



Santa Cruz Local Agency Formation Commission

Date: March 6, 2024
To: LAFCO Commissioners
From: Joe Serrano, Executive Officer
Subject: **Big Basin Water Company – Governance Options**

SUMMARY OF RECOMMENDATION

LAFCOs have statutory purview over cities and special districts that provide municipal services, including but not limited to, the delivery of water. This legal oversight does not apply to privately-owned water systems or mutual water companies that provide water in Santa Cruz County. However, the recent governance and operational issues facing Big Basin Water Company has tasked local agencies, including LAFCO, to explore possible solutions to ensure that the Big Basin community receives adequate water services now and in perpetuity.

It is recommended that the Commission take the following actions:

- 1) Receive and file the Big Basin Water Company Governance Options Report; and
 - 2) Direct staff to work with Moonshot Missions and the court-appointed receiver to further explore all possible governance options.
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EXECUTIVE OFFICER'S REPORT:

The Big Basin Water Company (“BBWC”) was formed in the 1930s. At present, BBWC provides water and sewer services to approximately 1,680 constituents. BBWC’s water source consists of one active vertical well, one horizontal well, and three surface water diversions. LAFCO’s analysis has also determined that BBWC provides sewer service to a small number of homes (29 connections) through two wastewater discharge leach fields. While the privately-owned company has been in existence for almost a century, several significant failures and violations made by BBWC have been discovered in the past two decades. This led to an unprecedented action by the courts to establish a receivership in order to provide better oversight to the company.

The receivership was awarded to Serviam by Wright LLP (formerly known as Silver & Wright LLP) and is meant to be a temporary solution to the long-standing issue of proper governance and reliable water supply. That is why LAFCO has identified eight potential governance options that the affected agencies, court-appointed receiver, and the Big Basin residents should consider. The report outlining the various options was created by staff with direct assistance from LAFCO’s water consultant (Piret Harmon). **Attachment 1** provides a copy of the governance options report. It is important to note that other solutions not listed in the report may be possible, but LAFCO has determined that the listed options may be the most feasible at this point in time.

Background & Recent News

LAFCO conducted a countywide water service and sphere review¹ in 2022 which analyzed the 13 public water agencies in Santa Cruz County, including the San Lorenzo Valley Water District (“SLVWD”). One of LAFCO’s recommendations in the report was for SLVWD to coordinate with LAFCO to analyze possible annexations and/or sphere amendments to include any mutual water companies or other nearby small water systems (ex. Big Basin Water Company) that were affected by the recent wildfires or can no longer provide adequate levels of service. Since the 2022 water report, there have been significant developments involving BBWC, including the establishment of a court receivership to manage the company’s water and wastewater operations. A stakeholder group of local leaders, spearheaded by Supervisor McPherson’s Office, has been meeting to determine possible solutions. LAFCO staff believes that this Commission could be a significant resource.

Strategic Partnership

LAFCO invited the receiver to provide a special presentation during LAFCO’s February 7, 2024 Meeting and explain the status of BBWC and how LAFCO may provide assistance. Based on the discussion, the receiver and LAFCO staff agreed that the Commission’s efforts to explore possible solutions may be beneficial to the community. During the meeting, LAFCO staff indicated that in addition to a governance options report, partnering with the receiver and Moonshot Missions could add further value to LAFCO’s efforts.

Moonshot Missions is a non-profit organization that sends expert utility advisors out into the field to assess conditions and identify, select, and develop technically and financially sound projects that transform utilities and the communities they serve. Representatives from Moonshot Missions have already met with the receiver and LAFCO in recent weeks to discuss how they can complement the efforts driven by the receiver and the local agencies. The organization is scheduled to provide LAFCO with an acknowledgement letter indicating their commitment to help BBWC and will also provide an outline of their proposed assessment towards BBWC.

Staff Recommendation

It is recommended that the Commission direct staff to take this report (refer to **Attachment 1**) and coordinate with the court-appointed receiver, LAFCO’s water consultant, and Moonshot Missions to further explore all possible governance options in order to help identify possible solutions for the Big Basin community.

Respectfully Submitted,



Joe A. Serrano
Executive Officer

Attachments:

1. [BBWC Governance Options Report](#)

¹ 2022 LAFCO Water Report: <https://santacruzlafco.org/wp-content/uploads/2022/09/Countywide-Water-MSR-Adopted-Version.pdf>