-Space and Agricultural Lands Policy

Subject

SAN DIEGO LAFCO FUND BALANCE

Purpose

This policy establishes guidelines and requirements for the classification of fund balances consistent with the Governmental Accounting Standards Board (GASB) Statement Number 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

Background

The term, “fund balance” is used to describe the difference between assets and liabilities reported within a fund. In the past, fund balances have been classified into three separate components: reserved; designated; and undersigned. Limitations were associated with these classifications with respect to the purpose and usage of funds. The force of these limitations could vary significantly, depending on the funding source.

The Governmental Accounting Standards Board (GASB) issued Statement Number 54, *Fund Balance Reporting and Governmental Fund Type Definitions* for implementation in 2011. This new standard does not affect the calculation of fund balance; however, it altered various components used to report it. There are also new categories and terminology reflected in an approach that focuses on the constraints placed on the specific purposes of the funds. GASB Statement Number 54 applies to governmental funds, such as LAFCO’s General Fund.

With the shift of focus of GASB Statement Number 54, emphasis is now placed on the extent to which the government agency (LAFCO) is bound to honor constraints on the specific purposes for which amounts in the fund can be spent, rather than availability of fund resources. Under this new GASB, fund balances are classified as “non-spendable” and “spendable”. Spendable categories are further classified as *restricted, committed, assigned, and unassigned*. Definitions and LAFCO policies for non-spendable and spendable categories follow:

- *Non-Spendable:* Amounts that cannot be spent or are not in spendable form (i.e. prepaid items, land held for resale, long-term receivables), or are legally or contractually required to be maintained intact.
- *Restricted:* Amounts that are externally imposed by creditors, grantors, contributors, or laws and regulations of other governments. They may also be internally imposed by enabling legislation. Examples are debt service reserves, gas tax funds and grants.
- *Committed:* Amounts committed for specific purposes by formal action of the governing body, such as enacted ordinances and resolutions, which prevent the amounts from being used for any other purpose without the governing body's formal action. These also include contractual obligations to the extent that existing resources have been specifically committed for us in satisfying those contractual requirements.
- *Assigned:* Amounts intended to be used for specific purposes without formal action by the governing body. This authority to determine the portions of a fund's balance that is to be assigned and reported as "assigned" in the agency's Comprehensive Annual Financial Report (CAFR) audited financial statements may be delegated to the Executive Officer or the Executive Officer's designee.
- *Unassigned:* Amounts in the General Fund in excess of non-spendable, restricted, committed, and assigned fund balances. For LAFCO, the General Fund Contingency Reserve and remaining spendable amounts which are not included in one of the other classifications would be classified as "unassigned" for presentation in the CAFR audited financial statements.

Policy

It is the policy of the San Diego Local Agency Formation Commission to:

1. Classify its fund balance in accordance with the Governmental Accounting Standards Board (GASB) Statement Number 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Reporting of fund balance in LAFCO's ~~CAFR-audited financial statements~~ will be based on the amounts and classifications ~~listed in the fund balance summary of LAFCO's annual budget made by the Commission or its delegate as provided in this policy.~~ Classification of fund balance reflects the current plans of the Commission with respect to the use of fund balance. These plans represent current intention and are subject to change and assignment. Furthermore, the classification of funds (reflecting current plans for asset use) does not in any way limit the ability ~~of LAFCO~~ to use those funds for other purposes, as deemed necessary by ~~LAFCO~~ the Commission.
2. ~~Classify Under GASB Statement Number 54, monies in the~~ fund balances ~~will be classified~~ as "non-spendable" and "spendable" consistent with GASB Statement Number 54. Spendable categories will be further classified as restricted, committed, assigned, and unassigned as described below.
 - a. Non-Spendable: The Commission shall designate fund balance monies as "non-spendable" for amounts that cannot be spent or are not in spendable form (i.e. prepaid items, land held for resale, long-term receivables), or are legally or contractually required to be maintained intact.
 - b. Restricted (Spendable): The Commission shall designate fund balance monies as "restricted" for amounts that are externally imposed by creditors, grantors, contributors, or laws and regulations of other governments. The Commission may also restrict fund balance if required by internally imposed enabling legislation or regulations.
 - ~~c.~~ Committed (Spendable): The Commission shall designate fund balance monies as "committed" for amounts ~~committed intended~~ for specific purposes by formal action within the

~~following two categories: of the San Diego LAFCO, such as enacted ordinances, resolutions, actions items, or budgetary decisions, which formal action of LAFCO. Committed funds also include contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.~~

~~i. Stabilization: these monies are committed to absorb unexpected costs incurred during the fiscal year and include – but not limited to – operating shortfalls, litigation, and controlling future increases in agency contributions.~~

~~ii. Opportunity: these monies are committed to pursue long-term efficiencies and/or related costs savings and include – but not limited to – Commission initiated proposals, capital purchases, prepayments, and transitional costs involving organizational restructuring.~~

d) Assigned (Spendable): The Commission ~~delegates to the or Executive Officer may the authority to designate fund balance monies as “assigned” for amounts intended to be used for specific purposes, with or without formal action. This delegation is limited to \$125,000 per fiscal year and specific to legal expenses and costs associated with processing proposals with approved fee waivers. This authority to determine the portions of a fund’s balance that is to be reported as “Assigned” in LAFCO’s CAFR may be delegated to the Executive Officer or the Executive Officer’s designee.~~ Additionally:

~~i. The designation of assigned monies in cumulative excess of \$125,000 per fiscal year requires formal Commission approval.~~

~~ii. The designation of assigned monies cannot result in unassigned monies falling below the minimum reserve level as described in this policy.~~

- e) Unassigned (Spendable): The Commission shall designate fund balance monies as “unassigned” for amounts in the General Fund that are in excess of non-spendable, restricted, committed, and assigned fund balances. ~~For LAFCO, the General Fund Contingency Reserve and remaining spendable amounts which are not included in one of the other classifications shall be classified as “Unassigned” for presentation in the CAFR. Additionally:~~
- i. ~~The Commission shall maintain a minimum reserve level of unassigned monies equal to four months or 33.3% of budgeted operating expenses. These monies are intended to protect against cash flow shortfalls related to the timing of the collection of agency apportionments in the fiscal year.~~
 - ii. ~~Should unassigned monies equal less than the minimum reserve level described in this policy, the Executive Officer shall present a restoration plan to the Commission for approval. The restoration plan shall provide options with a recommendation to replenish unassigned monies to meet the minimum reserve level within three fiscal years.~~
 - iii. ~~The Commission shall maintain a maximum reserve level of unassigned monies equal to six months or 50% of budgeted operating expenses. Should unassigned monies exceed this maximum reserve level the Commission shall proceed to either designate the excess monies for committed uses or return to the funding agencies in the form of agency credits consistent with the provisions outlined in (e)(iv).~~
 - iv. ~~Commission may authorize credits to reduce new agency apportionments as part of the annual budget process. Individual credit amounts shall be equal to the affected agency’s proportional share of overall invoiced apportionments in the current fiscal year.~~
3. Review the fund balance no less than once per fiscal year as part of the annual budget process and take action as appropriate under this policy.

F-101 FISCAL POLICY

Adopted: June 3, 2013

Amended: TBD

SAN DIEGO LAFCO

Fund Balance Designations for Fiscal Year 2019-2020

Committed

a) Stabilization Use	250,000
b) Opportunity Use	300,000
	<hr/>
	550,000

Assigned

a) Legal Services	25,000
b) Fee Waivers	100,000
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	125,000

Unassigned

642,700

(minimum/maximum reserve: \$638,766 to \$958,150)

Expected Balance as of July 1, 2019 1,317,700

(reflects \$72,600 in agency credits in FY20)

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LEGISLATIVE POLICY L-101

Subject

PRESERVATION OF OPEN SPACE AND AGRICULTURAL LANDS

Purpose

To further the policies and priorities of the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 regarding the preservation of open space and prime agricultural lands.

Background

The State Legislature has instructed Local Agency Formation Commissions to establish policies that address the preservation of open space (Govt. Codes § 56300 and 56377). LAFCOs are required to consider how spheres of influence or changes of local governmental organization could affect open space and prime agricultural lands. Commissions are directed to guide development away from prime agricultural lands – unless that action would not promote the planned, orderly and efficient development of an area – and to encourage development of existing vacant or non-prime agricultural lands within a jurisdiction before approving any proposal that would allow development of open-space lands outside of an agency’s boundary (Govt. Code § 56377). Proposals must be further reviewed for their effect on maintaining the physical and economic integrity of agricultural lands (Govt. Code § 56668).

Gov. Code § 56064 contains a definition of “Prime Agricultural Land.” “Prime agricultural land” means an area of land, whether a single parcel or contiguous parcels, that has not been developed for a use other than an agricultural use and that meets any of the following qualifications:

- (a) Land that qualifies, if irrigated, for rating as class I or class II in the USDA Natural Resources Conservation Service land use capability classification, whether or not land is actually irrigated, provided that irrigation is feasible.
- (b) Land that qualifies for rating 80 through 100 Storie Index Rating.

- (c) Land that supports livestock used for the production of food and fiber and that has an annual carrying capacity equivalent to at least one animal unit per acre as defined by the United States Department of Agriculture in the National Range and Pasture Handbook, Revision 1, December 2003.
- (d) Land planted with fruit or nut-bearing trees, vines, bushes, or crops that have a nonbearing period of less than five years and that will return during the commercial bearing period on an annual basis from the production of unprocessed agricultural plant production not less than four hundred dollars (\$400) per acre.
- (e) Land that has returned from the production of unprocessed agricultural plan products an annual gross value of not less than four hundred dollars (\$400) per acre for three of the previous five calendar years.

Policy

It is the policy of the San Diego Local Agency Formation Commission to:

- ~~1. Discourage proposals that would convert any agricultural – including but not limited to prime agricultural – or open space lands to other uses, unless such an action would not promote the planned, orderly, efficient development of an area or the affected jurisdiction has identified all prime agricultural lands within its sphere of influence and adopted measures that would effectively preserve prime agricultural lands for agricultural use;~~
- ~~2. Require rezoning of territory (city only) to identify areas subject to agricultural/preservation and planned development.~~
2. Exercise discretion in considering proposals where there are inconsistencies involving agricultural and open-space designations among the affected land use authorities. Notwithstanding these potential inconsistencies, and in the absence of justification otherwise, the Commission will rely on the County of San Diego General Plan in determining applicable land use designations.

4.3. Follow San Diego LAFCO's adopted procedures when reviewing proposals that could adversely affect agricultural and open-space lands and provided herein as Appendix A. ~~to define agricultural and open space lands and to determine when a proposal may adversely affect such lands.~~

Adopted: November 6, 1978
Amended: June 4, 1990
Amended: May 4, 1998
Technically Updated: January 1, 2001
Technically Updated: June 16, 2015
Amended: TBD

Appendix: Cross-reference:

SAN DIEGO LAFCO PROCEDURES:
-Open Space and Agricultural Preservation

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APPENDIX A |

Open Space and Agricultural Preservation

The Cortese-Knox-Hertzberg Act requires LAFCOs to consider how adoption of spheres of influence or changes of local governmental organization could affect open space and prime agricultural lands. In determining spheres of influence, LAFCOs are directed to prepare a written statement of determinations with respect to the present and planned land uses including agricultural and open space lands (56425(e)(1)).

In reviewing and approving or disapproving proposals for changes of organization, LAFCOs must consider the effect of the proposal on maintaining the physical and economic integrity of agricultural lands (56668) and guide development away from existing prime agricultural and open space lands and towards areas containing non-prime agricultural lands — unless that action would not promote the planned, orderly, efficient development of an area (56377(a)). LAFCOs are further directed to encourage development of existing vacant or non-prime agricultural lands within a jurisdictional boundary or sphere of influence before approving a proposal that would allow development of open-space lands outside of the jurisdiction (56377(b)).

Definitions

Agricultural Lands: Agricultural land means land currently used for the purpose of producing an agricultural commodity for commercial purposes, land left fallow under a crop rotational program, or land enrolled in an agricultural subsidy or set-aside program (56016).

Prime Agricultural Land: Prime agricultural land means an area of land, whether a single parcel or contiguous parcels, that has not been developed for a use other than an agricultural use and that meets any of the following qualifications (56064):

1. Land that, if irrigated, qualifies for rating as class I or class II in the USDA Natural Resources Conservation Service land use capability classification

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whether or not the land is actually irrigated, provided that irrigation is feasible;

2. Land that qualifies for rating 80 through 100 Storie Index Rating;
3. Land that supports livestock used for the production of food and fiber and that has an annual carrying capacity equivalent to at least one animal unit per acre as defined by the United States Department of Agriculture in the National Handbook on Range and Related Grazing Lands, July 1967, developed pursuant to Public Law 46, December 1935;
4. Land planted with fruit or nut-bearing trees, vines, bushes, or crops that have a non-bearing period of less than five years and that will return during the commercial bearing period on an annual basis from the production of unprocessed agricultural plant production not less than four hundred dollars (\$400) per acre; or
5. Land that has returned from the production of unprocessed agricultural plant products an annual gross value of not less than four hundred dollars (\$400) per acre for three of the previous five calendar years;

Open Space: Open space is any parcel or area of land or water that is substantially unimproved and devoted to an open-space use and designated on a local, regional or state open space plan as any of the conditions described in Section 65560(b)(1) through (6).

Procedure

The following criteria will be considered when reviewing a proposal that could adversely affect agricultural and open space lands:

1. The use and value of the proposal area and surrounding parcels;
2. Determination as to whether any of the proposal area is designated for agricultural preservation by adopted local plans, including Local Coastal Plans and the County Agricultural Element; and

3. Determination of:
 - A. Whether public facilities would be extended through or adjacent to any other agricultural lands to provide services to the development anticipated on the proposal property;
 - B. Whether the proposal area is adjacent to or surrounded by existing urban or residential development;
 - C. Whether surrounding parcels may be expected to develop to urban uses within the next five years; and
 - D. Whether natural or man-made barriers would serve to buffer the proposal area from existing urban uses.

Special Annexation Procedures for Williamson Act Territory (51243.5, 56738, 56752)

The Williamson Act provides that a property owner may enter into a contract with a county or city whereby the assessed property taxes are reduced in return for keeping the property in an agricultural preserve for a minimum of ten years. Except as provided in Government Code Section 51243.5, on and after the effective date of an annexation by a city of any land under contract with the county, the city shall succeed to all rights, duties, and powers of the county under the contract.

A city may refuse to succeed to a Williamson Act contract if either of the following conditions exist:

1. Prior to December 8, 1971 the land being annexed was within one mile of the city boundary when the contract was executed and the city filed a resolution protesting the contract with the board of supervisors;
or
2. Prior to January 1, 1991: (a) the land being annexed was within one

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mile of the city boundary; (b) the city had filed a resolution protesting the contract with LAFCO; (c) LAFCO held a hearing to consider the protest; (d) LAFCO made a finding of inconsistency with future land use; and (e) LAFCO approved the city's protest.

Please refer to the applicable code sections for specific procedures regarding the annexation of Williamson Act territory.