



PROCEEDINGS OF THE LOCAL AGENCY FORMATION COMMISSION OF SANTA CRUZ COUNTY

Watsonville City Council Chambers

Wednesday, December 9, 2015

9:30 a.m.

275 Main St. 4th Floor

Watsonville, California

The December 9, 2015 Santa Cruz Local Agency Formation Commission meeting is called to order by declaration of Chairperson Friend.

ROLL CALL

Present and Voting:	Commissioners LaHue, J. Anderson, R. Anderson, Bottorff, Lind, Coonerty and Chairperson Friend
Absent:	None
Alternates Present:	Leopold, * Smith
Alternates Absent:	Bobbe
Staff:	Patrick M. McCormick, Executive Officer Jason Heath, LAFCO Backup Counsel Debra Means, Secretary-Clerk

MINUTES

MOTION AND ACTION

Motion: R. Anderson	To approve November 4, 2015 minutes.
Second: J. Anderson	Motion carries with Commissioner Coonerty abstaining. (Coonerty did NOT officially abstain.)

ORAL COMMUNICATIONS

Lowell Hurst, a Watsonville City Council member, is very concerned about the jobs and housing balance. There have been several other issues in the past regarding annexations, job creation, and housing.

There are portions of Watsonville’s city limit boundaries that remind him of a jigsaw where there are pieces missing and a neighbor on one side of the fence line is in the City and the other neighbor is in the County. The services to these neighbors can be significantly different. It is in everyone’s best interest to support a partnership to make sure the boundaries make sense for the residents, the voters, and the taxpayers.

* Alternate Smith arrives.

There are parts of Freedom he urges LAFCO to study. The neighbors on Quinn and Stewart do not have uniformity and a unified approach to streets. The Lee Road area could have better infill or a more unified approach as well.

He knows water, sewer, fire, police, and other public services are important to LAFCO and he wants Watsonville to have a future positive relationship with LAFCO. He wants maps and services to be efficient and make sense.

There are existing properties in Watsonville with restrictions that he'd like to discuss and explore in a more productive manner than previously. He asks LAFCO to let the City know how they can be supportive of LAFCO's efforts and serve the taxpayers and residents in the highest degree.

Alternate Leopold adds that Mr. Hurst's invitation to work together is appreciated. There will be an item coming to Watsonville's City Council about an affordable housing complex that is split down the middle between the County and the City of Watsonville. The 20 residents who could be living outside the City should be City residents.

When the proposal came to LAFCO, the Commission thought they had a deal with the Assistant City Manager about bringing the residents into the City. He hopes Mr. Hurst will help make this happen.

Mr. Hurst thinks they should meet to find ways to move forward.

Ilia Bulaich, a Watsonville resident, has attended many LAFCO meetings and addressed the Commission on occasion. He appreciates and thanks the Commission for holding this meeting in Watsonville to make it more convenient for residents of South County to attend. He makes it a point to report to his fellow citizens what happens at the LAFCO meetings he attends.

Chairperson Friend adds that the Commission wanted to hold this meeting in Watsonville because there are items on the agenda specific to South County.

PUBLIC HEARING

SALSIPUEDES SANITARY DISTRICT, ADOPTION OF SPHERE AND SERVICE REVIEW

Mr. McCormick reports that this district provides sewer service to approximately 500 customers northeast of Watsonville including the Fairgrounds, Saint Francis High School, Lakeview Middle School, and residential areas along Cutter and College Roads.

Staff gave a preview of the reviews at the Commission's last meeting. They have been recirculated through the public because the Commission asked for additional information. He has included more details and costs about a proposed assessment district in the Saint Francis subdivision which never occurred. An additional sewer main would have had to be constructed to serve that subdivision.

He also included an expanded multi-year budget that shows recent trends. The fund balance is the district's reserve for capital improvements. It has grown from less than \$3,000 eight years ago to almost \$500,000 now and that functions as the capital reserve for the district. When looking at the annual revenues and expenses, the district is operating with more than a balanced budget. Their expenses include capital upgrades and maintenance.

The organizational options facing Salsipuedes Sanitary District include becoming a customer of the City of Watsonville's sanitary sewer system. People in this district get their water from Watsonville so to get their sewer and water from the City would be part of an integrated Watsonville system.

Another option is to consolidate with the Freedom County Sanitation District which serves the unincorporated areas of Watsonville along Green Valley Road going out to Mesa Village. This district is operated by the County Public Works Department and their board is the County Board of Supervisors.

He has talked to the City and the County's Public Works Directors and neither of them are eager to pursue 500 additional customers but they are open to any future discussions that the district may want to initiate.

These options were evaluated because Salsipuedes has gone from having the lowest sewer rates in the Pajaro Valley ten years ago to the highest sewer rates. They are dealing with deteriorated infrastructure, such as mains and pumps, and they need to make major repairs. They do not treat their own sewage; they send it to the City of Watsonville where they treat it at the regional plant.

He spoke with the district's board this last month concerning their options and what value their independence has. They are open in the long term to see if there are some efficiencies if they combined with one of the larger systems. There is no great urgency because the district has raised their rates and they have a positive cash flow to make their improvements.

He has received recent correspondence from the Pajaro Valley Rod and Gun Club who own land at the end of Cutter Drive. They have a clubhouse for fishing and shooting and it is very close to the district's main. They are just outside the sewer district's sphere of influence. It would be an easy connection and the district sees no capacity issue.

They are requesting to add the parcels which have their clubhouse and their caretaker's facility to the sphere of influence. It does not mean that they would need to be immediately annexed. They may choose to wait until there is a septic problem in the future. They think the parcels being added to the sphere would be potentially beneficial. They are located uphill from Kelly Lake where they fish.

Delia Brambila is the new Secretary Manager for the Salsipuedes Sanitary District and she replaced Joanne Turnquist who retired earlier this year after 20 years as their Secretary Manager.

Their district has 510 resident homes and 9 commercial units. The board members decided to send a newsletter to all the residents to introduce the new Secretary Manager, to reach

out to the Spanish speaking residents in their district since she is bilingual, and to inform them of board meeting issues and the district's future endeavors.

She concurs that the district's infrastructure is very old. The increased monies in the contingency fund will help with any future repairs. The replaced an old pump this last year.

Ken Mabie is a member of the Pajaro Valley Rod and Gun Club and he represents its board of directors. He has been involved in the wastewater business for over 40 years. He worked with the County for 15 years and a septic consultant since then.

He is concerned about the septic system at the Rod and Gun Club. The facility is underutilized and the membership is limited to 400 people. They have dinner meetings monthly with about 120 people attending and they have board meetings periodically. There is a small gun range in the basement where a few people drop in during the week to shoot. It is not a heavily used facility and it will not have much impact on the sewer system.

There is a second .5 acre parcel 051-43-09 which houses caretaker's quarters. They want to have this parcel added to the sphere of influence for a future hookup to sewer. The facility is so underutilized that the septic system could last a long time. They want to be prepared to hook up to sewer. These two parcels sit up above Kelly Lake, and from an environmental stand point, it would be preferable not to have any waste discharge into the ground above the lake.

Alternate Leopold wants clarification about which parcels they want added to the sphere.

Mr. McCormick replies that one parcel has the clubhouse, the smaller parcel has the caretaker's quarters, and the parcels are adjacent to each other. If the two parcels are annexed, one is contiguous to the other. It would make sense to annex the two parcels together because they would utilize the same private lateral.

Commissioner Roger Anderson asks if this needs to be agendized for a later meeting.

Mr. McCormick replies yes. This current item would remain open. Public testimony can be completed at this meeting and the Commission can direct the matter to be renoticed for the next meeting.

Commissioner Jim Anderson asks if Salsipuedes would accept a continuance.

Mr. McCormick says the board is informally fine with the continuance. They are not ready to issue a will serve letter but they do not see any red flags. It would be a simple piece of sewer engineering. The street address for both the caretaker's quarters and the clubhouse is Lakeview Road and they are both accessed the same way. The driveway to both parcels goes through agricultural lands. It turns into a common parking area where it functions as a single facility with the clubhouse on one side of the parking area and the caretaker's quarters on the other side.

Lowell Hurst, who lives at 23 Magnolia Court, supports the aspirations of the Salsipuedes Sanitary District. The City is connected to the district through pipes that go both ways. He wants to improve their relationships.

Commissioner Roger Anderson wonders about the higher rates, which is about \$15 per month higher than the other agencies. There is quite a large reserve of \$477,000. The district has not been spending anywhere near \$477,000 in any year. Their long range capital plans total about \$110,000. There seems to be some money in excess of what they need. If \$477,000 is divided by the amount of connections in years and months, it turns out to be about \$15 per month. The district is putting this money into the capital. In a way, the \$15 makes it look like they have the highest rates in the County, but the money may actually be accumulating needlessly. It may be worth their board considering whether the customers should have a holiday from this extra monthly payment. He is not sure this extra money accumulating in the reserve fund is justified.

MOTION AND ACTION

Motion: LaHue Second: J. Anderson	To continue the item and direct staff to evaluate the Rod and Gun Club addition to the sphere of influence. Motion carries with a unanimous voice vote.
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OTHER BUSINESS

STUDY SESSION ON FORMATION OF GROUNDWATER SUSTAINABLE AGENCIES

John Ricker, the County's Water Quality Division Director, updates the Commissioners about implementing the Sustainable Groundwater Management Act in Santa Cruz County. Three of LAFCO's Commissioners are already on the governing board for the Soquel Aptos Groundwater Management Committee and one of the Commissioners is on the Santa Margarita Groundwater Committee.

The Sustainable Groundwater Management Act was enacted by the State in 2014. It is probably one of the biggest efforts in about 100 years to better manage water resources since they began requiring permits for surface water use. Now, regulating groundwater use is finally being implemented. The Act puts the burden on the local agencies with the authority and the responsibility to manage their groundwater basins in a way that prevents undesirable results, such as excessive lowering of groundwater levels, water quality degradation, seawater intrusion, subsidence, or an unreasonable depletion of surface water. This is important because now it is recognized that groundwater and surface water are connected, are common resources, and have an impact on each other. The State is finally looking at the water cycle as a whole.

There are a number of steps specified in the Act. The first is the formation of a Groundwater Sustainability Agency which would manage a basin. That agency then develops a Groundwater Sustainable Plan and those plans have to be approved by 2020 or 2022. They have to be designed to achieve sustainability to eliminate those undesirable results within 20 years of implementation.

The Groundwater Sustainability agencies can be a single agency which has jurisdiction over a whole groundwater basin or it can be a joint powers authority of a combination of agencies that have authority over the basin.

Starting out, the basins are designated by the State on their Bulletin 118. There is an opportunity to correct basin boundaries early in the process, which they are engaged in now. The individual agencies cannot act outside of their service areas. Unfortunately, the Act is vague about what they mean by "service areas," so they need the State to clarify whether they mean district boundaries or actual areas served by the agency.

Ultimately, the Groundwater Sustainability Agency would have the authority to measure extraction, report to the State, potentially limit extraction, and levy the fees to pay the implementation costs and enforce the terms of the Groundwater Sustainability Plan. The Act requires that the agency consult with all affected stakeholders and respond to comments and suggestions. It also requires that the Groundwater Sustainability Plans be coordinated with the land use plans of the overlying land use agencies within the basin.

If a local agency fails to accomplish what is called for in the Act, the State will step in and manage the basin. The State is not interested in any kind of complex management, so if they had to step in, they would just restrict groundwater use to achieve sustainability, and not deal with any kind of development of additional supplies or overall management.

In Santa Cruz County, there are three basins of interest and concern: the Pajaro Valley Basin, the Santa Cruz Mid-County Basin, and the Santa Margarita Basin.

Within the Pajaro Valley, the Act explicitly names the Pajaro Valley Water Management Agency (PVWMA) as the Groundwater Sustainability Agency (GSA) for the Pajaro Valley Basin within the boundaries of that agency. PVWMA has formally declared their intent to be the GSA under the Act. They are not interested in pursuing any amendment of the boundaries of their agency. Their boundaries were established by the State Legislature and they are concerned that going back to the Legislature could give them more than they asked for.

They are currently working on basin modification requests for Santa Margarita Basin and the Mid-County Basin to bring the State's designated basin boundaries into conformance with what they think the boundaries should be and the way those basins have been managed over time. They were actively working on these basins before the Act. The Santa Margarita Advisory Committee and the Soquel Aptos Groundwater Management Committee were both created in about 1995.

The Mid-County Basin group is the most active now meeting every two months. This group includes the Soquel Creek Water District, Central Water District, City of Santa Cruz, and Santa Cruz County. Each of the individual agencies can act within their service area. The County is the umbrella agency that picks up all the areas outside the service areas of the various water agencies.

Commissioner LaHue adds that there are three private well owner representatives involved.

Mr. Ricker continues that these well owner representatives get to participate in the group's discussions and some of the voting. They do not get to vote on fiscal matters but they can vote on such matters as what the name of the agency should be. The name was recently changed from the Soquel Aptos Groundwater Basin to the Santa Cruz Mid-County Groundwater Basin to convey that the whole area of the Mid-County is involved, not just Soquel and Aptos. There is now a draft Joint Powers Agreement that is circulating among the agencies for review and comment. It would formalize four entities as the joint powers authority (JPA) to serve as the Groundwater Sustainability Agency (GSA).

The Santa Margarita group is further behind. Scotts Valley Water District is the main water user within that basin and they are acting as the lead. They are looking to form a JPA that would include the County, Scotts Valley Water District, and San Lorenzo Valley Water District. There are discussions about including the City of Santa Cruz in that group given that the new water supply plan that they are pursuing potentially involves storage and use of groundwater within that basin.

These JPAs and GSAs have to be established and formed by 2017 and this should not be a problem. They will then start working on groundwater sustainability plans. All three of the basins have some sort of groundwater management plan. Pajaro Valley recently updated their basin management plan. Soquel Aptos and Scotts Valley have a management plans that were prepared under the auspices of AB 3030 but they both need to be beefed up. They are not starting from scratch.

The State has designated the basins throughout the State and assigned them various priorities. The Sustainable Groundwater Management Act (SGMA) requires the act of management for all basins that are designated as a medium or high priority. The low priority basins are not required to have a management plan under SGMA. The State designated which basins are critically overdrafted and the plans for those basins need to be completed by 2020. If the basins are not critically overdrafted, the plans do not have to be completed until 2022. The Pajaro Valley Basin and the Soquel Valley Basin are currently designated as critically overdrafted.

Bulletin 118 shows the Pajaro Valley Basin coming almost all the way to Aptos. The Soquel Valley Basin is relatively small and parts of the West Santa Cruz Terrace in the Santa Cruz Purissima Basin are above that. Their basin boundary requests will pull off from these four basins to designate the Mid-County Groundwater Basin.

There is no mention on the map of the Santa Margarita Basin, but there is a small Scotts Valley Basin in the Felton area. They are both designated as low priority. The State did not think there was any groundwater pumping in that area.

They are proposing that the Pajaro Valley Basin follow the boundaries of the PVWMA over to the Mid-County Groundwater Basin almost to Highway 17, picking up the Branciforte Creek Watershed, along the San Lorenzo River and the City of Santa Cruz back over to Pajaro Valley's boundaries.

At the Zayante Fault, the geology changes significantly. The area above the fault does not have significant groundwater that is part of this basin. The Santa Margarita Basin runs along

the Mid-County Basin up to the Jarvis Road area, cuts along the Zayante Fault up to Boulder Creek, and then runs down the Ben Lomond Fault, Highway 9 and the San Lorenzo River to the Lockwood Lane area.

There have been reports prepared for both of those new basins that define geologically, hydrologically, and jurisdictionally why those basins make sense. These reports are available on their websites and they describe the basin boundary requests that will be submitted to the State. They are currently in a public comment period. They anticipate submitting these requests mid-January, 2016, but they have until the end of March to submit them. They hope the State will act on these requests quickly and approve the basins as they actually have been managed all along.

The basins' boundary modifications include a hydrologic and jurisdictional basis for these modifications. They are required to notify all the affected systems and basins. The County manages approximately 80 small water systems that are within these basins as well as the major water agencies. They all have an opportunity to comment on the requests. Any initial comments during the initial review period will be addressed and included in the formal basin request to the State. Once it is submitted to the State, there is an additional 30-day comment period. They are encouraging jurisdictions that support this to indicate their support and to raise any concerns they may have.

The basin boundary process will occur between January and March of 2016. They expect to have the local GSAs formed and fully designated soon thereafter during a 90-day review comment period. They have already started on the Groundwater Sustainability Plans and they have until 2020 to complete them. Once the plans are completed, they submit annual reports to the State as well as a five-year progress report. They hope to achieve sustainability within 20 years through a combination of water conservation, developing supplemental supply, and enhancing groundwater recharge.

There will be provisions to spread the cost of implementing those plans, developing those supplemental supplies, or any other projects among basin users according to their impact on the basin. Any kind of assessment has to follow the Proposition 218 process similar to water rate fees that PVWMA recently updated.

The Mid-County Groundwater stakeholders continue to meet regularly and they meet this next Thursday night at the Live Oak Grange. They sent a mailer out to the 1,700 private well owners in the Mid-County Basin. This group is moving along quicker than the Santa Margarita Basin group who will be pursuing similar efforts.

The MidCountyGroundwater.org website has a wide variety of information including the basin boundary requests and links to State and local applicable websites.

Alternate Leopold says many questions and concerns are raised about water. He serves on a groundwater basin group and there is good conversation. To see these efforts about the whole county is a good sign that Santa Cruz County is working pro-actively to address the future water challenges. He appreciates Mr. Ricker's leadership and it is very helpful to share this information.

Commissioner Lind agrees. She attended a presentation about the Santa Margarita Basin from its Advisory Commission that is worth sharing, particularly what Jenny Jinks provided, which was the the local water history, including the droughts, El Niños, water levels, and reasons for concern. She did not realize how much evidence there has been of the serious water problem until she saw this presentation.

Commissioner Roger Anderson says there will be years ahead of planning. He wonders what the constraints will be to implement solutions in the future. He wonders if the State will provide money since financing will be a big issue.

Mr. Ricker replies that there is money within Proposition 1. They submitted an application recently for counties such as Santa Cruz with distressed groundwater basins for about \$250,000. This money would help with planning and data gathering. They hope to use some of the money for immediate outreach to private well owners and offer various services to help make their water use more efficient and less consumptive. They expect more funding to become available for project implementation such as managing recharge to capture runoff from existing parking lots and roadways and putting that water back into the ground instead of letting it go as runoff. They have implemented several such projects with State funding in Aptos, Live Oak, and Scotts Valley and they hope to do more of that.

They have grant funds to evaluate more use of recycled water. The Pajaro Valley and Santa Margarita basins already use recycled water. They want to take the Tertiary water, and not only use it for irrigation, but treat it to a much higher level and use that water to inject into the basins to help raise the water levels back up. Soquel Water District, the County, the City of Santa Cruz, and the City of Scotts Valley are all looking at State funds to better evaluate the feasibility study. Once that study is done, there should be funds available through Proposition 1 to implement those projects. Proposition 1 requires a 50% match for any grant funding so it requires a significant local commitment.

They are looking at water exchanges and making more use of excess winter flows. The City of Santa Cruz and Soquel Water District are negotiating a short term delivery of water to Soquel hopefully by this winter. This would allow them to stop pumping their basin as much and help them recover. The State has helped to fund some of these feasibility studies. There were some State funders visiting earlier this week to show them what is happening locally and encourage their participation.

The State seems pretty impressed with the progress made in Santa Cruz County. The County is a model for how to do it for the rest of the State. Any monies provided are well spent and it reflects well on them as well.

* Commissioner Coonerty leaves and Alternate Leopold replaces him as Commissioner.

SPONSORSHIP OF REGIONAL WATER FORUM

Chairperson Friend says this Commission will consider co-sponsoring a regional water forum with the recommendation to contribute \$1,000 to support the forum.

Mr. McCormick says that participating in education is one of the components of the Commission's water policies. There has not yet been an opportunity to help establish a forum.

Commissioner Leopold explained at the last meeting the work he has been doing with Mr. Ricker from the County Water Resources Division and Tim Carson from the Integrated Water Management Foundation to put together an event called "Connecting the Drops." They have invited John Laird as the keynote speaker and they are trying to engage all of the water agencies in the County. They will highlight the collaborations to address the water challenges. They have received positive feedback and he thinks there will be good participation. The forum will be held in Mid-County to make it available to as many people as possible. He encourages the Commissioners to attend the event and to spread the word.

Commissioner Roger Anderson asks what they think the total budget will be for the event.

Commissioner Leopold answers about \$3,000 for a total budget. It pays for the room, some print advertising, and other logistics to host several hundred people. This Commission's contribution would pay for about 1/3 of the cost.

MOTION AND ACTION

Motion: LaHue Second: J. Anderson	To contribute \$1,000 to support the regional water forum scheduled for January 28, 2016. Motion carries with a unanimous voice vote.
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WORK PROGRAM

Mr. McCormick reports that after Salsipuedes Sanitation District's reviews are completed, the next round of service reviews will be the four recreation districts. He has already started meeting with them. There will be a preview of the report at a LAFCO meeting, followed by a time to meet with the board after the report is circulated, then a subsequent hearing where the boards can offer feedback directly to the Commission.

The City of Scotts Valley and the Scotts Valley Water District are up for review after the recreation districts. They are preparing to submit a request for some moderate amendments to their spheres of influence.

CALENDAR FOR 2016

Commissioner LaHue would like to have the meetings at 10:00 a.m. instead of 9:30 a.m. due to his school schedule.

Mr. McCormick says the Commission meets when it is most convenient for the Commission. They have met at various times in the past for the collective optimum of convenience. The last time it was changed to be later in the morning so that South County Commissioners could travel after the peak commute.

Commissioner Roger Anderson adds that the other issue for choosing a meeting time in the past has been parking near the County Building.

Commissioner Lind thinks the parking has been easier since the Sheriff's Department moved off site.

Lowell Hurst appreciates the cooperation and the facilitation for South County residents to come to Watsonville or come to Santa Cruz at a time that works. He suggests using Watsonville Chambers anytime.

MOTION AND ACTION

Motion: LaHue Second: R. Anderson	To adopt the 2016 Meeting Calendar and change the 2016 meeting time to 10:00 a.m. instead of 9:30 a.m. Motion carries with a unanimous voice vote.
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PERSONNEL COMMITTEE REPORT

STAFF SALARIES AND BENEFITS

Commissioner Leopold reports that this item was held in closed session at the last meeting. It includes increasing the participation of the staff member, paying for the pension benefit, and forecasting a change in health benefits to match the County.

Commissioner Jim Anderson adds that changes were also made to become compliant with new PERS regulations. This is in conjunction with corresponding County positions and changes in State law.

MOTION AND ACTION

Motion: Leopold Second: J. Anderson	To approve the changes included in Resolution No. 2015-12. Motion carries with a unanimous voice vote.
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Meeting is adjourned at 10:35 a.m. The next LAFCO meeting is scheduled for Wednesday, January 6, 2016 at the new time of 10:00 a.m.

CHAIRPERSON ZACH FRIEND

Attest:

Patrick M. McCormick, Executive Officer