



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

ADOPTED MINUTES

LAFCO REGULAR MEETING AGENDA

Wednesday, March 6, 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 9:00 a.m. and welcomed everyone in attendance. He asked the staff to conduct a roll call.

The following Commissioners were present:

- Commissioner Jim Anderson
- Commissioner Roger Anderson
- Commissioner Justin Cummings
- Commissioner Manu Koenig (*Vice-Chair*)
- Commissioner Rachél Lather
- Commissioner Eduardo Montesino
- Commissioner Allan Timms
- Alternate Commissioner Ed Banks
- Alternate Commissioner John Hunt (*Chair*)

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 one announcement to make to the Commission. Mr. Serrano indicated that the meeting was being conducted through a hybrid approach with Commissioners and staff attending in-person while members of the public have the option to attend virtually or in-person.

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 Roger Anderson** motioned for approval of the February 7th Meeting Minutes and **Commissioner Jim Anderson** seconded the motion.

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

MOTION: Roger Anderson

SECOND: Jim Anderson

FOR: Jim Anderson, Roger Anderson, Justin Cummings, Rachél Lather, Eduardo Montesino, and Allan Timms.

AGAINST: None

ABSTAIN: Manu Koenig

MOTION PASSES: 6-0

4. ORAL COMMUNICATIONS

Chair John Hunt requested public comments on any non-agenda items. **Executive Officer Joe Serrano** indicated that there were no requests to address the Commission on this item.

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

5. PUBLIC HEARINGS

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

5a. “Old Coach Road / John Hall Extraterritorial Service Agreement”

Chair John Hunt requested staff to provide a presentation on the proposed extraterritorial service agreement (ESA) involving the City of Scotts Valley.

Executive Officer Joe Serrano informed the Commission that staff received a request from a property owner to receive sewer services from the City of Scotts Valley for a single parcel with a single-family home dwelling unit. The parcel is located on Old Coach Road, where the City is already providing services to four existing ESAs located along the same road. The City adopted a resolution indicating it is willing and capable of providing the requested services. The recommended action fulfills requirements under LAFCO law and within the Commission’s adopted policies. Mr. Serrano recommended the Commission approve the ESA involving the City of Scotts Valley.

Chair John Hunt requested public comments on the item. **Executive Officer Joe Serrano** indicated that there were no requests to address the Commission on this item. **Chair John Hunt** closed public comments.

Chair John Hunt requested comments or clarifying questions from the Commission. **Commissioner Allan Timms** recommended the Commission support the proposed action.

Commissioner Allan Timms motioned for approval of staff recommendation and **Commissioner Justin Cummings** seconded the motion.

Chair John Hunt called for a voice vote on the motion based on the staff's recommendation: **Adopt the draft resolution (No. 2024-06) approving the extraterritorial service agreement involving the City of Scotts Valley.**

MOTION: Allan Timms
SECOND: Justin Cummings
FOR: Jim Anderson, Roger Anderson, Justin Cummings, Manu Koenig, Rachél Lather, Eduardo Montesino, and Allan Timms.
AGAINST: None
ABSTAIN: None

MOTION PASSES: 7-0

5b. "Policies & Procedures Handbook – Proposed Amendments"

Chair John Hunt requested staff to provide a presentation on the proposed amendments to LAFCO's policies and procedures handbook.

Executive Officer Joe Serrano reminded the Commission that all LAFCO policies were merged into a single handbook in 2023. Mr. Serrano noted this consolidation of policies allows the Commission to easily review and make necessary amendments on a regular basis. This year, staff is recommending modifications to several policies to reflect current practices and address outdated language. Mr. Serrano recommended the Commission approve the proposed edits.

Chair John Hunt requested public comments on the item. **Executive Officer Joe Serrano** indicated that there were no requests to address the Commission on this item. **Chair John Hunt** closed public comments.

Chair John Hunt requested comments or clarifying questions from the Commission. **Commissioner Allan Timms** asked a question about technical support and mitigating potential security risks associated with working remotely. **Executive Officer Joe Serrano** explained that LAFCO has been coordinating with the County's Information Services Department to download the required security software needed to access LAFCO's files remotely.

Commissioner Justin Cummings asked a question on how staff determined the compensation pay schedule considering the high cost of living in Santa Cruz County. **Executive Officer Joe Serrano** explained that the policy language was provided directly by LAFCO's Legal Counsel and the salary steps were based on an internal compensation survey conducted in conjunction with other LAFCOs. Mr. Serrano also indicated that staff could modify the policy in the future to ensure salaries are competitive and consistent with the cost of living in Santa Cruz County.

Commissioner Roger Anderson suggested adding an appendix to the Employment Policy so readers can reference additional information pertaining to the compensation pay schedule. Mr. Anderson also suggested adding requirements to the policy regarding updated software, multi-factor authentication, and asked to revisit the policy once it had been reviewed and revised.

Commissioner Jim Anderson noted that in the past, the use of personal computers for work-related functions was prohibited and mentioned that it was easier to use computers that were provided and maintained by the employer/agency.

Commissioner Rachél Lather noted that adding specific language directing the use of specific software or operating systems could be cumbersome and potentially confusing. **Executive Officer Joe Serrano** indicated that language can be added to ensure LAFCO remains consistent and compliant with all County policies.

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

Chair John Hunt called for a voice vote on the motion: **Adopt LAFCO Resolution (No. 2024-07) approving the Comprehensive Policies & Procedures Handbook with the following changes: (A) Amend the Employment Policy to include guidelines on how to consider salary adjustments and reflect the steps to be taken when working remotely; (B) Amend the Independent Special Districts Selection Policy to reflect the recent changes to the list of public agencies in Santa Cruz County; (C) Amend the City Selection Committee Policy to reflect the changes to the new term limits and rotation schedule; (D) Amend the Processing Fees & Deposits to include guidelines on how to manage financial assistance requests; (E) Approve the proposed minor and non-substantial adjustments identified throughout the proposed handbook; (F) Add an appendix to the Employment Policy, and (G) Include language indicating LAFCO will implement measures that are consistent and compliant with the County’s remote security-related policies.**

MOTION: Jim Anderson

SECOND: Roger Anderson

FOR: Jim Anderson, Roger Anderson, Justin Cummings, Manu Koenig, Rachél Lather, Eduardo Montesino, and Allan Timms.

AGAINST: None

ABSTAIN: None

MOTION PASSES: 7-0

6. OTHER BUSINESS

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

6a. Big Basin Water Company – Governance Options

Chair John Hunt requested staff to provide a presentation to consider and discuss the proposed governance options report for the Big Basin Water Company (BBWC).

Executive Officer Joe Serrano explained that although water and sewer service has improved for customers of BBWC under the court-appointment receivership, it is still only a temporary measure. Efforts to identify a more sustainable successor agency to provide these essential services remain ongoing, but it has been a collaborative one supported by LAFCO, local public agencies, and the affected constituents. The governance options report provides an overview of the BBWC's history and services, a summary of ongoing challenges, and a list of possible governance options for the Commission, receiver, and public to consider. Additionally, Mr. Serrano mentioned that with support from their water consultant (Piret Harmon), Moonshot Missions was identified as a potential nonprofit partner that can provide expert objective analysis and identify potential solutions to this urgent matter. Ultimately, the goal is to provide the residents of the Big Basin area with reliable and sustainable municipal services needed for life and property. Mr. Serrano recommended the Commission receive and file the report and approve the recommended actions. Finally, Mr. Serrano provided an update on the transition plan for sewer services that may be provided by the County of Santa Cruz under County Service Area No. 7.

Chair John Hunt requested public comments on the item. **Executive Officer Joe Serrano** indicated that there were seven requests to address the Commission on this item.

Bruce McPherson, Fifth District Supervisor, expressed his appreciation to LAFCO staff for their collaborative effort to address this urgent matter.

Becky Steinbruner, a member of the public, shared her experience with a small water company in Aptos during the 1990s and hopes Moonshot Missions can share their expertise with other small local water companies.

Nicolas L. Jaber, an attorney from Serviam by Wright LLP (court-appointed receiver), thanked LAFCO staff for their work on the governance options report. Mr. Jaber explained that the receiver acts as an agent of the court and that a transition needs to occur in order for the two receiverships for water and sewer to end. Currently, there is a transition plan in place to transfer sewer service to CSA 7, but the governance options report will be key in determining a transition plan for the delivery of water services.

Lydia Rossiter, Senior Utility Advisor for Moonshot Missions and a resident of Santa Cruz County, provided background information on the non-profit agency. Ms. Rossiter looks forward to contributing to the collaborative effort at no cost to the residents or partner public agencies.

Julie Jennings, a member of the public and customer of BBWC, expressed her appreciation and support to the receiver, as well as LAFCO for moving forward the collaborative effort to address this urgent matter. A commitment from local agencies to ensure the provision of water services is of utmost importance to the customers of BBWC.

Ann Thrift, a member of the public and customer of BBWC, provided an update on efforts by the residents to address the urgent matter. Ms. Thrift also expressed her appreciation to the public agencies participating in the collaborative effort.

Executive Officer Joe Serrano announced the reading of a correspondence received from **Patrick LaBruzzo**, a member of the public and customer of BBWC. Mr. LaBruzzo expressed his support for the recommended actions and asked the Commission to approve the draft report. Mr. LaBruzzo also encouraged LAFCO to continue communicating and engaging in a transparent manner with members of the affected residents.

Chair John Hunt closed public comments and requested comments or clarifying questions from the Commission. **Commissioner Roger Anderson** asked which of the governance options could feasibly lead or qualify for public funding and asked for a timeline towards a potential solution. **Executive Officer Joe Serrano** explained that any potential governance option selected would require support from the affected constituents and agencies but added that Moonshot Mission's expertise will be of great value at this juncture.

Commissioner Allan Timms identified a minor typo in the draft report on page 8 and requested staff to make the proper correction.

Commissioner Rachél Lather suggested the completion of an income survey to help determine future rate fees to be paid by the Big Basin community and potentially increase the likelihood of receiving public funding. Ms. Lather also expressed her support for Moonshot Missions participation in this matter.

Commissioner Justin Cummings thanked staff for their participation in this collaborative effort and asked about next steps. **Executive Officer Joe Serrano** spoke on the status of the transition of sewer services to the County before July 1, about a potential benefit assessment and mentioned that a transition plan for the provision of water services was ongoing.

Commissioner Rachél Lather asked about Proposition 218 requirements for the sewer service transition plan. **Matt Machado**, Director of Community Development & Infrastructure, provided an explanation on how a Proposition 218 ballot would take place under these circumstances and described outreach efforts to affected residents. Mr. Machado also explained that the aim is to take over the provision of sewer services by July 1 and provide upgrades to the system in the next few years.

Nicolas L. Jaber reiterated the complexities of identifying a transition plan for the provision of water services. Mr. Jaber also emphasized that as an agent of the court, the receiver will ultimately generate a report and the court will have final discretion on the matter. The concern, however, remains being able to cover the operating costs until a transition plan is established.

Commissioner Rachél Lather requested clarification on LAFCO's role in the transition of sewer services to the County. **Executive Officer Joe Serrano** informed the Commission that the affected parcels are already located within CSA 7 and no LAFCO action is needed at this time. However, Mr. Serrano did note that there is a parcel with a

fire station located outside CSA 7 that will need to be annexed in the future. As a precursor to annexation, LAFCO anticipates receiving an extraterritorial service agreement application for services from the County. Mr. Serrano also mentioned that LAFCO may play a role once a transition plan has been developed for the continued provision of water services to the customers of BBWC.

Chair John Hunt 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: **(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.**

MOTION: Jim Anderson

SECOND: Justin Cummings

FOR: Jim Anderson, Roger Anderson, Justin Cummings, Manu Koenig, Rachél Lather, Eduardo Montesino, and Allan Timms.

AGAINST: None

ABSTAIN: None

MOTION PASSES: 7-0

6b. Public Member Selection Process

Chair John Hunt requested Legal Counsel to provide an explanation on the public member selection process to select two candidates to fill the vacancies for LAFCO's regular and alternate public member seats.

Legal Counsel Joshua Nelson explained the regular LAFCO Commissioners that are not candidates for the regular or alternate member seats will be allowed to vote in the selection process. Before the process begins, the current regular and alternate public members will be asked to leave the dais and sit with members of the public throughout the duration of the selection process. The Commission will then review the qualified candidates and may appoint two of them for the regular and alternate member seats, if desired. **Vice-Chair Manu Koenig** will administer the discussion for this item.

Vice-Chair Manu Koenig requested comments or clarifying questions from the Commission on the item. **Vice-Chair Manu Koenig** noted no comments or clarifying questions from the Commission.

Vice-Chair Manu Koenig requested public comments on the item. **Executive Officer Joe Serrano** noted that several candidates would like to address the Commission.

Adam Hensley, Becky Steinbruner, Lowell Hurst, Roger Anderson, John Hunt, Jane Barr (in sequential order) provided background information, explained their interest in serving on LAFCO, and stated their qualifications in support of their candidacy.

Vice-Chair Manu Koenig thanked the candidates and closed public comments. **Commissioner Eduardo Montesino** expressed his support for Lowell Hurst's candidacy and motioned to approve Lowell Hurst as the regular public member on LAFCO. The motion was not seconded. **Vice-Chair Manu Koenig** requested further discussions.

Commissioner Justin Cummings inquired about the Commission's composition in relation to potentially increasing County representation. **Executive Officer Joe Serrano** provided an explanation of how membership is determined on the Commission and said that Commissioners can consider the candidate's area residency when selecting the regular and alternate public members. Mr. Cummings suggested that future conversations should be scheduled to further discuss increasing diverse representation on the Commission.

Commissioner Justin Cummings motioned to reappoint Roger Anderson and John Hunt as the regular and alternate public members respectfully. **Commissioner Jim Anderson** seconded the motion.

Commissioner Allan Timms requested deferring action until a more thorough public interview process could be completed at the next regular meeting in April. **Vice-Chair Manu Koenig** reminded the Commission that there was still time to extend the selection process into April to ensure all qualified candidates are considered.

Commissioner Rachél Lather expressed her support and appreciation for Roger Anderson and John Hunt.

Commissioner Allan Timms commented that he is supportive of the original motion but believes that the applicants deserve more time to be heard and considered for this important appointment.

Commissioner Justin Cummings withdrew his motion and **Commissioner Jim Anderson** withdrew his second.

Commissioner Allan Timms motioned to extend the selection process to April and provide the applicants with an opportunity to be interviewed in-person by the Commission. **Commissioner Eduardo Montesino** seconded the motion.

Commissioner Rachél Lather inquired about potential accommodations for the applicants and the Commission at the next regular meeting. **Executive Officer Joe Serrano** noted that staff can make necessary accommodations ahead of the next regular meeting.

Vice-Chair Manu Koenig called for a voice vote on the motion: **Defer action and schedule an interview process to select the regular and alternate public members at the next regular meeting on April 3, 2024.**

MOTION: Allan Timms
SECOND: Eduardo Montesino
FOR: Jim Anderson, Justin Cummings, Manu Koenig, Rachél Lather, Eduardo Montesino, and Allan Timms.

AGAINST: None
ABSTAIN: None

MOTION PASSES: 6-0

Commissioners Roger Anderson and John Hunt rejoined the Commission on the dais. **Vice-Chair Manu Koenig** yielded administrative duties back to **Chair John Hunt**.

6c. City of Capitola Annexation Plan – Continued Item

Chair John Hunt requested staff to provide a presentation on the City's request for funding assistance towards the completion of an annexation plan.

Executive Officer Joe Serrano informed the Commission that the City of Capitola had recently requested financial assistance from LAFCO to hire an outside consultant and complete an annexation plan based on recommendations from their last service and sphere review. In March, the Commission directed staff to develop a draft financial assistance policy that would cap financial assistance requests at \$15,000 in any given fiscal year. Mr. Serrano also reminded the Commission that it had earlier approved the draft Processing Fees & Deposits Policy, which included the requested financial assistance request policy. Staff recommended that the Commission consider the City's request for financial assistance.

Chair John Hunt requested public comments on the item. **Executive Officer Joe Serrano** noted no requests to address the Commission on this item. **Chair John Hunt** closed public comments.

Chair John Hunt requested comments or clarifying questions from the Commission on this item. **Commissioner Jim Anderson** inquired on how the Commission can be fair when considering financial assistance requests from different public agencies or jurisdictions. **Executive Officer Joe Serrano** stated that although the Commission would consider each request case by case, it would still be subject to the \$15,000 cap. Mr. Serrano further added that LAFCO does not typically receive requests for financial assistance and thus far, the City is the only agency to request financial assistance this fiscal year.

Commissioner Manu Koenig indicated that he was in support of providing the City of Capitola with the maximum amount allowed under the financial assistance request policy in large part to the fact that the City has many unmet needs and potential annexation of adjacent areas could bring benefits to the residents.

Commissioner Jim Anderson asked if waiving other LAFCO fees can offset the need to use the allocated \$15,000 in a given year. **Executive Officer Joe Serrano** stated that the Commission has discretion over waiving LAFCO fees.

Commissioner Allan Timms motioned for approval of staff recommendation and **Commissioner Manu Koenig** seconded the motion.

Chair John Hunt called for a voice vote on the motion: **Provide the City of Capitola with \$15,000 towards the hiring of an outside consultant and complete an annexation plan.**

MOTION: Allan Timms

SECOND: Manu Koenig

FOR: Jim Anderson, Roger Anderson, Justin Cummings, Manu Koenig, Eduardo Montesino, and Allan Timms.

AGAINST: None

ABSTAIN: Rachél Lather

MOTION PASSES: 6-0

6d. Legislative Update (New Legislative Session)

Chair John Hunt requested staff to provide a status update on the new legislative session.

Executive Officer Joe Serrano noted that the legislative session started the second year of its current cycle and staff has been monitoring 15 LAFCO-related bills. In particular, the Omnibus Bill (Assembly Bill 3277) has one proposed amendment to LAFCO law regarding property tax agreements involving special districts. Mr. Serrano recommended adopting a “Support” position for AB 3277 and sending a letter of support to the bill’s author.

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 requests to address the Commission on this item. **Chair John Hunt** closed public comments.

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

Chair John Hunt called for a voice vote on the motion: **Take a “Support” position on Assembly Bill 3277 and direct the Executive Officer to submit a letter of support to the bill’s author declaring the Commission’s position.**

MOTION: Jim Anderson

SECOND: Justin Cummings

FOR: Jim Anderson, Roger Anderson, Justin Cummings, Manu Koenig, Rachél Lather, Eduardo Montesino, and Allan Timms.

AGAINST: None

ABSTAIN: None

MOTION PASSES: 7-0

7. WRITTEN CORRESPONDENCE

Chair John Hunt inquired whether there was any written correspondence submitted to LAFCO. **Executive Officer Joe Serrano** informed the Commission it had received three late correspondences regarding the Big Basin Water Company.

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

8. 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.

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

9. COMMISSIONERS' BUSINESS

Chair John Hunt inquired whether any Commissioner would like to share any information. Mr. Hunt indicated that there were no requests to share any information.

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

10. ADJOURNMENT

Chair John Hunt adjourned the Regular Commission Meeting at 10:39 a.m. to the next regular LAFCO meeting scheduled for Wednesday, April 3, 2024 at 9:00 a.m.



JOHN HUNT, CHAIRPERSON

Attest:



JOE A. SERRANO, EXECUTIVE OFFICER