



**LOCAL AGENCY FORMATION COMMISSION
OF SANTA CRUZ COUNTY**

ADOPTED MINUTES

LAFCO REGULAR MEETING AGENDA

Wednesday, February 7, 2024

Start Time - 9:00 a.m.

1. ROLL CALL

Chair John Hunt called the meeting of the Local Agency Formation Commission of Santa Cruz County (LAFCO) to order at 9:14 a.m. and welcomed everyone in attendance. He asked the staff to conduct the roll call.

The following Commissioners were present:

- Chair John Hunt
- Commissioner Jim Anderson
- Commissioner Roger Anderson
- Commissioner Rachél Lather
- Commissioner Allan Timms

The following LAFCO staff members were present:

- LAFCO Analyst, Francisco Estrada
- Legal Counsel, Joshua Nelson
- Executive Officer, Joe Serrano

2. EXECUTIVE OFFICER'S MESSAGE

2a. Virtual Meeting Process

Executive Officer Joe Serrano had two announcements to make to the Commission. The first announcement was that the meeting was being conducted through a hybrid model with Commissioners and staff attending in-person (City of Watsonville) while members of the public have the option to attend virtually or in-person.

2b. Welcome Recently Appointed Commissioners

In his second announcement, **Executive Officer Joe Serrano** welcomed the newly appointed commissioners to LAFCO and provided an update on the recent changes made by the City Selection Committee regarding the city rotation schedule on LAFCO.

Chair John Hunt requested comments or clarifying questions from the Commission. **Commissioner Jim Anderson** asked a question regarding the annual appointment of County representatives from the Board of Supervisors. **Executive Officer Joe Serrano** confirmed that the Board of Supervisors appoint a regular and alternate County member on a yearly basis but also added that LAFCO law still requires a four-year term limit for those seats.

Chair John Hunt requested public comments on the item. **Executive Officer Joe Serrano** indicated that there was one request to address the Commission. **Becky Steinbruner**, a member of the public, commented on the low audio levels of the virtual meeting platform and inquired about the status of Commissioner Zach Friend's appointment considering his impending departure from the Board of Supervisors. Mr. Serrano clarified that the Board of Supervisors will determine his replacement on LAFCO sometime in January 2025.

Chair John Hunt closed public comments and moved on to the next agenda item.

3. ADOPTION OF MINUTES

Chair John Hunt requested public comments on the draft minutes. **Executive Officer Joe Serrano** noted no public comments. **Chair John Hunt** closed public comments.

Chair John Hunt called for a motion. **Commissioner Allan Timms** motioned for approval of the January 10th Meeting Minutes and **Commissioner Roger Anderson** seconded the motion.

Chair John Hunt called for a voice vote on the approval of the draft minutes.

MOTION: Allan Timms
SECOND: Roger Anderson
FOR: Jim Anderson, Roger Anderson, Rachél Lather, and Allan Timms.
AGAINST: None
ABSTAIN: None

MOTION PASSES: 4-0

4. ORAL COMMUNICATIONS

Chair John Hunt requested public comments on any non-agenda items. **Executive Officer Joe Serrano** noted that there were two requests to address the Commission.

Lowell Hurst, a member of the public, welcomed LAFCO to the City of Watsonville and expressed his appreciation for the Commission's proactive efforts. **Becky Steinbruner**, a member of the public, informed the Commission of her intent to bring legal action against the Scotts Valley Fire Protection District if the issue of district-based elections is not addressed.

Chair John Hunt closed public comments and moved on to the next agenda item.

5. SPECIAL PRESENTATIONS

Chair John Hunt requested staff to provide a verbal update on the Big Basin Water Company (“BBWC”) from the court-appointed receiver (Serviam by Wright LLP; formerly named Silver & Wright LLP)

Executive Officer Joe Serrano introduced **Nicolas L. Jaber** from Serviam by Wright LLP to present and discuss the status of BBWC under the court-appointed receivership. Mr. Jaber provided the Commission with an update on the following matters: (1) a timeline of the receivership; (2) the primary purpose and goals of the receivership, as well as identifying any potential and responsible suitors interested in purchasing the entity and crafting a transition plan; (3) revenue collection, grant funding, and current operations of water and sewer treatment services; and (4) how LAFCO can provide support for these ongoing efforts.

Executive Officer Joe Serrano further elaborated on LAFCO’s role in coordinating discussions with interested/affected parties and explained that in March 2024, a report will be presented to the Commission outlining governance options for the BBWC residents to consider and explore.

Chair John Hunt asked a clarifying question about the governance options for BBWC. Mr. Serrano indicated that the governance options will only focus on water provisions since the receiver and the County have already determined how to address sewer services under an existing county service area.

Chair John Hunt requested public comments on the item. **Executive Officer Joe Serrano** indicated that there were three requests to address the Commission. **Becky Steinbruner**, a member of the public, shared lessons her community took away from dealing with a private water company in Aptos during the 1990s. Ms. Steinbruner also mentioned she was looking forward to the governance options report in March, offered to lend her support on this issue, and encouraged the Commission to include residents throughout each step of this important process. **Patrick LaBruzzo**, a member of the public and BBWC customer, expressed his appreciation to the Commission for its support, shared about his community’s support towards public ownership and management of BBWC, explained the importance of the upcoming governance options report and looks forward to reviewing the document in March. **Julie Jennings**, a member of the public and BBWC customer, requested improved communications from the receiver and shared common concerns experienced by constituents of BBWC.

Chair John Hunt closed public comments and requested comments or questions from the Commission. **Commissioner Roger Anderson** asked a clarifying question regarding the timeline to transfer ownership of the sewer system. Mr. Jaber indicated that the management of wastewater treatment services would transition into a nearby CSA by the end of the year and noted the resiliency of the water and wastewater systems in providing critical services to constituents during the most recent rainstorms which experienced minimal interruption.

Commissioner Roger Anderson had a follow-up question regarding the transition of water services to a responsible owner. Mr. Jaber responded that he expected the

transition to occur in the next two years but could not provide specific details as these discussions are just getting under way.

Commissioner Rachél Lather asked about the number of connections within the BBWC area. In the absence of an official customer list, Mr. Jaber informed the Commission that there are between 450-600 connections for drinking water. Ms. Lather had a follow-up question regarding revenue collection under the previous ownership group. Mr. Jaber informed the Commission that record keeping under the previous owners was not a formalized process.

Chair John Hunt thanked Mr. Jaber and moved to the next item since no Commission action was required.

6. PUBLIC HEARINGS

Chair John Hunt indicated that there were two public hearing items for Commission consideration today.

6a. "Service & Sphere Review for the City of Santa Cruz"

Chair John Hunt requested staff to provide a presentation on the draft service and sphere review for the City of Santa Cruz.

Executive Officer Joe Serrano informed the Commission that the City was formed in 1876 and currently serves 27 square miles of territory within and outside the city limits. The City of Santa Cruz provides multiple municipal services to approximately 64,000 constituents, as well as water services beyond its city limits, and is considered to be financially sound, maintains a robust and transparent website, is exploring shared services opportunities with Central Fire District, and has six existing extraterritorial service agreements. Mr. Serrano recommended that the Commission find the report to be exempt from environmental review, determine the report fulfills under LAFCO law, and adopt the draft resolution approving the report with a minor amendment to condition 4(b) regarding the City's coordination with LAFCO to consider annexations in the future.

Chair John Hunt requested comments or questions from the Commission. **Commissioner Jim Anderson** noted that the City serves more constituents residing outside its city limits than within it, which does not afford them the right to vote for proposed rate changes. Mr. Anderson also inquired about the financial health of the fire department. **Executive Officer Joe Serrano** clarified that although the City is financially stable overall, a recent countywide fire report produced by LAFCO indicated that the fire department was experiencing some financial constraints.

Commissioner Rachél Lather asked if the report included information regarding the City's sewer services. **Executive Officer Joe Serrano** noted that the report does make mention of wastewater services and further analysis of the City's sewer services was conducted in the 2019 countywide sanitation report.

Commissioner Allan Timms had a question regarding an isolated ESA from a map in the staff presentation. **Executive Officer Joe Serrano** explained that the territory is known as an "unincorporated island" and is comprised of two ESAs serving residential

parcels. Mr. Serrano added that the staff is coordinating with the City to consider options for future annexation of this area into city limits.

Commissioner Jim Anderson asked if different rates are charged to residents living inside and outside the City's limits. **Executive Officer Joe Serrano** said he would research that information and follow-up with the Commission.

Chair John Hunt requested public comments on the item. **Executive Officer Joe Serrano** indicated that there was one request to address the Commission. **Becky Steinbruner**, a member of the public, inquired about the City's history of annexations and reorganizations, especially regarding Sky Park. Ms. Steinbruner also made comments on the history of proposed Live Oak annexations, potential expansion of UCSC, fire protection matters, and Measure L.

Chair John Hunt closed public comments and requested additional comments from the Commission. **Commissioner Roger Anderson** expressed concerns about the City's future financial health and requested additional clarification on the report. **Executive Officer Joe Serrano** indicated that as part of the service and sphere review, LAFCO analyzed the City's identified sources of revenue, expenditures, assets, liabilities and reserves. Mr. Serrano also agreed to coordinate with City staff to add additional financial information in the future.

Commissioner Rachél Lather asked about analysis of the City's reserve and enterprise funds. **Executive Officer Joe Serrano** responded that the report contains a table with financial information detailing both the City's business and governmental activities, as well as their reserve balance. Ms. Lather also inquired about the City's sphere and the lack of representation for residents living outside the city limits. Mr. Serrano stated that the City has only one sphere and it primarily follows their water service area, and added that annexation would result in better representation of those residents.

Chair John Hunt called for a motion. **Commissioner Jim Anderson** motioned for approval of staff recommendation and **Commissioner Allan Timms** seconded the motion.

Chair John Hunt called for a voice vote on the motion based on the staff's recommendation: **(1) Find the report to be exempt from CEQA, (2) Determine that the report fulfills the requirements under GCS 56425, (3) Determine that the report fulfills the requirements under GCS 56430, and (4) Adopt the LAFCO Resolution (No. 2024-03) approving the 2024 Service & Sphere Review for the City of Santa Cruz with the following conditions: (a) Reaffirm the City's current sphere boundary, (b) Santa Cruz should continue coordinating with LAFCO to discuss and monitor the existing extraterritorial service agreements currently being served by the City, (c) Santa Cruz should explore shared services opportunities and other strategic partnerships with neighboring agencies, including but not limited to the Central Fire District. If the two agencies move forward with a feasibility study, staff encourages them to include LAFCO in the process; and, (5) Direct the Executive Officer to distribute a copy of this adopted service and sphere review to the City of Santa Cruz and any other interested or affected agency identified in the service review.**

MOTION: Jim Anderson
SECOND: Allan Timms
FOR: Jim Anderson, Roger Anderson, Rachél Lather, and Allan Timms.
AGAINST: None
ABSTAIN: None

MOTION PASSES: 4-0

6b. “Reclamation District No. 2049 Dissolution” – Initiating Resolution

Chair John Hunt requested staff to provide a presentation on the draft resolution to initiate the dissolution of the Reclamation District No. 2049.

Executive Officer Joe Serrano informed the Commission that Reclamation District No. 2049 has been in existence for over a century but has experienced several governance issues in the last few years. The board is down to one member and the District has no full-time staff. As a result, the application they submitted to formally dissolve the District in May 2023 cannot move forward. Mr. Serrano, in coordination and consultation with the Pajaro Valley Water Management Agency (PVWMA) and the Reclamation District’s legal counsel, is recommending that the Commission terminate the existing application and adopt a resolution to initiate the dissolution of the Reclamation District with LAFCO serving as the lead agency.

Chair John Hunt had a clarifying question about the type of application submitted by the District. **Executive Officer Joe Serrano** clarified that the application submitted by the Reclamation District Board of Directors was for formal dissolution following the adoption of a resolution.

Chair John Hunt requested public comments on the item. **Executive Officer Joe Serrano** indicated that there were two requests to address the Commission. **Becky Steinbruner**, a member of the public, had a clarifying question about the District’s remaining funds. **Executive Director Joe Serrano** indicated that the remaining funds may be transferred to the successor agency, however, alternative actions will also be considered when LAFCO develops the terms and conditions of the dissolution as the process unfolds.

Executive Officer Joe Serrano introduced **Brian Lockwood**, PVWMA General Manager, to share information regarding the Reclamation District and PVWMA activities. Mr. Lockwood updated the Commission on the various projects and activities related to the Reclamation District, spoke about the status and future of the District, and expressed his appreciation for LAFCO’s role in this collaborative effort.

Chair John Hunt requested comments or questions from the Commission. **Commissioner Rachél Lather** asked staff for more information regarding the history and purpose of the Reclamation District in the staff report.

Commissioner Roger Anderson had a question about College Lake’s capacity in a typical year. Mr. Lockwood explained that the capacity for the lake basin is between 1700–1800 acre feet and provided additional background and technical information regarding the lake. Mr. Anderson had a follow-up question regarding the area’s groundwater

demand. Mr. Lockwood provided information to the Commission on the District's distinct levels of groundwater use within the Pajaro Valley basin and throughout their service area.

Commissioner Rachél Lather had a question regarding water demand and usage for the basin during different parts of the year. Mr. Lockwood responded that although most water is used during the peak irrigation season, PVWMA also works to leverage and optimize the use of their water recycling facilities in benefit of the area. Ms. Lather also asked about future farming in the area. Mr. Lockwood informed the Commission that farming would likely cease in the lowest elevation areas but would persist on the edges of the basin.

Chair John Hunt closed public comments and called for a motion. **Commissioner Jim Anderson** motioned for approval of staff recommendation and **Commissioner Rachél Lather** seconded the motion.

Chair John Hunt called for a voice vote on the motion based on staff recommendation: **Terminate the District's application due to inactivity; and Adopt LAFCO Resolution No. 2024-04 to initiate dissolution.**

MOTION: Jim Anderson
SECOND: Rachél Lather
FOR: Jim Anderson, Roger Anderson, Rachél Lather, and Allan Timms.
AGAINST: None
ABSTAIN: None

MOTION PASSES: 4-0

7. OTHER BUSINESS

Chair John Hunt indicated that there are three business items for Commission consideration today.

6a. Employee Performance Evaluation

Chair John Hunt requested staff to provide a presentation on the proposed adjustment to staff's salary based on their annual performance evaluation.

Executive Officer Joe Serrano explained that staff coordinated with legal counsel regarding the Commission's evaluation of staff's performance in 2023. Staff recommended that the Commission adopt the draft resolution approving the proposed salary adjustments.

Chair John Hunt opened the floor for Commission discussion and noted no Commission discussion. **Chair John Hunt** requested public comments on the item. **Executive Officer Joe Serrano** noted no public comments.

Chair John Hunt closed public comments and called for a motion. **Commissioner Roger Anderson** motioned for approval of staff recommendation and **Commissioner Jim Anderson** seconded the motion.

Chair John Hunt called for a voice vote on the motion: **Adopt the draft resolution (No. 2024-05) approving the salary adjustment for LAFCO's Executive Officer and Analyst.**

MOTION: Roger Anderson
SECOND: Jim Anderson
FOR: Jim Anderson, Roger Anderson, Rachél Lather, and Allan Timms.
AGAINST: None
ABSTAIN: None

MOTION PASSES: 4-0

6b. City of Capitola Annexation Plan

Chair John Hunt requested staff to provide a presentation on the City of Capitola's request to LAFCO to potentially provide financial assistance towards the completion of an annexation plan.

Executive Officer Joe Serrano explained to the Commission that when LAFCO last analyzed the City of Capitola, it recommended creating an annexation plan based on their existing sphere boundary. The City is now complying with the recommendation and is set to hire an outside consultant to develop an annexation plan. The City is also requesting financial assistance from LAFCO to complete the annexation plan. Mr. Serrano added that if the Commission decides to approve the request, he recommends that no more than \$15,000 be allocated in order to ensure that other LAFCO-related consultant projects are not affected or interrupted.

Chair John Hunt requested comments or clarifying questions from the Commission. **Commissioner Jim Anderson** inquired about the precedence this may set for future requests. **Executive Director Joe Serrano** explained to the Commission how it has responded in the past to similar requests. Mr. Anderson also inquired about offering support in the form of offsetting other LAFCO-related fees. Mr. Serrano explained that he would further analyze that option, but for the purposes of this request, the City is seeking financial assistance from the Commission to complete the proposed annexation plan.

Commissioner Allan Timms asked for clarification on LAFCO's past support for similar projects. Mr. Serrano shared with the Commission past instances when LAFCO provided similar support, such as sharing the cost with Central and Aptos/La Selva Fire Protection Districts in 2018 to hire an outside consultant and produce a feasibility study regarding a potential consolidation.

Chair John Hunt requested public comments on the item. **Executive Officer Joe Serrano** noted one request to address the Commission. **Becky Steinbruner**, a member of the public, recommended that the Commission develop a written policy for future financial assistance requests. **Chair John Hunt** closed public comments.

Commissioner Allan Timms suggested that staff develop a draft policy to manage future financial assistance requests. **Executive Officer Joe Serrano** also recommended that the Commission defer action until staff brought back a draft policy for consideration.

Commissioner Roger Anderson further added that all types of staff contributions to projects should be taken into account and supported deferring action.

Chair John Hunt called for a motion. **Commissioner Allan Timms** motioned to defer action and directed staff to develop a draft policy to be considered at the next regular meeting. **Commissioner Jim Anderson** seconded the motion.

Chair John Hunt called for a voice vote on the motion: **To defer action and direct staff to develop a draft policy to be considered at the next LAFCO regular meeting.**

MOTION: Allan Timms
SECOND: Jim Anderson
FOR: Jim Anderson, Roger Anderson, Rachél Lather, and Allan Timms.
AGAINST: None
ABSTAIN: None

MOTION PASSES: 4-0

6c. Comprehensive Quarterly Report – Second Quarter (FY 2023-24)

Chair John Hunt requested staff to provide a presentation on the quarterly report.

LAFCO Analyst Francisco Estrada noted that this report is meant to keep the Commission apprised about all LAFCO-related activities, including the status of active proposals, the schedule of upcoming service reviews, the current financial performance of LAFCO's adopted budget, and other projects. Mr. Estrada covered these areas and indicated that the second quarter ended with approximately 42% of anticipated expenses spent and with approximately \$506,000 in reserves.

Chair John Hunt opened the floor for Commission discussion and noted no Commission discussion. **Chair John Hunt** requested public comments on the item. **Executive Officer Joe Serrano** noted no public comments. **Chair John Hunt** closed public comments.

Chair John Hunt moved to the next item since no Commission action was required.

8. WRITTEN CORRESPONDENCE

Chair John Hunt inquired whether there was any written correspondence submitted to LAFCO. **Executive Officer Joe Serrano** informed the Commission that they received one correspondence from **Jason Fried**, Executive Director of Marin LAFCO. Mr. Serrano introduced Mr. Fried, who shared his appreciation to the Commission for the established shared services agreement between the two agencies and for Mr. Serrano's facilitation during Marin LAFCO's January 12th Workshop. Mr. Serrano assured the Commission that staff time was tracked and invoiced accordingly.

Chair John Hunt moved to the next item since no Commission action was required.

9. PRESS ARTICLES

Chair John Hunt requested staff to provide a presentation on the press articles. **Executive Officer Joe Serrano** indicated that this item highlights LAFCO-related articles recently circulated in local newspapers but made note of an article interview he conducted with California Special Districts magazine.

Chair John Hunt moved to the next item since no Commission action was required.

10. COMMISSIONERS' BUSINESS

Chair John Hunt inquired whether any Commissioner would like to share any information. **Commissioner Allan Timms** expressed his appreciation to LAFCO staff for their work and efforts.

Chair John Hunt moved to the next item since no Commission action was required.

11. CLOSED SESSION

Chair John Hunt indicated that a closed session will be held to cover the performance evaluation of LAFCO staff. **Executive Officer Joe Serrano** noted that LAFCO's legal counsel will host the closed session in a separate remote meeting room and requested that the Commission reconvene to the regular LAFCO meeting once the closed session concluded.

12. ANNOUNCEMENTS FROM CLOSED SESSION

Legal Counsel Joshua Nelson noted that there was no reportable action.


13. ADJOURNMENT

Chair John Hunt adjourned the Regular Commission Meeting at 11:18 a.m. to the next regular LAFCO meeting scheduled for Wednesday, March 6, 2024 at 9:00 a.m.



JOHN HUNT, CHAIRPERSON

Attest:



JOE A. SERRANO, EXECUTIVE OFFICER