



PROCEEDINGS OF THE LOCAL AGENCY FORMATION COMMISSION OF SANTA CRUZ COUNTY

Wednesday, April 5, 2017
10:00 a.m.

Supervisors Chambers
701 Ocean Street, Room 525
Santa Cruz, California

.....
The April 5, 2017 Santa Cruz Local Agency Formation Commission meeting is called to order by declaration of Chairperson Tom LaHue.

ROLL CALL

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

MINUTES

MOTION AND ACTION

Motion: R. Anderson	To approve March 1, 2017 minutes.
Second: J. Anderson	Motion carries with unanimous voice vote.

RESULTS OF SPECIAL DISTRICT ELECTION FOR REGULAR MEMBER AND ALTERNATE

Mr. McCormick reports that Jim Anderson was re-elected for four more years as a regular member and Rachél Lather from the Soquel Creek Water District was appointed as the alternate. Ms. Lather has experience as a sanitary engineer for the County.

ORAL COMMUNICATIONS

Lois Henry is a Lompico resident. The Lompico Water District merged with the San Lorenzo Valley Water District (SLVWD) on June 1, 2016. An agreement to the merger was the creation of an oversight committee. SLVWD questioned why the committee was needed. SLVWD left one of the items off the agenda that was for the committee to write a letter to the board members encouraging them to reconsider the amount of the surcharge. Subsequently, the chair wrote a new agenda, posted it, sent a copy of her item to the board and her committee, but was accused of a Brown Act violation. The committee is now scared.

The committee has repeatedly asked for information on the cost of replacing all of the meters and converting to the SCADA system. Eight months have gone by with no response.

Part of the assessment involved SLVWD requesting a loan for a \$1,400,000. Lompico would pay the interest and the interest is on the assessment. At the last oversight committee meeting, they asked what the status of the loan was and the General Manager did not know.

She says there is a problem with SLVWD and the General Manager misinterpreting the surcharge. It was written by SLVWD with help from the County, and Lompico did not have any say. There are two items on the surcharge that are debts. She told the new General Manager that those debts would be paid before the assessment passed. He told her there could be a sidebar agreement so there would not be any confusion.

She has asked the SLVWD board chair to invite Mr. McCormick to talk. She asks whether LAFCO could lean on them, but she assumes they cannot.

Debra Loewen is also a Lompico resident. She updated the Commission last November about the Lompico merger and the problems that have arisen, and they are still having problems.

She saw articles in the Press Banner about Lompico. Included was an opinion about the unfair surcharge written by someone who is not from Lompico, and that person supports the removal of the surcharge. The problems are bigger than just the surcharge and the reluctance of SLVWD to follow the agreement; SLVWD is in turmoil with leadership.

She realizes LAFCO has some oversight over special districts with evaluations that are supposed to be done every five years. She is concerned about board training. SLVWD has a fairly new board and a general manager with different management styles. The board is passive and the manager is very aggressive. She thinks he is filling a void of leadership. She wishes the board knew their duties better and that LAFCO could have some influence over their training and how they are fulfilling their duties.

She appreciates the work LAFCO did to help with the merger. The merger was a smart move, but there does not seem to be a way to enforce the merger agreement.

Commissioner Roger Anderson asks if there is a paper trail for the comments made about Lompico. He has heard allegations that the manager does not remember some of the important factors in the agreement. He would like to know what is in the documentation since that could be the basis for Mr. McCormick to assist them.

Commissioner Lind says the manager was hired after the merger was negotiated. She thinks it could be helpful to offer some historical background and education.

Mr. McCormick is aware of these ongoing concerns. He provided some training to the manager at his request shortly after he was hired. In the last few months, he has talked privately with four out of five board members and offered to talk to them in a workshop format to answer questions. He has refrained from intervening in normal district business. He may get an invitation to an upcoming board meeting and he will be happy to help them. He agrees that the merger was a smart move since the other alternatives were worse.

SLVWD as a larger district should benefit from having 500 more customers and the 500 customers from Lompico should benefit from being part of a larger district. It is unfortunate that SLVWD is having operation problems.

Commissioner Lind adds that as a council member, there are opportunities to attend new council member training. She wonders if new members of the SLVWD board are aware of what training is available for them as new members.

Mr. McCormick says he worked on a project with SLVWD involving best practices in special district transparency with the help from the California Special District Association (CSDA). He was one of the auditors. They earned their certificate and met all of the requirements for special districts having transparency with their public information.

Commissioner Leopold says this is a challenge throughout the State, and possibly nationwide, about being servants to the public.

Ms. Henry was on the Lompico County Water District board and she asked LAFCO for help when it was facing its problems. For a small agency, it is challenging to perform all the necessary requirements of a special district. As a larger agency, one would hope they would have staff or others to take advantage of the available resources.

PUBLIC HEARING

FINAL BUDGET FOR THE FISCAL YEAR BEGINNING JULY 1, 2017

Mr. McCormick reports that this is the second hearing for the upcoming fiscal year. At the first hearing, the Commission requested additional information about an approach to get all of the service and sphere reviews completed by June 30, 2018 using a combination of staff time and consulting contracts.

Assuming that the Commission would go ahead and use a consultant to complete some of the studies, staff would complete studies for Capitola, Central and Soquel Creek Water Districts, Summit West CSA, PVWMA, and Reclamation District 2049 this year. Three of them are already 90% complete. Staff has recommended which would be completed in-house. A consultant could be used for expertise on fire studies or just to help get the studies done.

The Commission wanted staff to figure out whether there is enough money to complete these studies as recommended. He prepared two separate actions. One action would be adopting the budget that was proposed at the last meeting, and the total budgeted amount would be \$716,400.

If the Commission wants to begin to rebuild the consulting budget, the alternate action is \$25,000 higher. If the Commission proceeded to use consultants to finish the service and sphere reviews by June 30, 2018, he thinks the consultant reserve would be totally depleted. The reserve would need to be rebuilt over a period of years.

If the Commission adopted the alternative budget with an additional \$25,000 and all of the studies are completed by June 30, 2018, then the next fiscal year will have \$25,000 in the consultant reserve as it begins to be rebuilt.

He recommends adopting either action at this time so that he can inform the Auditor in time for the funding agencies to plan for their upcoming budgets.

Commissioner Roger Anderson thinks the date on the bottom of page 11 should be 2018, not 2017. He wonders which reviews are almost complete and which will be worked on next.

Mr. McCormick replies that Soquel Creek Water, Central Water, and Capitola City should be done soon. He plans to complete all of the water agencies next.

He will work on PVWMA, Summit West, and the Reclamation District. The Reclamation District is linked to PVWMA since they are looking at College Lake as a reservoir. The Reclamation District's sole purpose is to drain College Lake so it can be farmed in the summer. That district may not last much longer if PVWMA proceeds with their College Lake project. There would be no reason to drain College Lake if it was going to be used for summer water storage.

Commissioner Roger Anderson asks when the bid for consultants will happen.

Mr. McCormick replies that he would ask for a single contract bid with a consultant early to mid fall of 2017 to complete the service and sphere reviews that staff is not scheduled to complete. The work would be done in fall and winter and be completed in the spring of 2018.

Commissioner Leopold strongly recommends getting a consultant to finish the MSRs as soon as possible. The Commission is vulnerable as long as MSRs are incomplete.

He wonders about the \$25,000 increase in the budget. He asks what the goal is and how long will it take to reach that goal.

Mr. McCormick replies that the goal for the last ten years has been to have \$100,000 in the professional consulting reserve. A fire study for mid-County will probably cost about \$75,000, according to similar projects around the State within the last few years. A major study on sewer or park and recreation issues, or a study that requires an EIR where there is no other party to pay for the work, could cost about \$100,000. The concept is that \$100,000 in the reserve is enough to do a major study. The Commission has made it through several years not spending any money for a study. An additional \$25,000 in the budget for the next four years would rebuild the consultant reserve.

Commissioner Leopold supports increasing the budget to rebuild the consultant reserve. The Commission accelerated their schedule for fire studies and found there was interest to do a bigger study. The Commission should be prepared to assist agencies in completing these studies, particularly if there is interest.

Chairperson LaHue asks what the percentage increase would be for the funding agencies if an additional \$25,000 was added to the budget.

Mr. McCormick answers that using the current year as the base, the proposed lower budget would increase 2.2% and the alternate budget would increase the total budget 5.7%. For the agencies' contributions, the County, the four cities, and the 23 special districts, the proposed budget would be an increase of 3% over the current year and the alternate budget would be an increase of 10.4%.

Commissioner Lind asks what the range of agency contributions would be.

Mr. McCormick says the highest contribution from the funding agencies would be from the County, which is a third of the total budget. The contribution from the County would be a third of \$347,000 (about \$115,000) for the proposed budget and a third of \$373,000 (about \$125,000) for the alternate budget. The smallest contribution would be less than \$10 from the Alba Park and Recreation District. The other agencies would contribute between these extremes.

The cities split approximately \$120,000 four ways, but it is apportioned based upon their operating budgets. The cities with the bigger budgets pay a bigger share than the cities with the smaller budgets. The two bigger cities are full service and pay more. Capitola paid \$7,219 to LAFCO this current fiscal year. Santa Cruz paid \$65,068, Scotts Valley paid \$74,010, and Watsonville paid \$33,669. The alternate budget for the next fiscal year would increase those figures by 10.4%.

Chairperson LaHue agrees with Commissioner Leopold to approve the alternate budget which includes the \$25,000 increase.

MOTION AND ACTION

Motion: R. Anderson Second: Leopold	To approve the alternative budget. Motion carries with a unanimous voice vote.
--	---

OTHER BUSINESS

STATUS REPORT OF AD HOC COMMITTEE ON POTENTIAL FIRE STUDY

Mr. McCormick reports that the committee involving three fire agencies has made good progress in identifying a scope of work. At the March 27th meeting, the consensus is that the study should be limited to a feasibility study for a consolidation between Aptos/La Selva and Central Fire Districts. CSA 48 (County Fire) should stay in the discussions to stay familiar with the two fire agencies whether they merge or not.

The feasibility study should include a standard variety of subjects such as finance, staffing, facilities, and governance. This study should build on the two standards of cover studies that each agency is preparing. A standards of cover study is when an agency looks at their response times, alternative staffing arrangements, and alternative equipment. There is a quantitative model.

Commissioner Leopold thought their first meeting was productive. There was discussion about the difference between a feasibility study and an implementation study. People wanted information about pension liabilities and financing was inclusive of that. They will go back to their boards and another meeting will be arranged in May to keep the conversation going.

Commissioner Roger Anderson asks about a letter from Steve Homan. The letter talks about the financial implications of taking areas out of CSA 48 and annexing them into other fire districts.

Mr. McCormick replies that this was discussed at the March 27th meeting. A representative from the County Fire Advisory Commission and County Chief Larkin were present. There was talk that a merged agency might want to add some additional service territory currently served by CSA 48, but any erosion to CSA 48 in this study has been taken off the table. CSA 48 is just getting by and a crisis could be looming for them. The alternatives for this merger study would complicate the study and would create feasibility issues for the continuation of County Fire as a solvent agency. The conclusion was to focus on putting the two fire agencies together to see the benefits, the problems, and whether it is worth pursuing without threatening any of the revenue that currently goes to CSA 48.

Commissioner Lind thinks that some services such as fire prevention could be shared with other fire agencies in the County. Some fire agencies do not have a dedicated fire prevention officer and other agencies do. These types of services, even water rescue, could be shared without an actual merger.

INITIATION OF AREAWIDE APPROVAL FOR SANTA CRUZ CITY WATER SERVICE

Mr. McCormick recommends that the Commission initiate by motion an Areawide Approval hearing for the City of Santa Cruz water service. This approval would add areas of Live Oak and some other neighborhoods east of the San Lorenzo River.

Government Code Section 56133 in LAFCO law says cities and districts may provide service outside their boundaries only with LAFCO approval. The two types of LAFCO approval are annexation (which expands the service, tax, and voter area) and extraterritorial service, which is a single service without the voting and taxing elements, and the boundary does not change. This Commission prefers annexation wherever possible because of the political participation in the decisions the city or the district makes.

There are some places in this County where annexation is not practical. The City of Santa Cruz provides water north and east of the City. They also provide water service within the City of Capitola.

Because of the potential to receive many minor applications for individual water service, the Commission has adopted rules that allow the agency or LAFCO to initiate Areawide Approval. This allows a single approval for a mapped area to be eligible over a limited time period for an agency to connect new services without going through LAFCO. It cuts red tape for applications that are easy approvals in an urban area, are infill, and are served by existing water mains. It does not prohibit properties farther out from applying the regular way.

Eleven years ago, a map was drawn up showing the City of Santa Cruz' Areawide Approval. The new map includes two additional parcels which were added by LAFCO over the last ten years. One parcel is a commercial parcel at the north end of 41st Avenue and the other parcel is on Branciforte Drive.

This Areawide Approval was good for ten years and it has expired. The City of Santa Cruz had ample opportunity to come to LAFCO with an application, but they did not. Over the last ten years, the previous Areawide Approval saved not hearing approximately 100 applications. It made sense to cut red tape then.

If the Commission approves, he will proceed with an environmental review and expects that this item would be on the June agenda for a public hearing.

Commissioner Leopold appreciates Mr. McCormick's recommendation. 39% or 40% of the ratepayers live outside City limits. For those ratepayers to go through an extra step with extra costs and paperwork to do what they already pay for does not make sense. He thinks it is a good idea to proceed.

Commissioner Jim Anderson asks if this approval is good for another ten years.

Mr. McCormick answers that the policy allows a time period of up to ten years.

Commissioner Roger Anderson asks what the development potential is for the affected area that could be included in the extraterritorial blanket.

Mr. McCormick will address that in the staff report.

Commissioner Leopold knows that there is infill development that can happen as well as undeveloped parcels. They are looking at higher concentrations of density as part of the County's sustainable program. They would not be single family homes, they would be apartments or townhouses.

Commissioner Roger Anderson wonders why Santa Cruz does not consider this a priority. He thinks it would be in their interest to make everyone in the water district happy.

Mr. McCormick does not know why it is not a priority for them.

MOTION AND ACTION

Motion: Leopold Second: Friend	To initiate this process and pass the resolution. Motion carries with a unanimous voice vote.
-----------------------------------	--

STATUS OF PROPOSALS

Mr. McCormick reports that LAFCO recorded Pasatiempo’s water re-use project.

LEGISLATION

Commissioner Leopold says that CALAFCO is asking for support on the omnibus bill. Items on an omnibus bill are usually non-controversial for making changes to the Cortese-Knox-Herzberg legislation. This year, the CALAFCO board said there would only be items that were mission critical to LAFCOs, or where LAFCOs were at risk. Only one item was added to the bill. The Assembly Local Government Committee wanted more than one item for a bill, so CALAFCO added five more items that are non-controversial. There will be an amended bill coming. The request from CALAFCO is to endorse this AB 1725 bill now and write a second letter after all the items are added.

MOTION

Motion: Leopold	To endorse AB 1725, the annual omnibus bill.
Second:	

Counsel Miller thinks it is safest to bring this item back when the items are added so it can be reviewed.

Commissioner Leopold says the bill is likely to be heard by the Assembly Local Government Committee on May 3rd.

Chairperson LaHue says that without knowing what is in the bill, he is hesitant to send a letter of support.

Commissioner Roger Anderson cannot support it without reviewing the content.

MOTION

Motion: Leopold	To withdraw the motion and bring the item back in May.
Second:	

Meeting is adjourned at 10:58 a.m. The next LAFCO meeting is scheduled for 10:00 a.m. on Wednesday, May 3, 2017.

CHAIRPERSON THOMAS R. LAHUE

Attest:

Patrick M. McCormick, Executive Officer