



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

701 Ocean Street, #318-D
Santa Cruz, CA 95060
Phone Number: (831) 454-2055
Website: www.santacruzlafco.org
Email: info@santacruzlafco.org

REGULAR MEETING AGENDA

Wednesday, November 6, 2024 at 9:00 a.m.
(hybrid meeting may be attended remotely or in-person)

- Attend Meeting by Internet:** <https://us02web.zoom.us/j/85603836977>
(Password 208678)
- Attend Meeting by Conference Call:** **Dial 1-669-900-6833 or 1-253-215-8782**
(Webinar ID: 856 0383 6977)
- Attend Meeting In-Person:** **Board of Supervisors Chambers**
(701 Ocean Street, Room 525, Santa Cruz CA 95060)

HYBRID MEETING PROCESS

Santa Cruz LAFCO has established a hybrid meeting process in accordance with Assembly Bill 2449:

- a) Commission Quorum: State law indicates that a quorum must consist of Commissioners in person pursuant to AB 2449.
- b) Public Comments: For those wishing to make public comments remotely, identified individuals will be given up to three (3) minutes to speak. Staff will inform the individual when one minute is left and when their time is up. For those attending the meeting remotely, please click on the "Raise Hand" button under the "Reactions Tab" to raise your hand. For those joining via conference call, pressing *9 will raise your hand. The three (3) minute limit also applies to virtual public comments.
- c) Accommodations for Persons with Disabilities: Santa Cruz LAFCO does not discriminate on the basis of disability, and no person shall, by reason of a disability, be denied the benefits of its services, programs, or activities. If you are a person with a disability and wish to attend the meeting, but require special assistance in order to participate, please contact the staff at (831) 454-2055 at least 24 hours in advance of the meeting to make the appropriate arrangements. Persons with disabilities may also request a copy of the agenda in an alternative format.

1. ROLL CALL

2. EXECUTIVE OFFICER'S MESSAGE

The Executive Officer may make brief announcements in the form of a written report or verbal update, and may not require Commission action.

a. Hybrid Meeting Process

The Commission will receive an update on the hybrid meeting process.

Recommended Action: No action required; Informational item only.

b. CALAFCO Conference Update

The Commission will receive an update on the recent annual conference.

Recommended Action: No action required; Informational item only.

c. Upcoming Seat Vacancies (City and District Representation on LAFCO)

The Commission will receive an update on seat vacancies occurring in 2025.

Recommended Action: No action required; Informational item only.

3. ADOPTION OF MINUTES

The Commission will consider approving the minutes from the October 2, 2024 Regular LAFCO Meeting.

Recommended Action: Approve the minutes as presented with any desired changes.

4. ORAL COMMUNICATIONS

This is an opportunity for members of the public to address the Commission on items not on the agenda, provided that the subject matter is within the jurisdiction of the Commission and that no action may be taken on an off-agenda item(s) unless authorized by law.

5. SPECIAL PRESENTATION

This is an opportunity for the Commission to receive special presentations from local, regional, or state agencies / representatives regarding LAFCO-related matters. These presentations may or may not require Commission action.

a. Resolution of Appreciation for Commissioner Zach Friend's Distinguished Public Service and Leadership

The Commission will consider adopting a resolution of appreciation to Zach Friend for 11 years of service on LAFCO.

Recommended Action: Adopt the draft resolution (No. 2024-17) for outgoing Commissioner Zach Friend.

6. PUBLIC HEARINGS

Public hearing items require expanded public notification per provisions in State law, directives of the Commission, or are those voluntarily placed by the Executive Officer to facilitate broader discussion.

None

7. OTHER BUSINESS

Other business items involve administrative, budgetary, legislative, or personnel matters and may or may not be subject to public hearings.

a. Big Basin Water Company – Status Update

The Commission will receive an update on the status of the Big Basin Water Company, including a forensic audit completed by a non-profit organization.

Recommended Action: Receive and file the forensic audit developed by Moonshot Missions as part of the collaboration between the court receiver and LAFCO.

b. Multi-Year Work Program Update

The Commission will consider the adoption of a new multi-year work program to accomplish the next round of service reviews and sphere updates.

Recommended Action: Adopt the proposed multi-year work program (2025-2029).

c. LAFCO Meeting Schedule (2025 Calendar Year)

The Commission will consider the adoption of next year's meeting schedule.

Recommended Action: Adopt the meeting schedule for the 2025 calendar year.

d. Comprehensive Quarterly Report – First Quarter (FY 2024-25)

The Commission will receive an update on active proposals, scheduled service reviews, budgetary performance, and other LAFCO activities.

Recommended Action: No action required; Informational item only.

8. WRITTEN CORRESPONDENCE

LAFCO staff receive written correspondence and other materials on occasion that may or may not be related to a specific agenda item. Any correspondence presented to the Commission will also be made available to the general public. Any written correspondence distributed to the Commission less than 72 hours prior to the meeting will be made available for inspection at the hearing and posted on LAFCO's website.

a. October Correspondence

The Commission will review emails received by a county resident and from representatives from CALAFCO's Southern Region.

Recommended Action: No action required; Informational item only.

9. PRESS ARTICLES

LAFCO staff monitors newspapers, publications, and other media outlets for any news affecting local cities, districts, and communities in Santa Cruz County. Articles are presented to the Commission on a periodic basis.

a. Press Articles during the Months of September and October

The Commission will receive an update on recent LAFCO-related news occurring around the county and throughout California.

Recommended Action: No action required; Informational item only.

10. COMMISSIONERS' BUSINESS

This is an opportunity for Commissioners to comment briefly on issues not listed on the agenda, provided that the subject matter is within the jurisdiction of the Commission. No discussion or action may occur or be taken, except to place the item on a future agenda if approved by Commission majority. The public may address the Commission on these informational matters.

11. ADJOURNMENT

LAFCO's next regular meeting is scheduled for Wednesday, January 8, 2025 at 9:00 a.m. ***(meeting will be held at the Watsonville City Council Chambers)***

ADDITIONAL NOTICES:

Campaign Contributions

State law (Government Code Section 84308) requires that a LAFCO Commissioner disqualify themselves from voting on an application involving an "entitlement for use" (such as an annexation or sphere amendment) if, within the last twelve months, the Commissioner has received \$250 or more in campaign contributions from an applicant, any financially interested person who actively supports or opposes an application, or an agency (such as an attorney, engineer, or planning consultant) representing an applicant or interested participant. The law also requires any applicant or other participant in a LAFCO proceeding to disclose the amount and name of the recipient Commissioner on the official record of the proceeding. The Commission prefers that the disclosure be made on a standard form that is filed with LAFCO staff at least 24 hours before the LAFCO hearing begins. If this is not possible, a written or oral disclosure can be made at the beginning of the hearing. The law also prohibits an applicant or other participant from making a contribution of \$250 or more to a LAFCO Commissioner while a proceeding is pending or for 3 months afterward. Disclosure forms and further information can be obtained from the LAFCO office at Room #318-D, 701 Ocean Street, Santa Cruz, CA 95060 (phone 831-454-2055).

Contributions and Expenditures Supporting and Opposing Proposals

Pursuant to Government Code Sections §56100.1, §56300(b), §56700.1, §59009, and §81000 et seq., and Santa Cruz LAFCO's Policies and Procedures for the Disclosures of Contributions and Expenditures in Support of and Opposition to proposals, any person or combination of persons who directly or indirectly contributes a total of \$1,000 or more or expends a total of \$1,000 or more in support of or opposition to a LAFCO Proposal must comply with the disclosure requirements of the Political Reform Act (Section 84250). These requirements contain provisions for making disclosures of contributions and expenditures at specified intervals. Additional information may be obtained at the Santa Cruz County Elections Department, 701 Ocean Street, Room 210, Santa Cruz, CA 95060 (phone 831-454-2060). More information on the scope of the required disclosures is available at the web site of the Fair Political Practices Commission: www.fppc.ca.gov. Questions regarding FPPC material, including FPPC forms, should be directed to the FPPC's advice line at 1-866-ASK-FPPC (1-866-275-3772).

Accommodating People with Disabilities

The Local Agency Formation Commission of Santa Cruz County does not discriminate on the basis of disability, and no person shall, by reason of a disability, be denied the benefits of its services, programs or activities. The Commission meetings are held in an accessible facility. If you wish to attend this meeting and will require special assistance in order to participate, please contact the LAFCO office at 831-454-2055 at least 24 hours in advance of the meeting to make arrangements. For TDD service, the California State Relay Service 1-800-735-2929 will provide a link between the caller and the LAFCO staff.

Late Agenda Materials

Pursuant to Government Code Section 54957.5 public records that relate to open session agenda items that are distributed to a majority of the Commission less than seventy-two (72) hours prior to the meeting will be available to the public at Santa Cruz LAFCO offices at 701 Ocean Street, #318-D, Santa Cruz, CA 95060 during regular business hours. These records, when possible, will also be made available on the LAFCO website at www.santacruzlafco.org. To review written materials submitted after the agenda packet is published, contact staff at the LAFCO office or in the meeting room before or after the meeting.



LOCAL AGENCY FORMATION COMMISSION OF SANTA CRUZ COUNTY

DRAFT MINUTES

LAFCO REGULAR MEETING AGENDA

Wednesday, October 2, 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 (*arrived at 9:04 a.m.*)
- Commissioner Rachél Lather (*arrived at 9:15 a.m.*)
- Commissioner Eduardo Montesino
- Commissioner Allan Timms
- Alternate Commissioner Ed Banks
- Alternate Commissioner John Hunt (*Chair*)

Alternate Commissioner Ed Banks was a voting member until the arrival of Commissioner Rachél Lather (District Member).

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 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.

Mr. Serrano also updated the Commission on the new judge assigned to the Big Basin Water Company (BBWC) case, announced the completion of the BBWC forensic audit by the nonprofit Moonshot Missions, and noted that a status update regarding BBWC is scheduled for the November regular meeting.

Chair John Hunt 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 comment on the item. **Chair John Hunt** closed public comments.

Chair John Hunt called for a motion. **Commissioner Allan Timms** motioned for approval of the September 4th 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: Allan Timms

SECOND: Jim Anderson

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

AGAINST: None

ABSTAIN: None

MOTION PASSES: 7-0

4. ORAL COMMUNICATIONS

Chair John Hunt requested public comments on any non-agenda items. **Executive Officer Joe Serrano** indicated that there was one request to address the Commission on the item.

Virginia Chang Kiraly, San Mateo LAFCO Commissioner, discussed her candidacy for the special district representation of the Coastal Region on the CALAFCO board of directors at the upcoming annual conference in October. **Executive Officer Joe Serrano** added that there will be two vacancies on the CALAFCO board involving the Coastal Region.

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

5. SPECIAL PRESENTATION

5a. County Parks – “Life After Dissolution”

Chair John Hunt requested staff to provide a post-dissolution update on the Opal Cliffs Recreation District (OCRD).

Executive Officer Joe Serrano introduced **Jeff Gaffney**, Director of County Parks, and explained that the purpose of the presentation was to provide the Commission with an

update of the District since its dissolution in April 2022. Mr. Gaffney provided background information on the jurisdiction prior to dissolution and explained how the County Parks Department came to gradually provide services to the struggling entity. Eventually, the OCRD board determined that they were no longer capable of providing the services needed by the residents and the County stepped in to provide the area with the requested recreational and park services, while also working to address longstanding neighborhood safety concerns. In August 2021, the board submitted an application to LAFCO for dissolution and in February 2022, the Opal Cliffs area was added into the Santa Cruz County Parks system. Since the dissolution, the public park has experienced storm damage, the permitting process has been consolidated with the Coastal Commission, repairs have been made to damaged infrastructure, efforts to make the open space more inclusive have been successful, and county staff have been able to oversee the maintenance and ADA compliance of the park. The County is currently working with FEMA for reimbursements and expects future improvements to be made to the park. Finally, Mr. Gaffney mentioned that among the lessons learned, there should be a clear timeline and understanding of the proposed outcomes of the project, as well as ensuring outreach is more effective and efficient with the wider community.

Chair John Hunt requested public comments on the item. **Executive Officer Joe Serrano** indicated that there was no request to address the Commission on the item.

Chair John Hunt closed public comments and opened the floor for Commission discussion. **Commissioner Jim Anderson** shared about past experiences attending board meetings for the Opal Cliffs Recreation District and highlighted the role of LAFCO in the dissolution process.

Commissioner Roger Anderson asked a question about the ADA access to the county park. **Director Jeff Gaffney** explained that through a partnership with a local nonprofit, ADA park access has improved, but the County Parks Department continues to work to find ways to make the park more accessible for individuals with limited mobility.

Commissioner Manu Koenig inquired about the timeline to apply for funding to address infrastructure repair needs to improve public access. **Director Jeff Gaffney** explained that no funding sources have currently been identified, but the department is targeting and preparing for when funding becomes available. Mr. Koenig had a follow-up question about communicating with property owners about other stairways. Mr. Gaffney responded that as part of the coastal encouragement program, the County is working towards holistic solutions to the different issues regarding access points to the park.

Chair John Hunt asked about the original justification for restricting access to the park. **Director Jeff Gaffney** mentioned that it had to do with safety concerns, including injuries, late night beach parties, and trespassing. Mr. Hunt asked about current safety concerns. Mr. Gaffney mentioned that Opal Cliffs has not experienced significant issues since they removed the gates.

Executive Officer Joe Serrano thanked Director Jeff Gaffney for his work and the work of his department. **Chair John Hunt** closed the special presentation and moved on to the next agenda item.

6. PUBLIC HEARINGS

Chair John Hunt noted that there was one public hearing item for Commission consideration today.

6a. "Midpeninsula Regional Open Space District Service & Sphere Review"

Chair John Hunt requested staff to provide a presentation on the draft service and sphere of influence review for the Midpeninsula Regional Open Space District.

Executive Officer Joe Serrano informed the Commission that the last service and sphere of influence review conducted for the District occurred in 2019. The District encompasses three counties and Santa Clara LAFCO is considered the principal LAFCO based on the assessed value per county. The District provides its services to all guests, has experienced annual deficits in the last five years but is financially sound, and it operates a transparent and robust website. Staff recommend reaffirming the sphere with the condition that a stakeholder group be formed to discuss potential annexation of the parcels located within Santa Cruz County.

Chair John Hunt requested public comments on the item. **Executive Officer Joe Serrano** indicated that there was one request to address the Commission on the item.

Becky Steinbruner, a member of the public, encouraged the District to annex the parcels located in Santa Cruz County and noted their support for an upcoming measure.

Commissioner Manu Koenig asked for clarification regarding the District's funding sources. **Executive Officer Joe Serrano** stated that the District receives property taxes as well as funding from a parcel tax. **Director Jeff Gaffney** commented on the disparity in funding that exists between the three counties. Mr. Koenig noted Measure Q would provide a comparable revenue source.

Commissioner Allan Timms inquired about expenses and deficits incurred by the District. **Executive Officer Joe Serrano** indicated that the deficit was a result of scheduled capital improvement projects that took place during each fiscal year.

Chair John Hunt called for a motion. **Commissioner Roger 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 based on the staff recommendation: (1) Find, pursuant to Section 15061(b)(3) of the State CEQA Guidelines, that LAFCO determined that the service and sphere of influence review is not subject to the environmental impact evaluation process because it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment and the activity is not subject to CEQA; (2) Determine, pursuant to Government Code Section 56425, that LAFCO is required to develop and determine a sphere of influence for the District, and review and update, as necessary; (3) Determine, pursuant to Government Code Section 56430, that LAFCO is required to conduct a service review before, or in conjunction with an action to establish or update a sphere of influence; and 4) Adopt LAFCO Resolution (No. 2024-16) approving the 2024 Service and Sphere of Influence

Review for the Midpeninsula Regional Open Space District with the following conditions: a. Reaffirm the District's current sphere of influence within Santa Cruz County with the condition that a stakeholder group be formed with representatives from the District and the LAFCOs of Santa Clara and Santa Cruz to evaluate the proposed annexation of District-owned parcels within Santa Cruz County; and b. Direct the Executive Officer to distribute a copy of the adopted service and sphere review to Santa Clara LAFCO as the principal LAFCO and other interested or affected parties, including but not limited to the Land Trust of Santa Cruz County, and the Santa Clara/San Mateo LAFCOs.

MOTION: Roger 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. OTHER BUSINESS

7a. CSA 48 Reorganization Effort

Chair John Hunt requested staff to provide an update on the proposed reorganization involving County Service Area 48 (County Fire).

Executive Officer Joe Serrano informed the Commission that since the last LAFCO meeting, the Board of Supervisors reviewed the fire master plan and moved forward with a recommendation to work with LAFCO and CalFire to analyze the concept of an independent fire district and development of a transition plan/feasibility study. LAFCO will continue to coordinate with the County and CalFire, and a final version of the plan is tentatively scheduled to be presented in April 2025.

Chair John Hunt requested public comments on the item. **Executive Officer Joe Serrano** noted two requests to address the Commission on the item.

Virginia Chang Kiraly, San Mateo LAFCO Commissioner, expressed appreciation for the work done by the County during the 2020 CZU fires and was in support of the reorganization efforts led by LAFCO and the County.

Becky Steinbruner, a member of the public, discussed her disappointment in the disbanding of the fire department advisory commission (FDAC) and asked for an after-action review of the CZU fire. Ms. Steinbruner also discussed the use of Proposition 172 sales tax funds, asked about the inventory of apparatus owned and their replacement schedules, and noted the benefits of improved governance.

Chair John Hunt closed public comments and requested comments or clarifying questions from the Commission. **Commissioner Manu Koenig** inquired about the role of the new advisory group in the transition. **Executive Officer Joe Serrano** mentioned that the reorganization is a collaborative effort, and LAFCO expects to work with the new

advisory group. **Michael Beaton**, Director of General Services for the County of Santa Cruz, mentioned that the new group will be multifaceted and presented to the Board of Supervisors for approval. The objectives and goals for the group are still being developed. As part of the Board direction, the group will analyze potential annexations and consider potential actions for smaller districts. Mr. Koenig had a follow-up question on the Amador contract with CalFire. Mr. Serrano noted that this question is one being considered as part of the analysis. **Jed Wilson**, CalFire Chief, added that schedule and staffing changes are expected to occur to reduce work shifts hours in a tiered approach, affecting the Amador plan. The purpose of the changes is to provide fire protection services in a more efficient manner, which will require adjusting the base and peak periods.

Commissioner Roger Anderson had a question regarding the next steps. **Executive Officer Joe Serrano** explained that a report should be ready by April 2025 and if the County agrees with its findings, the County will then need to initiate the reorganization process, which can take up a year to complete.

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

Chair John Hunt called for a voice vote on the motion based on the staff recommendation: **Direct staff to continue coordinating with the County of Santa Cruz and CalFire to develop a reorganization plan for CSA 48.**

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

MOTION PASSES: 7-0

7b. City of Watsonville Notice of Preparation – LAFCO Comment Letter

Chair John Hunt requested staff to provide a presentation regarding submitting a letter to the City of Watsonville to address their upcoming 2050 General Plan Environmental Impact Report.

Executive Officer Joe Serrano informed the Commission that the City of Watsonville is working on an update to their general plan and distributed a notice of preparation to local agencies requesting comments or feedback. LAFCO staff drafted a comment letter and requested the City to include their existing extraterritorial service agreements and reminded them of LAFCO's role in any potential annexation of areas outside the city limits. Staff is recommending to approve and submit the letter to the City prior to its October deadline.

Chair John Hunt requested public comments on the item. **Executive Officer Joe Serrano** noted a request to address the Commission on the item.

Becky Steinbruner, a member of the public, discussed the importance of the LAFCO process in any future annexation and spoke on discouraging development near the municipal airport.

Chair John Hunt closed public comments and opened the floor for Commission discussion. **Commissioner Justin Cummings** 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 recommendation: **Direct staff to submit a comment letter to the City of Watsonville prior to their October 14, 2024.**

MOTION: Justin Cummings

SECOND: Allan Timms

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

AGAINST: None

ABSTAIN: None

MOTION PASSES: 7-0

8. WRITTEN CORRESPONDENCE

Chair John Hunt inquired whether there was any written correspondence submitted to LAFCO. **Executive Officer Joe Serrano** indicated that no written correspondence had been submitted.

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.

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. **Executive Officer Joe Serrano** indicated that there were no requests to share any information but expressed appreciation to the Commissioners that joined the special CALAFCO meeting on Monday, September 30, 2024. **Commissioner Jim Anderson** noted that it was a spirited conversation and provided an update on the meeting. **Commissioner Roger Anderson** added background information regarding the special meeting and shared his thoughts on the proposed changes to the CALAFCO legislative committee.

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

11. ADJOURNMENT

Chair John Hunt adjourned the Regular Commission Meeting at 10:01 a.m. to the next regular LAFCO meeting scheduled for Wednesday, November 6, 2024 at 9:00 a.m.

JOHN HUNT, CHAIRPERSON

Attest:

JOE A. SERRANO, EXECUTIVE OFFICER

DRAFT



Santa Cruz Local Agency Formation Commission

Date: November 6, 2024
To: LAFCO Commissioners
From: Joe Serrano, Executive Officer
Subject: **Resolution of Appreciation for Commissioner Zach Friend**

SUMMARY OF RECOMMENDATION

After 11 years of dedicated service with Santa Cruz LAFCO, Zach Friend will be stepping down as the County Member. The Commission will recognize Mr. Friend's past achievements and stellar career.

It is recommended that the Commission adopt a Resolution of Appreciation for outgoing Commissioner Zach Friend (Resolution No. 2024-17).

EXECUTIVE OFFICER'S REPORT


Commissioner Zach Friend served on LAFCO from January 2013 to November 2024. During his tenure on LAFCO, Commissioner Friend served as both the Vice-Chair (2014) and Chair (2015). The Commission will act on a resolution honoring his distinguished service to LAFCO, Santa Cruz County, and the State of California.

Respectfully Submitted,

A blue ink signature of Joe A. Serrano is written over the text "Respectfully Submitted,". The signature is stylized and appears to be "JS" followed by a flourish.

Joe A. Serrano
Executive Officer

Attachment: Resolution of Appreciation (No. 2024-17)



LOCAL AGENCY FORMATION COMMISSION
OF SANTA CRUZ COUNTY

Resolution 2024-17 in Appreciation of Commissioner

Zach Friend

For Dedicated and Outstanding Service

Whereas, Zach Friend has served with distinction as the County Member for the Local Agency Formation Commission (LAFCO) for 11 years from 2013 to 2024; and

Whereas, Mr. Friend was first elected to the Santa Cruz County Board of Supervisors in June 2012 and was overwhelmingly reelected in 2016 and 2020. He has served as both the Chair and Vice-Chair of the Board of Supervisors during his tenure. Mr. Friend represented the Second District, which includes the coastal communities of Aptos, La Selva Beach, Seacliff and Rio Del Mar, along with some of the most productive agricultural land in the country in the communities of Corralitos, Freedom and the Pajaro River basin. Mr. Friend previously served on almost 20 different boards and commissions during the same time as LAFCO including but not limited to the Santa Cruz County Regional Transportation Commission and the Pajaro Regional Flood Management Agency; and

Whereas, Mr. Friend has worked diligently to advance the interest of LAFCO and its mission of encouraging orderly growth, preserving agricultural lands and improving municipal service provisions throughout Santa Cruz County. He has made significant contributions to the goals of the Commission as a highly respected champion of good government, overseeing over 100 boundary changes and LAFCO actions processed during his tenure; and

Whereas, Mr. Friend has shown leadership at the local level by supporting significant, and sometimes challenging projects, including but not limited to the reorganization between Branciforte and Scotts Valley Fire Protection Districts, the reorganization of Opal Cliffs Recreation District, the consolidation between Central and Aptos/La Selva Fire Protection Districts, and more recently the completion of the award-winning Big Basin Water Company Governance Options Report; and

Whereas, Mr. Friend has taught LAFCO staff and fellow commissioners so much over the years and will always be remembered as a mentor and friend. From a former guitarist for the Santa Cruz band Blueprint to a national ambassador for artificial intelligence policies, his impact on local government will forever be felt in Santa Cruz County. It is no surprise that he has been recognized with the Al Smith Friend of Agriculture Award, the Man of the Year Award by the Aptos Chamber of Commerce, and the California State Association of Counties' Circle of Service Award for his many years of public service.

Now, therefore, be it resolved, the Local Agency Formation Commission of Santa Cruz County does hereby express its gratitude and appreciation to Zach Friend for his dedication and extraordinary contributions to LAFCO, to the CALAFCO organization and its members, to the people of the Santa Cruz County, and to the State of California.

Passed and adopted by the Local Agency Formation Commission of Santa Cruz County this 6th day of November 2024.

Chair, John Hunt	Ed Banks	Eduardo Montesino
Vice Chair, Manu Koenig	Justin Cummings	Allan Timms
Jim Anderson	Fred Keeley	Francisco Estrada LAFCO Analyst
Roger Anderson	Rachél Lather	Joe Serrano Executive Officer



Date: November 6, 2024
To: LAFCO Commissioners
From: Joe Serrano, Executive Officer
Subject: **Big Basin Water Company – Status Update**

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 and representation now and in perpetuity. This report will provide an update on the collaborative efforts to help address the ongoing issues facing the Big Basin Water Company.

It is recommended that the Commission receive and file the forensic audit developed by Moonshot Missions as part of the collaboration between the court receiver and LAFCO.

EXECUTIVE OFFICER'S REPORT

The Big Basin Water Company ("BBWC") was formed in the 1930s to provide water and sewer services to the Big Basin community. At present, BBWC's active water sources consist of two active wells and more recently an emergency intertie with the San Lorenzo Valley Water District. BBWC was also responsible for providing sewer service to a small number of homes (29 connections) through two wastewater discharge leach fields, however, that responsibility was transferred over to the County earlier this year.

While the privately-owned company has been in existence for almost a century, several significant failures and violations have resulted in the 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) in September 2023 and is meant to be a temporary solution to the long-standing issue of proper governance and management of reliable water supply. It has now been a year since the receiver has taken over BBWC's operations. This report is meant to provide an update on the latest operational improvements as well as summarizing the key findings from a needs assessment and alternatives analysis developed by a non-profit organization.

Internal & External Improvements

The court receiver has made some significant improvements during the past year. The company now has an accurate list of connections – in other words, the company finally has a reliable database of how many customers are actually receiving water from BBWC. The court receiver has also made several capital improvements (addressing broken or failing infrastructure needs) by successfully getting support from the residents to approve a rate increase as well as receiving financial aid from the County and State. Additionally, the court receiver has successfully transferred over sewer responsibility to the County. With the full support of the Central Coast Water Board, the court receiver and the County agreed to initiate the consolidation process of BBWC's wastewater treatment plant (WWTP) into the County's existing sewage district (County Service Area No. 7) as intricately described in the Preliminary Engineer's Report prepared by Bowman & Williams (refer to **Attachment 1**).

To ensure adequate funding, the County created a new zone (Zone 2) for the WWTP area. The method of apportionment used to charge each parcel in CSA 7 Zone 2 is the equivalent benefit unit method, as specified and supported in the Engineer's Report. The total annual cost of operating, maintaining, and servicing CSA 7 Zone 2 is divided by the sum of all equivalent benefit units to determine the cost per unit, which is similar to the method used in the formation of CSA 7 Zone 1 charges. Of the 32 parcels included in Zone 2 of CSA 7, 12 contain active connections and 17 are standby. For the 12 parcels containing active connections, the proposed annual sewer charge for fiscal year ("FY") 2024-2025 is \$3,728.81. For the 17 standby parcels, the proposed annual sewer charge for FY 2024-2025 is \$932.20. The remaining 5 parcels in Zone 2 of CSA 7 either contain WWTP infrastructure, are unbuildable, or do not contain existing sewer laterals; these 5 parcels will not be charged. BBWC was previously charging \$1,440 annually per active connected parcel for sewer services. For the 12 parcels containing active connections, the proposed annual rate increase for FY 2024-2025 is \$2,288.81. For the 17 standby parcels, the proposed annual rate increase for FY 2024-2025 is \$932.20. The affected residents approved the rate increase through a mailed-in ballot process in July 2024.

Moonshot Missions Assessment & Analysis Report

Moonshot Missions is a 501(c)(3) nonprofit water and wastewater utility consulting firm, based on the core principle that all people, particularly those in disadvantaged communities, have a right to safe, accessible, and affordable drinking water and clean waterways. Moonshot Missions is a collective of water leaders, professionals, and engineers with more than 250 years of experience with utility management, governance, community engagement, engineering, utility operations and finance. The firm helps communities attain clean water objectives by working collaboratively as trusted peer advisors. Moonshot Missions was engaged in March 2024 by LAFCO to provide technical assistance to the court receiver by 1) assessing BBWC's current technical, managerial and financial condition, and operational challenges, 2) evaluating ownership, governance, and operations alternatives that have the potential to support sustainable operations, and 3) providing information and advice regarding water rights preservation. This technical assistance was provided at no cost to the court receiver or BBWC and its customers through a cooperative agreement with the Environmental Protection Agency (EPA). **Attachment 2** provides a copy of the technical report developed by Moonshot Missions.

Moonshot Missions Report Structure

The report developed by Moonshot Missions presents a detailed technical, managerial, and financial evaluation of BBWC's current system, reviews governance options and analyzes long-term sustainability factors, including funding alternatives. It is intended to support informed decision-making regarding the most appropriate and sustainable path forward for the Big Basin Water Company system. The report has two key parts:

- **Part One** offers recommendations that aim to improve the delivery of safe drinking water to BBWC customers. A total of 46 recommendations were structured to prioritize actions into short-term (20 recommendations), medium-term (15 recommendations) and long-term (11 recommendations) timelines based on their urgency and impact on health, safety, and operational stability.
- **Part Two** of this report evaluates options for BBWC's future. Moonshot Missions evaluated options for BBWC's future by assessing available ownership, governance, and operational alternatives that have realistic potential to support sustainable operations. The considered alternatives involve three categories: (1) Dissolution and Annexation to San Lorenzo Valley Water District, (2) Hybrid – BBWC becomes part of another water entity, and (3) Stand-Alone – BBWC continues to be an independent entity through some means of reformation.

Ranking of Governance Options

In addition to evaluating BBWC's potential future options, Moonshot Missions also ranked the nine different alternatives based on the long-term sustainability of each one, as shown in **Table A** below. The sustainability analysis criteria used in Part Two were chosen because they encompass the critical aspects of delivering sustainable, safe, and affordable water service. The evaluation criteria were:

- **Level of Service** - Technical capacity to ensure competent and safe operations of the system, provide regulatory compliance, operations experience, ability to prepare for and respond to emergencies, and improve customer satisfaction.
- **Cost and Affordability** - Access to capital funding and financing, operational efficiencies, stable and sustainable rates, and customer affordability programs.
- **Ownership and Governance** - Accountability, transparency, retail water system management and oversight experience, and opportunities for community representation on governing bodies.

Table A – Ranking of Alternatives

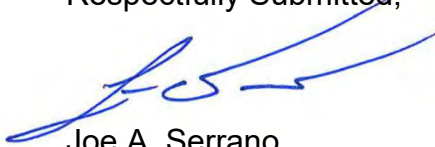
Ranking	Alternative
1	Annexation into San Lorenzo Valley Water District
2	Formation of a County Service Area
3	Annexation into Another Utility, except for Central Water District or PVWMA
4	Annexation into Central Water District
5	Ownership transfer to an Existing Investor-Owned Private Company
6	Formation of a New Special District
7	Annexation into Pajaro Valley Water Management Agency
8	Formation of a New Mutual Water Company
9	Formation of a New Private Company

The Commission may recall that LAFCO developed a governance options report back in March 2024¹, which is consistent with the alternatives identified by Moonshot Missions. However, Moonshot Missions provides a more in-depth analysis of the benefits and constraints associated with each option. LAFCO appreciates their ongoing efforts to share their technical expertise to the court receiver and Big Basin community.

CONCLUSION

The court receiver, Moonshot Missions, local leaders, and LAFCO continue to search for a viable successor to ensure that the Big Basin community receives adequate water service and proper governance now and in the future. While the question remains when the transfer of ownership will occur, it is encouraging to see process being made. LAFCO contributes these recent achievements directly from the collaborative effort from various local, regional, and state leaders. It is under this joint venture that a solution will come to fruition. In the interim, LAFCO will continue to provide the Commission periodic updates as the process unfolds.

Respectfully Submitted,



Joe A. Serrano
Executive Officer

Attachments:

- 1) BBWC's Wastewater Treatment Plant Engineer's Report
- 2) BBWC's Drinking Water System Needs Assessment and Alternatives Analysis

¹ 3/6/24 LAFCO Report: https://santacruzlafco.org/wp-content/uploads/2024/02/6a.0-BBWC-Staff-Report_Hyperlinked.pdf



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PRELIMINARY ENGINEER'S REPORT

FOR THE

COUNTY OF SANTA CRUZ
COUNTY SERVICE AREA NO. 7
(BCWTP & BBWCWTP PROJECT)

Prepared for:

Community Development & Infrastructure County of Santa Cruz
Big Basin Water Company (c/o Receiver)

Prepared by:

Bowman & Williams
Civil Engineers | Land Surveyors

March 5, 2024



COUNTY OF SANTA CRUZ
COUNTY SERVICE AREA NO. 7
(BCWTP & BBWCWTP PROJECT)

PRELIMINARY ENGINEER'S REPORT

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COUNTY OF SANTA CRUZ
COUNTY SERVICE AREA NO. 7

COUNTY DIRECTORY

Board of Supervisors

Manu Koenig
Supervisor District 1

Zach Friend
Supervisor District 2

Justin Cummings
Supervisor District 3

Felipe Hernandez
Supervisor District 4

Bruce McPherson
Supervisor District 5

County Staff

Matt Machado, PE
Deputy County Administrative Officer
and Director of CDI

Beatriz Barranco, PE
Senior Civil Engineer - Sanitation

Michael De Smidt
Assistant County Counsel

Big Basin Water Company, Inc

Nicolas L. Jaber, Esq.
for Serviam BY Wright LLP
Court Receiver, BBWCWTP

COUNTY OF SANTA CRUZ
COUNTY SERVICE AREA NO. 7

INTRODUCTION

Background Information

On May 21, 1968, the Board of Supervisors (the Board) passed and adopted Resolution number 345-68 to establish Boulder Creek County Service Area No. 7 (CSA 7) to provide operation and maintenance of the Boulder Creek Wastewater Treatment Plant (BCWTP), pursuant to Government Codes 25210. This CSA 7 charges each connected parcel, within the CSA boundary, a fee for sewer service, as an incident of property ownership. BCWTP treats the domestic wastewater from the Boulder Creek Country Club and housing suburbs with an average daily flow of 30,144 gallons per day. These facilities are operated and maintained by the County of Santa Cruz Public Works' Sanitation Division, administered through CSA 7, pursuant to CA Government Code § 61100(b) and the Sanitary District Act of 1923, Division 6. Revenues to operate the treatment facility and associated sewer collection system are collected via annual charges levied on all parcels whose properties are connected to the system.

At the request of the State Water Board and the Big Basin Water Company Wastewater Treatment Plant (BBWCWTP) receivership, the Fallen Leaf neighborhood, which is located within CSA 7 but not currently included in the charge report, needs to have their sanitation service charges incorporated into the CSA 7 annual fee report. These parcels are served by the Big Basin Water Company wastewater plant which was severely damaged by the CZU fire in 2020 and was inoperable until August 17, 2023. In November 2023, the Superior Court of the State of California for the County of Santa Cruz appointed Silver & Wright LLP as the Court's Receiver for the BBWCWTP. The California Regional Water Quality Control Board, Central Coast Region (State) and Silver & Wright have worked closely with County of Santa Cruz to develop a plan for the County to take over maintenance and operation of the BBWCWTP wastewater plant. The Fallen Leaf neighborhood's charges would fund the remaining repairs and annual maintenance of BBWCWTP which was damaged in the CZU fire. The neighborhood is comprised of 32 parcels, as identified on the Assessor's Parcel book 83 page 29. Since these parcels connect to BBWCWTP not BCWTP, they are a distinct zone, within CSA 7, and the Board can form separate zones pursuant to CA Govt Code § 25217-25217.4 (2023). Thus, Zone 1 will include all the CSA 7 parcels on the current charge report, served by BCWTP. Zone 2 will include all 32 Fallen Leaf neighborhood parcels, plus an additional CalFire parcel currently receiving extended services outside the CSA 7 jurisdictional boundary, per CA Government Code §25217.2. Once established, Zone 2 parcels will be added to the CSA 7 annual charge report.

As required by the Constitution Article XIII D, Section 6, this Engineer's Report describes the improvements, operation, and maintenance to be financed through CSA 7 revenue. The report provides an updated budget and the increase attributable to each parcel to cover the increased costs of maintaining and operating BCWTP, which serves the existing CSA 7 parcels, now identified as Zone 1. Secondly, the report provides an estimated budget for the improvement, operation, and maintenance of BBWCWTP in Zone 2, and lists the proposed charges for each parcel within the new zone where sewer service by BBWCWTP is immediately available.

COUNTY OF SANTA CRUZ
COUNTY SERVICE AREA NO. 7

METHOD OF APPORTIONMENT

This report has two components.

Part (1): standard engineer's analysis for a 10% increase to the existing charges levied on CSA 7 parcels.

These parcels will be designated Zone 1 parcels and the increased revenue will continue to fund the operation and maintenance of BCWTP.

Part (2) is the creation of Zone 2, within CSA 7, which includes all 32 parcels that are served by Big Basin Water Company Wastewater Treatment Plant (BBWCWTP). Zone 2 will address the wastewater needs of the residents of the Fallen Leaf neighborhood. This neighborhood is being rebuilt after the CZU fire and needs to reestablish sewer service to BBWCWTP, which was also substantially damaged in the CZU fire. As a result, the Board plans to adopt a Resolution of Intention to begin the process of forming two zones within the County Service Area (CSA) and to collect charges from the Zone 2 parcels to support the operation of BBWCWTP. Zone 2 fees are charged for each parcel where sewer service is immediately available. For parcels that might have a future connection or use, a standby charge is applied. The standby charge must be an benefit assessment and the separate benefit assessment is described within.

A. Fee Analysis

Zone 1

Under section 25215 of the Government Code, whenever the Board of Supervisors determines that the amount of revenue available to a county service area or any of its zones is inadequate to meet the costs of operating and maintaining the services and facilities that the county service area provides, the Board may raise revenues, consistent with the requirements of Article XIII D of the California Constitution. Zone 1 revenue is being increased to meet the operation and maintenance needs for the existing BCWTP.

Zone 2 Standby Charge and Use Fee

Zone 2 revenue is being established pursuant to Government Code 25215.7, which allows the Board to approve collection of a reasonable fee or charge from any person or parcel benefiting from the County's installation and/or operation of a sewer facility, such as the Big Basin Water Company facility. Article XIII D Section 6 of the Constitution defines the procedures for new or increased charges for services administered under CSA management. The Government Code, section 25215.6 allows for standby sewer

charges pursuant to the Uniform Standby Charge Procedures Act (Chapter 12.4 (commencing with Section 54984) of Part 1 of Division 2 of Title 5). However, standby fees charged for service that is not immediately available must be analyzed as an assessment rather than a charge. This is of particular relevance to Zone 2, where half the parcels are in a state of temporary vacancy while the owners rebuild after the destruction from the CZU fire.

Standby Charges under 25215.6: "(a) The board may charge standby charges for water, sewer, or water and sewer services. . . If new, increased, or extended assessments are proposed, the board shall comply with the notice, protest, and hearing procedures in Section 53753."

Implementing Use Fees under 25215.7: "Whenever a person installs . . . facilities for sewer or water service, and the board determines that it is necessary that those facilities be constructed so that they can be used for the benefit of property within a county service area other than the property of the person installing the facilities, and the facilities are dedicated to the public or become the property of the county or the county service area, the board may by contract agree to reimburse that person [including a county] for the cost of the installation of those facilities. This contract may provide that the board may collect a reasonable fee or charge from any person using those facilities for the benefit of property not owned by the person who installed the facilities."

The cost of the ongoing operation and maintenance needs for CSA 7 has been identified in the following analysis. This cost is allocated proportionally to properties within CSA 7, based exclusively on use and connection to the respective sewer facility, per parcel. The method of apportionment for the proportionate allocation of charges herein is the same methodology used in determining the existing charges, for Zone 1 parcels served by BCWTP. The same methodology used for Zone 1 has been applied to the newly formed Zone 2, parcels served by BBWCWTP. The methodology uses equivalent benefit analysis to distribute the charge based on use relative to that of a single-family residence. For example, commercial or public properties have a higher use than single family residence properties. Their charge is thus higher relative to the single-family residence parcels.

Under this Engineer's Report, no charge is imposed on any parcel which exceeds the reasonable cost conferred on that parcel due to its proportional share of the improvement, operation, and maintenance facility cost (see appendix for charge report for Zone 1 and Zone 2).

B. Charge Reports

Zone 1: There are 343 parcels in CSA 7 Zone 1. 39 have their own septic system and thus are exempt from the charge report. 96 parcels have single family residences (SFR), and 88 of those pay fees currently. 8 single family homes and their connections were destroyed in the CZU fire and do not currently pay a fee. 163 parcels contain multifamily residences or condominiums or apartments. 3 parcels have commercial buildings. A summary of fiscal year 2019-2020 charges is included below to demonstrate the existing method of apportionment of fees:

Unit Type	No. of Units	Sewer Service Charge FY 2019/2020
Golf Course Pool	1	\$1,479.15 plus \$6.76 per HCF
Golf Course, Club House	1	\$1,479.15 plus \$6.76 per HCF
Condos	163	\$1,932.81
Golf Course Tennis Court	1	\$1,479.15 plus \$6.76 per HCF
Single Family	98	\$2,143.82

HCF = hundreds cubic feet

From the charges noted above, historically, condos pay 90% of what a single-family residence (SFR) pays. Commercial properties pay a lump sum that is 69% of the SFR, plus a use-based charge to account for the higher discharge rates seen at commercial properties. In this Engineer's Report, all rates are to receive a uniform 10% increase in their fee, but the method of apportionment is not changing. See the appendix for the 2024-2025 fiscal year charge report and a three-year prediction of rate increases, based on Consumer Price Index (CPI) rates.

Zone 2: The method of apportionment used to charge each parcel in CSA 7 Zone 2 is the equivalent benefit unit (EBU) method. The equivalent benefit unit method is a commonly used approach for levying charges or assessment fees on parcels within a CSA. Under this method, each parcel is assigned an equivalent benefit unit based on sewer discharge relative to that of a parcel that contains a single-family residence (SFR). The total annual cost of operating, maintaining, and servicing the CSA is divided by the sum of all equivalent benefit units to determine the cost per unit. This is similar to the method used in the formation of CSA 7 Zone 1 charges.

There are 32 parcels in CSA 7 Zone 2; the CalFire parcel will be annexed into CSA 7 in the immediate future, resulting in 33 parcels. Two parcels are publicly owned and contain sewer facility infrastructure, and one other parcel is unbuildable. These three parcels are thus exempt from the analysis. There are 29 remaining residential parcels. Two do not have existing sewer laterals. BBWCWTP provided sewage treatment and disposal services to the remaining 27 parcels, prior to the CZU fire, and therefore these 27 parcels are subject to the new Zone 2 connection charges or standby charges.

Unit Type	No. of Units	Proposed Sewer Service Charge FY 2024-2025
Single Family Residence	12	\$3,728.81
Vacant parcels	17	\$932.20
CalFire Fire Station	1	\$0
BBWCWTP Facility	1	\$0
BCWTP Effluent Pump Station	1	\$0

HCF = hundreds cubic feet

In Zone 2, out of the 27 residential parcels, there are 15 parcels that had active sewer connections to BBWCWTP but do not currently utilize those connections due to property damage from the CZU fire. These parcels are assessed a standby charge equivalent to a quarter of that charged for a single family residence. Two parcels have possible future connections to the BBWCWTP facility, although they did not have existing connections prior to the fire. These two parcels are also assessed a standby charge. Lastly, there are two parcels in construction. These permitted but not completed structures are charged a standby charge. Because the sewer connection is not immediately available, this standby charge is considered an assessment under the Constitution XII Section 4 (see below for the separate assessment analysis for these 17 parcels).

There are 12 parcels in the Fallen Leaf neighborhood that have temporary housing or new permanent residences. These parcels are charged the full 1.0 single-family residence fee. The parcel equivalents, based on parcel status, is tabulated below with their respective charges or assessments:

Zone 2 Equivalent Benefit Units FY 24-25		
TYPE	EBU	Fee
Single Family Residence (charge)	1	\$ 3,728.81
Fire Station (charge)	2	\$ 7,457.63
Stand by (assessment)	0.25	\$ 932.20
Unbuildable (exempt)	0	\$ 0

The charge attributable to each parcel assumes all previously built out parcels will eventually rebuild and use the immediately available sewer discharge service. This is the optimal future status for Zone 2. Parcels with single family residences and temporary but occupied structures are the base unit for the equivalent benefit unit methodology. Permitted but in construction parcels and standby parcels are those that could connect in the future or have existing laterals but no current use. These have a benefit unit of 0.25 of a single family. The quarter equivalency acknowledges the vacant status of the parcel but generates revenue to operate and maintain the facility that will serve these parcels should they rebuild in the near future.

Zone 2 Assessment Analysis:

There is no general benefit to the public at large by having the BCWCWTP operate and serve the Fallen Leaf neighborhood. Any benefit derived from the potential connection to the wastewater treatment facility is a special benefit, and as such is assessed only on the parcels served by the facility and which receive the special benefit. Thus, the special benefit conferred on these standby parcels is the reasonable and proportionate cost of maintaining capacity in the sewer system for the parcels should they decide to connect in the future.

The CalFire parcel is currently outside the CSA 7 boundary, but there are plans to annex this parcel, under LAFCO procedures, into the District since it is serviced by BBWCWTP. As such, they have been included in the charge report for Zone 2 but will not have their charge collected until such time as the proper LAFCO process for annexation into the CSA has been completed. Given that the CalFire parcel currently connects to and discharges to BBWCWTP and is a public entity similar to a commercial entity such as those in Zone 1, they have been assessed at double the cost of a single-family residence, pending flow data. Upon the County's receipt of at least one year of flow data showing monthly hundred cubic feet (HCF) of use, the CalFire parcel shall be assessed at the lump sum rate of two times a single-family residence, plus a usage rate times HCF, similar to the methodology utilized in Zone 1 for commercial property.

COUNTY OF SANTA CRUZ
COUNTY SERVICE AREA NO. 7

COST ESTIMATE

The Act requires that a special fund be set up for the revenues and expenditures of the CSA. Funds raised by the charges shall be used only for the purposes as stated herein. Zone 1: The total operation and maintenance charge revenue for FY 2024-2025 at BCWTP is \$661,630.00. The proposed FY 25-26 budget includes an estimated 5% CPI increase.

	Item Description – Zone 1	Actual FY 23-24	Proposed Budget FY 24-25	Proposed Budget FY 25-26
	Beginning Fund Balance	\$1,173,537	\$312,980	\$118,431
	Revenue			
	<i>CSA Service Charges</i>	\$598,035	\$661,630	\$694,711 *
	Other Revenue- FEMA, grant	\$289,174	\$405,312	
	Total Revenue	\$2,060,746	\$1,379,922	\$813,142
1	Maintenance and Improvement			
	Maintenance and Operation	\$502,076	\$325,000	\$342,000
	Spill Response		\$800	\$900
	Generator Repair		\$575	\$575
	Pump & Motor Replacement		\$8,000	\$20,000
	Engineering		\$5,000	\$5,000
	Sludge Disposal		\$16,000	\$16,000
	Lab Testing		\$9,000	\$9,500
	Cathodic Prot. Charge		\$1,600	\$1,650
	EQ tank replacement		\$811,000	\$220,000
	Subtotal	\$502,076	\$1,176,975	\$ 615,625
2	Admin/Contract Management			
	Interest	\$23,592		
	Insurance	\$1,138,836		
	Utilities	\$43,500	\$44,000	\$48,000
	Admin Fees for collecting charge (1%)	\$5,980	\$6,616	\$7,155
	Permits	\$28,882	\$29,000	\$29,000
	Sanitation Admin/CSA/Public Hearings	\$1,000	\$3,000	\$3,000
	Acct & Audit Fees	\$900	\$1,900	\$1,900
	Subtotal	\$1,245,690	\$84,516	\$89,055
	Total Expenditure	\$1,750,766	\$1,261,491	\$ 704,680
	Ending Fund Balance	\$312,980	\$118,431	\$108,462

Zone 2: The total improvements, operation, and maintenance budget for BBWCWTP is **\$110,000** (the tabulated \$84,400 below, times a contingency percentage to allow for items, conditions, or events for which the occurrence and/or effect are uncertain). The proposed charge revenue for FY 2024-2025 in Zone 2 is **\$68,050**. The tables below show the expected revenue and expenditures that inform the proposed Zone 2 budget.

	Item Description – Zone 2	Proposed Budget FY 24-25	Proposed Budget FY 25-26	Proposed Budget FY 26-27	Proposed Budget FY 27-28
	Beginning Fund Balance	\$0	(\$16,351)	(\$27,426)	(\$14,266)
	Revenue				
	<i>CSA Service Charges – 5% CPI increase</i>	\$68,050	\$77,326*	\$87,359***	\$91,727***
	Total Revenue	\$68,050	\$60,975	\$59,933	\$77,461
1	Maintenance and Improvements				
	Improvements (grates, lights, gate)		\$14,200		
	Blower noise cover	\$1,200			
	Flow meter vault	\$1,500			
	Operator shed	\$3000			
	Smart cover	\$4,500			
	Subtotal	\$10,200	\$14,200		
2	operations and Management				
	Cypress Management Services**	\$5,801	\$5,801	\$5,799	
	Operations (\$5,700/month)	\$68,400	\$68,400	\$68,400	\$68,400
	Subtotal	\$74,201	\$74,201	\$74,199	\$68,400
	Total Expenditure	\$84,401	\$88,401	\$74,199	
	Ending Zone 2 Fund Balance	(\$16,351)	(\$27,426)	(\$14,266)	\$9,061

*Assumes two in-construction projects are completed and that the CalFire parcel is charged under CSA 7. Includes an assumed 5% CPI increase.

** Cypress has provided outstanding invoices for services provided to BBWCWTP prior to the Receivership. This line item represents the repayment of those invoices, on a three-year payment plan.

*** Assumes 75% build out and annual (approximate) 5% CPI increase.

ANNUAL CHARGE INCREASES

Each parcel within Zone 1 shall be assessed an increase in their charges, per Government Code Section 53739 and at a rate established annually by the County based on inflation percentages published in the U.S. Department of Labor Consumer Price Index (CPI) for the San Francisco-Oakland-San Jose Area index.

The table below outlines the 3-year future increases for Zone 1, assuming a CPI of 5% annually.

CSA 7 Zone 1	Count	FY 24-25 Rate	Revenue	FY 25-26 Rate	Revenue	FY 26-27 Rate	Revenue	FY 27-28 Rate	Revenue
SFR	88	\$ 2,747.52	\$241,781.47	\$2,884.89	\$253,870.54	\$3,029.14	\$266,564.07	\$3,180.59	\$279,892.27
CONDO	163	\$ 2,477.10	\$403,767.33	\$2,600.96	\$423,955.70	\$2,731.00	\$445,153.49	\$2,867.55	\$467,411.16
COMM	3	\$ 1,895.67	\$5,687.02	\$1,990.46	\$5,971.37	\$2,089.98	\$6,269.94	\$2,194.48	\$6,583.44
COMM / HCF	1201	\$ 8.65 / HCF	\$10,394.01	\$9.09	\$10,913.71	\$9.54	\$11,459.40	\$10.02	12,032.37
TOTAL	254		\$661,629.83		\$694,711.33		\$729,446.89		\$765,919.24

Zone 2 will be allocated an administrative assessment increase per Government Code Section 53739 and at a rate established annually by the County based on inflation percentages published in the U.S. Department of Labor Consumer Price Index (CPI) for the San Francisco-Oakland-San Jose Area index.

The table below outlines the 3-year future increases for Zone 2, assuming a CPI of 5% annually. Future fiscal year revenue is not shown in the table below because the status of the parcels is changing each year. See the charge report in the appendix for estimated revenues.

CSA 7 Zone 2	Count	FY 24-25 Rate	FY 24-25 Revenue	FY 25-26 Rate	FY 26-27 Rate	FY 27-28 Rate
SFR	12	\$ 3,728.81	\$48,474	\$3,915.25	\$4,111.02	\$4,316.57
Standby	17	\$ 932.20	\$13,050	\$978.81	\$1,027.75	\$1,079.14
Fire Station	1	\$7,457.63	\$7,457.63	\$7,830.51	\$8,222.03	\$8,633.14
TOTAL	30		\$68,050.85			

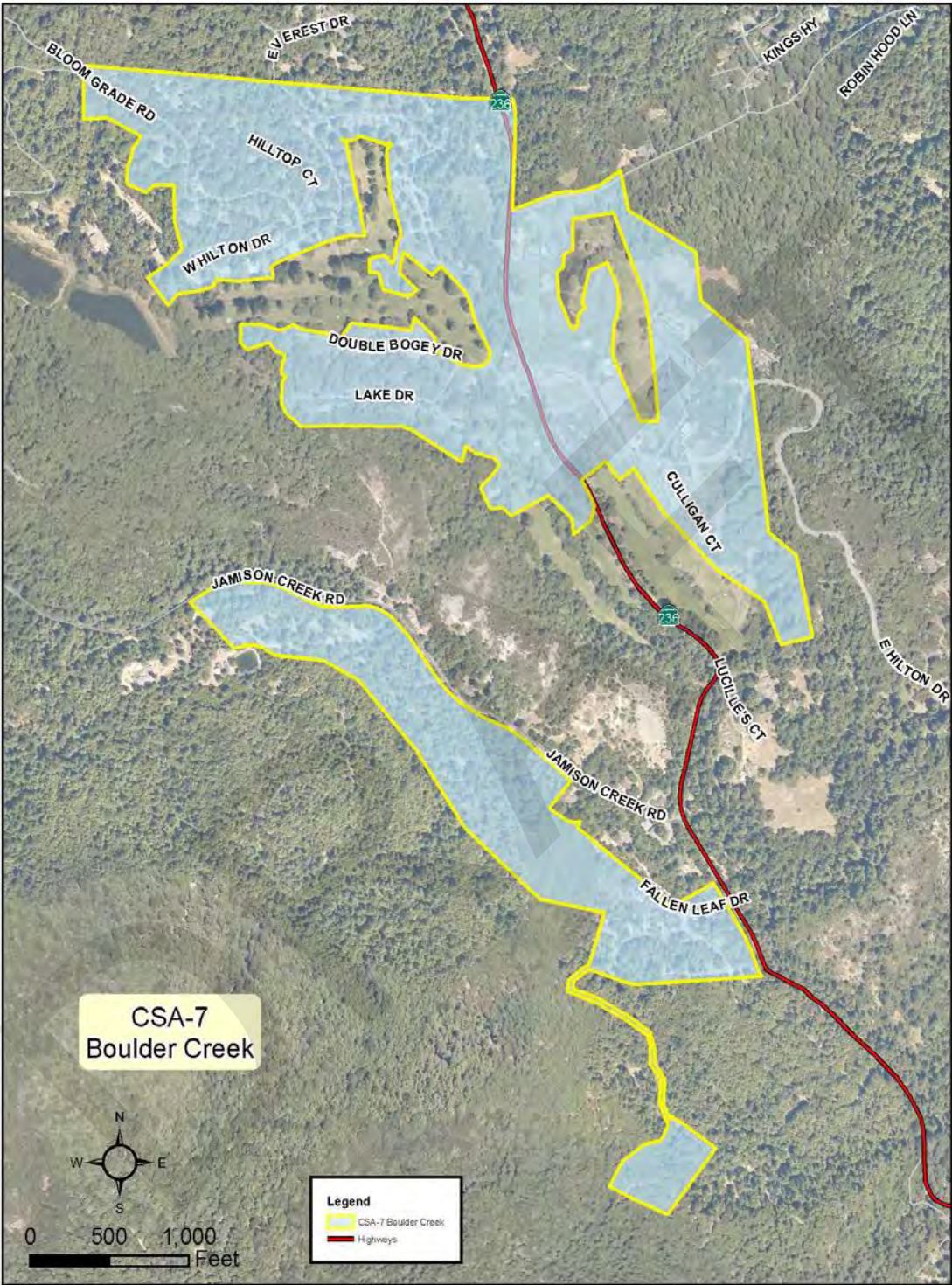
APPENDIX

A - CSA BOUNDARY DIAGRAM

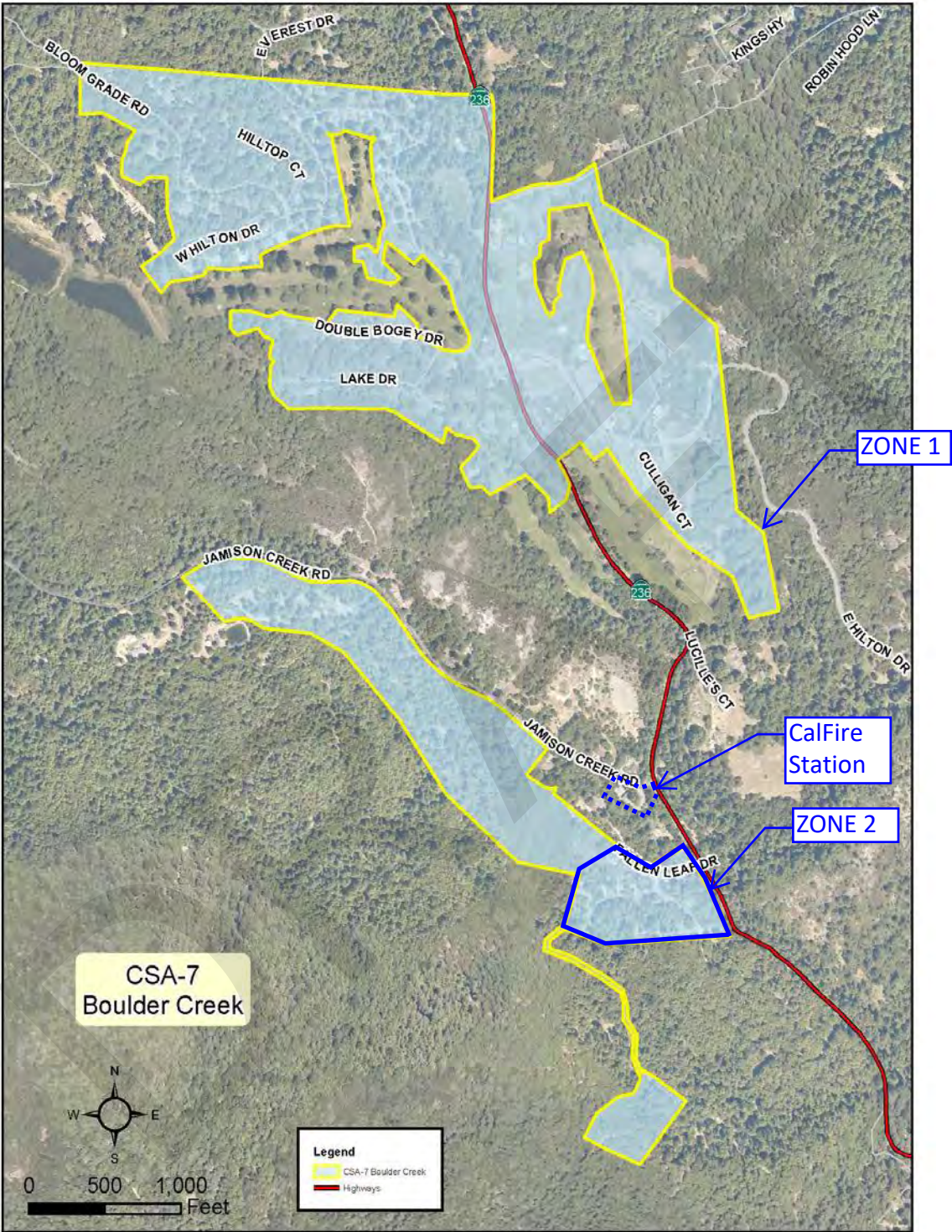
B - CSA ZONE FORMATION MAP

C - CSA CHARGE REPORT ZONE 1

D - CSA CHARGE REPORT ZONE 2



CSA 7 Boulder Creek Map



CSA 7 Zone Formation Map

ZONE 1 CHARGE REPORT

APN	23-24 Charge	24-25 charge									
COM7			3								
086-333-01	\$1,723.34	\$1,895.67									
086-334-01	\$1,723.34	\$1,895.67									
086-491-20	\$1,723.34	\$1,895.67									
COMM7			3								
086-333-01	\$1,742.97	\$1,916.66									
086-334-01	\$7,626.82	\$8,386.83									
086-491-20	\$82.32	\$90.52									
APN	23-24 Charge	24-25 charge	APN	23-24 Charge	24-25 charge	APN	23-24 Charge	24-25 charge	APN	23-24 Charge	24-25 charge
MULT7			163								
086-401-06	\$2,251.91	\$2,477.10	086-501-08	\$2,251.91	\$2,477.10	086-511-23	\$2,251.91	\$2,477.10	086-591-03	\$2,251.91	\$2,477.10
086-401-07	\$2,251.91	\$2,477.10	086-501-09	\$2,251.91	\$2,477.10	086-511-24	\$2,251.91	\$2,477.10	086-591-04	\$2,251.91	\$2,477.10
086-401-08	\$2,251.91	\$2,477.10	086-501-10	\$2,251.91	\$2,477.10	086-511-25	\$2,251.91	\$2,477.10	086-591-05	\$2,251.91	\$2,477.10
086-401-09	\$2,251.91	\$2,477.10	086-501-11	\$2,251.91	\$2,477.10	086-511-26	\$2,251.91	\$2,477.10	086-591-06	\$2,251.91	\$2,477.10
086-401-10	\$2,251.91	\$2,477.10	086-501-12	\$2,251.91	\$2,477.10	086-511-27	\$2,251.91	\$2,477.10	086-591-07	\$2,251.91	\$2,477.10
086-401-11	\$2,251.91	\$2,477.10	086-501-13	\$2,251.91	\$2,477.10	086-511-28	\$2,251.91	\$2,477.10	086-591-08	\$2,251.91	\$2,477.10
086-401-12	\$2,251.91	\$2,477.10	086-501-14	\$2,251.91	\$2,477.10	086-581-01	\$2,251.91	\$2,477.10	086-591-09	\$2,251.91	\$2,477.10
086-401-13	\$2,251.91	\$2,477.10	086-501-15	\$2,251.91	\$2,477.10	086-581-02	\$2,251.91	\$2,477.10	086-591-10	\$2,251.91	\$2,477.10
086-401-14	\$2,251.91	\$2,477.10	086-501-16	\$2,251.91	\$2,477.10	086-581-03	\$2,251.91	\$2,477.10	086-591-11	\$2,251.91	\$2,477.10
086-401-15	\$2,251.91	\$2,477.10	086-501-17	\$2,251.91	\$2,477.10	086-581-04	\$2,251.91	\$2,477.10	086-591-12	\$2,251.91	\$2,477.10
086-401-16	\$2,251.91	\$2,477.10	086-501-18	\$2,251.91	\$2,477.10	086-581-05	\$2,251.91	\$2,477.10	086-591-13	\$2,251.91	\$2,477.10
086-401-17	\$2,251.91	\$2,477.10	086-501-19	\$2,251.91	\$2,477.10	086-581-06	\$2,251.91	\$2,477.10	086-591-14	\$2,251.91	\$2,477.10
086-401-18	\$2,251.91	\$2,477.10	086-501-20	\$2,251.91	\$2,477.10	086-581-07	\$2,251.91	\$2,477.10	086-591-15	\$2,251.91	\$2,477.10
086-401-19	\$2,251.91	\$2,477.10	086-501-21	\$2,251.91	\$2,477.10	086-581-08	\$2,251.91	\$2,477.10	086-591-16	\$2,251.91	\$2,477.10
086-401-20	\$2,251.91	\$2,477.10	086-501-22	\$2,251.91	\$2,477.10	086-581-09	\$2,251.91	\$2,477.10	086-591-17	\$2,251.91	\$2,477.10
086-401-21	\$2,251.91	\$2,477.10	086-501-23	\$2,251.91	\$2,477.10	086-581-10	\$2,251.91	\$2,477.10	086-591-18	\$2,251.91	\$2,477.10
086-401-22	\$2,251.91	\$2,477.10	086-501-24	\$2,251.91	\$2,477.10	086-581-11	\$2,251.91	\$2,477.10	086-591-19	\$2,251.91	\$2,477.10
086-401-23	\$2,251.91	\$2,477.10	086-511-01	\$2,251.91	\$2,477.10	086-581-12	\$2,251.91	\$2,477.10	086-591-20	\$2,251.91	\$2,477.10
086-401-24	\$2,251.91	\$2,477.10	086-511-02	\$2,251.91	\$2,477.10	086-581-13	\$2,251.91	\$2,477.10	086-591-21	\$2,251.91	\$2,477.10
086-401-25	\$2,251.91	\$2,477.10	086-511-03	\$2,251.91	\$2,477.10	086-581-14	\$2,251.91	\$2,477.10	086-591-22	\$2,251.91	\$2,477.10
086-401-26	\$2,251.91	\$2,477.10	086-511-04	\$2,251.91	\$2,477.10	086-581-15	\$2,251.91	\$2,477.10	086-591-23	\$2,251.91	\$2,477.10
086-401-27	\$2,251.91	\$2,477.10	086-511-05	\$2,251.91	\$2,477.10	086-581-16	\$2,251.91	\$2,477.10	086-591-24	\$2,251.91	\$2,477.10
086-401-28	\$2,251.91	\$2,477.10	086-511-06	\$2,251.91	\$2,477.10	086-581-17	\$2,251.91	\$2,477.10	086-591-25	\$2,251.91	\$2,477.10
086-401-29	\$2,251.91	\$2,477.10	086-511-07	\$2,251.91	\$2,477.10	086-581-18	\$2,251.91	\$2,477.10	086-591-26	\$2,251.91	\$2,477.10
086-402-01	\$2,251.91	\$2,477.10	086-511-08	\$2,251.91	\$2,477.10	086-581-19	\$2,251.91	\$2,477.10	086-591-27	\$2,251.91	\$2,477.10
086-402-02	\$2,251.91	\$2,477.10	086-511-09	\$2,251.91	\$2,477.10	086-581-20	\$2,251.91	\$2,477.10	086-601-01	\$2,251.91	\$2,477.10
086-402-03	\$2,251.91	\$2,477.10	086-511-10	\$2,251.91	\$2,477.10	086-581-21	\$2,251.91	\$2,477.10	086-601-02	\$2,251.91	\$2,477.10
086-402-04	\$2,251.91	\$2,477.10	086-511-11	\$2,251.91	\$2,477.10	086-581-22	\$2,251.91	\$2,477.10	086-601-03	\$2,251.91	\$2,477.10
086-402-05	\$2,251.91	\$2,477.10	086-511-12	\$2,251.91	\$2,477.10	086-581-23	\$2,251.91	\$2,477.10	086-601-04	\$2,251.91	\$2,477.10

APN	23-24 Charge	24-25 charge
086-402-06	\$2,251.91	\$2,477.10
086-402-07	\$2,251.91	\$2,477.10
086-402-08	\$2,251.91	\$2,477.10
086-501-01	\$2,251.91	\$2,477.10
086-501-02	\$2,251.91	\$2,477.10
086-501-03	\$2,251.91	\$2,477.10
086-501-04	\$2,251.91	\$2,477.10
086-501-05	\$2,251.91	\$2,477.10
086-501-06	\$2,251.91	\$2,477.10
086-501-07	\$2,251.91	\$2,477.10

APN	23-24 Charge	24-25 charge
086-511-13	\$2,251.91	\$2,477.10
086-511-14	\$2,251.91	\$2,477.10
086-511-15	\$2,251.91	\$2,477.10
086-511-16	\$2,251.91	\$2,477.10
086-511-17	\$2,251.91	\$2,477.10
086-511-18	\$2,251.91	\$2,477.10
086-511-19	\$2,251.91	\$2,477.10
086-511-20	\$2,251.91	\$2,477.10
086-511-21	\$2,251.91	\$2,477.10
086-511-22	\$2,251.91	\$2,477.10

APN	23-24 Charge	24-25 charge
086-581-24	\$2,251.91	\$2,477.10
086-581-25	\$2,251.91	\$2,477.10
086-581-26	\$2,251.91	\$2,477.10
086-581-27	\$2,251.91	\$2,477.10
086-581-28	\$2,251.91	\$2,477.10
086-581-29	\$2,251.91	\$2,477.10
086-581-30	\$2,251.91	\$2,477.10
086-581-31	\$2,251.91	\$2,477.10
086-591-01	\$2,251.91	\$2,477.10
086-591-02	\$2,251.91	\$2,477.10

APN	23-24 Charge	24-25 charge
086-601-05	\$2,251.91	\$2,477.10
086-601-06	\$2,251.91	\$2,477.10
086-601-07	\$2,251.91	\$2,477.10
086-601-08	\$2,251.91	\$2,477.10
086-601-09	\$2,251.91	\$2,477.10
086-601-10	\$2,251.91	\$2,477.10
086-601-11	\$2,251.91	\$2,477.10
086-601-12	\$2,251.91	\$2,477.10
086-601-13	\$2,251.91	\$2,477.10
086-601-16	\$2,251.91	\$2,477.10
086-601-17	\$2,251.91	\$2,477.10
086-601-18	\$2,251.91	\$2,477.10
086-601-19	\$2,251.91	\$2,477.10
086-601-20	\$2,251.91	\$2,477.10
086-601-21	\$2,251.91	\$2,477.10
086-601-22	\$2,251.91	\$2,477.10
086-601-23	\$2,251.91	\$2,477.10

APN	23-24 Charge	24-25 charge	APN	23-24 Charge	24-25 charge	APN	23-24 Charge	24-25 charge	APN	23-24 Charge	24-25 charge
086-311-01	\$2,497.74	\$2,747.52	086-312-11	\$2,497.74	\$2,747.52	086-332-11	\$2,497.74	\$2,747.52	086-411-11	\$2,497.74	\$2,747.52
086-311-02	\$2,497.74	\$2,747.52	086-312-12	\$2,497.74	\$2,747.52	086-332-14	\$2,497.74	\$2,747.52	086-411-13	\$2,497.74	\$2,747.52
086-311-03	\$2,497.74	\$2,747.52	086-312-13	\$2,497.74	\$2,747.52	086-332-15	\$2,497.74	\$2,747.52	086-411-15	\$2,497.74	\$2,747.52
086-311-04	\$2,497.74	\$2,747.52	086-312-14	\$2,497.74	\$2,747.52	086-332-20	\$2,497.74	\$2,747.52	086-411-17	\$2,497.74	\$2,747.52
086-311-07	\$2,497.74	\$2,747.52	086-312-15	\$2,497.74	\$2,747.52	086-341-01	\$0.00	\$0.00	086-411-18	\$2,497.74	\$2,747.52
086-311-13	\$2,497.74	\$2,747.52	086-312-16	\$2,497.74	\$2,747.52	086-341-02	\$2,497.74	\$2,747.52	086-411-21	\$2,497.74	\$2,747.52
086-311-14	\$2,497.74	\$2,747.52	086-312-18	\$2,497.74	\$2,747.52	086-341-03	\$2,497.74	\$2,747.52	086-611-01	\$2,497.74	\$2,747.52
086-311-15	\$2,497.74	\$2,747.52	086-312-19	\$2,497.74	\$2,747.52	086-341-04	\$2,497.74	\$2,747.52	086-611-02	\$2,497.74	\$2,747.52
086-311-16	\$2,497.74	\$2,747.52	086-312-20	\$2,497.74	\$2,747.52	086-341-05	\$2,497.74	\$2,747.52	086-611-03	\$2,497.74	\$2,747.52
086-311-19	\$2,497.74	\$2,747.52	086-323-02	\$2,497.74	\$2,747.52	086-341-06	\$2,497.74	\$2,747.52	086-612-01	\$2,497.74	\$2,747.52
086-311-21	\$2,497.74	\$2,747.52	086-323-03	\$2,497.74	\$2,747.52	086-341-07	\$2,497.74	\$2,747.52	086-612-02	\$0.00	\$0.00
086-311-25	\$2,497.74	\$2,747.52	086-323-04	\$2,497.74	\$2,747.52	086-341-08	\$2,497.74	\$2,747.52	086-612-03	\$2,497.74	\$2,747.52
086-311-26	\$2,497.74	\$2,747.52	086-324-01	\$2,497.74	\$2,747.52	086-341-09	\$2,497.74	\$2,747.52	086-612-04	\$2,497.74	\$2,747.52
086-311-30	\$2,497.74	\$2,747.52	086-324-02	\$2,497.74	\$2,747.52	086-342-02	\$0.00	\$0.00	086-612-05	\$2,497.74	\$2,747.52
086-311-31	\$0.00	\$0.00	086-325-01	\$2,497.74	\$2,747.52	086-342-03	\$0.00	\$0.00	086-612-06	\$2,497.74	\$2,747.52
086-311-39	\$2,497.74	\$2,747.52	086-325-02	\$2,497.74	\$2,747.52	086-342-04	\$0.00	\$0.00			
086-311-41	\$2,497.74	\$2,747.52	086-325-03	\$2,497.74	\$2,747.52	086-342-05	\$0.00	\$0.00			
086-311-42	\$2,497.74	\$2,747.52	086-325-04	\$2,497.74	\$2,747.52	086-342-06	\$2,497.74	\$2,747.52			
086-311-43	\$2,497.74	\$2,747.52	086-325-05	\$2,497.74	\$2,747.52	086-342-08	\$2,497.74	\$2,747.52			
086-311-44	\$2,497.74	\$2,747.52	086-331-01	\$2,497.74	\$2,747.52	086-342-11	\$2,497.74	\$2,747.52			
086-312-01	\$2,497.74	\$2,747.52	086-331-02	\$2,497.74	\$2,747.52	086-342-13	\$2,497.74	\$2,747.52			
086-312-02	\$2,497.74	\$2,747.52	086-331-03	\$2,497.74	\$2,747.52	086-342-15	\$2,497.74	\$2,747.52			
086-312-03	\$2,497.74	\$2,747.52	086-331-04	\$2,497.74	\$2,747.52	086-342-16	\$2,497.74	\$2,747.52			
086-312-04	\$2,497.74	\$2,747.52	086-331-05	\$2,497.74	\$2,747.52	086-343-02	\$2,497.74	\$2,747.52			
086-312-08	\$2,497.74	\$2,747.52	086-332-06	\$2,497.74	\$2,747.52	086-411-05	\$0.00	\$0.00			
086-312-09	\$2,497.74	\$2,747.52	086-332-09	\$2,497.74	\$2,747.52	086-411-08	\$2,497.74	\$2,747.52			
086-312-10	\$2,497.74	\$2,747.52	086-332-10	\$2,497.74	\$2,747.52	086-411-09	\$2,497.74	\$2,747.52			

ZONE 2 CHARGE REPORT

Parcel	Address	Future EBU	Total Charge*	FY24-25 EBU	FY 24-25 **	FY25-26 EBU	FY 25-26	Future EBU	FY 26-27	FY 27-28
083-273-01	16115 Jamison Creek	2.00	\$ 7,458	2.00	\$ 7,457.63	2.00	\$ 7,830.51	2.00	\$ 8,222.03	\$ 8,633.14
083-293-07	125 Fallen Leaf	1.00	\$ 3,729	1.00	\$ 3,728.81	1.00	\$ 3,915.25	1.00	\$ 4,111.02	\$ 4,316.57
083-291-05	185 Cypress Tree	1.00	\$ 3,729	1.00	\$ 3,728.81	1.00	\$ 3,915.25	1.00	\$ 4,111.02	\$ 4,316.57
083-291-01	112 Cypress Tree	1.00	\$ 3,729	1.00	\$ 3,728.81	1.00	\$ 3,915.25	1.00	\$ 4,111.02	\$ 4,316.57
083-291-07	195 Fern Rock	1.00	\$ 3,729	1.00	\$ 3,728.81	1.00	\$ 3,915.25	1.00	\$ 4,111.02	\$ 4,316.57
083-291-10	255 Fern Rock	1.00	\$ 3,729	1.00	\$ 3,728.81	1.00	\$ 3,915.25	1.00	\$ 4,111.02	\$ 4,316.57
083-291-11	285 Fern Rock	1.00	\$ 3,729	1.00	\$ 3,728.81	1.00	\$ 3,915.25	1.00	\$ 4,111.02	\$ 4,316.57
083-291-13	270 Fern Rock	1.00	\$ 3,729	1.00	\$ 3,728.81	1.00	\$ 3,915.25	1.00	\$ 4,111.02	\$ 4,316.57
083-291-14	260 Fern Rock	1.00	\$ 3,729	1.00	\$ 3,728.81	1.00	\$ 3,915.25	1.00	\$ 4,111.02	\$ 4,316.57
083-291-15	250 Fern Rock	1.00	\$ 3,729	1.00	\$ 3,728.81	1.00	\$ 3,915.25	1.00	\$ 4,111.02	\$ 4,316.57
083-291-16	240 Fern Rock	1.00	\$ 3,729	1.00	\$ 3,728.81	1.00	\$ 3,915.25	1.00	\$ 4,111.02	\$ 4,316.57
083-291-17	230 Fern Rock	1.00	\$ 3,729	1.00	\$ 3,728.81	1.00	\$ 3,915.25	1.00	\$ 4,111.02	\$ 4,316.57
083-291-18	210 Fern Rock	1.00	\$ 3,729	1.00	\$ 3,728.81	1.00	\$ 3,915.25	1.00	\$ 4,111.02	\$ 4,316.57
083-291-04	146 Cypress Tree	1.00	\$ 3,729	0.25	\$ 932.20	1.00	\$ 3,915.25	1.00	\$ 4,111.02	\$ 4,316.57
083-291-06	175 Fern Rock	1.00	\$ 3,729	0.25	\$ 932.20	1.00	\$ 3,915.25	1.00	\$ 4,111.02	\$ 4,316.57
083-291-02	122 Cypress Tree	1.00	\$ 3,729	0.25	\$ 932.20	0.25	\$ 978.81	1.00	\$ 4,111.02	\$ 4,316.57
083-291-20	190 Fern Rock	1.00	\$ 3,729	0.25	\$ 932.20	0.25	\$ 978.81	1.00	\$ 4,111.02	\$ 4,316.57
083-291-09	235 Fern Rock	1.00	\$ 3,729	0.25	\$ 932.20	0.25	\$ 978.81	0.25	\$ 1,027.75	\$ 1,079.14
083-292-03	100 Fallen Leaf	1.00	\$ 3,729	0.25	\$ 932.20	0.25	\$ 978.81	0.25	\$ 1,027.75	\$ 1,079.14
083-293-02	115 Fallen Leaf	1.00	\$ 3,729	0.25	\$ 932.20	0.25	\$ 978.81	0.25	\$ 1,027.75	\$ 1,079.14
083-293-06	100 Fern Rock	1.00	\$ 3,729	0.25	\$ 932.20	0.25	\$ 978.81	0.25	\$ 1,027.75	\$ 1,079.14
083-293-09	110 Fern Rock	1.00	\$ 3,729	0.25	\$ 932.20	0.25	\$ 978.81	0.25	\$ 1,027.75	\$ 1,079.14
083-293-03	140 Fern Rock	1.00	\$ 3,729	0.25	\$ 932.20	0.25	\$ 978.81	0.25	\$ 1,027.75	\$ 1,079.14
083-293-08	135 Fallen Leaf	1.00	\$ 3,729	0.25	\$ 932.20	0.25	\$ 978.81	0.25	\$ 1,027.75	\$ 1,079.14
083-292-01	150 Fallen Leaf	1.00	\$ 3,729	0.25	\$ 932.20	0.25	\$ 978.81	0.25	\$ 1,027.75	\$ 1,079.14
083-291-03	134 Cypress Tree	1.00	\$ 3,729	0.25	\$ 932.20	0.25	\$ 978.81	0.25	\$ 1,027.75	\$ 1,079.14
083-291-08	225 Fern Rock	1.00	\$ 3,729	0.25	\$ 932.20	0.25	\$ 978.81	0.25	\$ 1,027.75	\$ 1,079.14
083-291-19	211 Fallen Leaf	1.00	\$ 3,729	0.25	\$ 932.20	0.25	\$ 978.81	0.25	\$ 1,027.75	\$ 1,079.14
083-293-04		0.25	\$ 932	0.25	\$ 932.20	0.25	\$ 978.81	0.25	\$ 1,027.75	\$ 1,079.14
083-292-02		0.25	\$ 932	0.25	\$ 932.20	0.25	\$ 978.81	0.25	\$ 1,027.75	\$ 1,079.14
083-291-12	280 Fern Rock	0.00	\$ -	0.00	\$ -	0.00	\$ -	0.00	\$ -	\$ -
083-293-01	WWTP	0.00	\$ -	0.00	\$ -	0.00	\$ -	0.00	\$ -	\$ -
083-293-10	Pump station	0.00	\$ -	0.00	\$ -	0.00	\$ -	0.00	\$ -	\$ -
29.50			\$ 110,000	18.25	\$ 68,050.85	19.75	\$ 77,326.27	21.25	\$ 87,359.11	\$ 91,727.07

*fee assuming all
parcels
rebuild;based FY
24-25 budget

**fee based on
current rebuilt
status

w/ estimated
5% CPI
increase

w/ estimated
5% CPI
increase

w/ estimated
5% CPI
increase

TYPE EQUIVALENT UNIT (EBU)
SFR 1
SFR+ADU 1.5 (reserved)
standby 0.25
unbuildable 0

receive a ballot

Drinking Water System Needs Assessment and Alternatives Analysis

System Name/ID: Big Basin Water Company/CA4410001

Dates of Site Assessments: March - September 2024



Big Basin Water
Company

Report Prepared By:

Lydia Rossiter
Reshet Gebremariam
Joy Pearson
Melat Zeyne

Advised By:

Henderson Brown, Esq.
Paul Jones, P.E.



MOONSHOT
MISSIONS

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EXECUTIVE SUMMARY

The Big Basin Water Company (BBWC) is a utility that delivers drinking water to 540 customers 14 miles northwest of Santa Cruz, California, adjacent to Big Basin Redwoods State Park. The customer population is roughly 1,120 people. The BBWC system has experienced ongoing compliance violations as well as being significantly impacted by damage from the CZU Lightning Complex Fire in 2020, including destruction of the surface water treatment plant.

BBWC is currently under receivership following failure to comply with the State Water Resources Control Board Division of Drinking Water's directives, compliance orders and citations designed to improve delivery of sufficient, safe drinking water.

The violations were issued by the State prior to the appointment of the Receiver. Pursuant to the Court's order, the Receiver's primary focus has been on restoring and maintaining operational functionality and addressing critical compliance issues while negotiating and overseeing a transfer to a competent entity. Significant progress has been achieved in several key areas:

- **System Reliability:** Reliability has been enhanced with the installation of a generator at the main well and an upgrade to the intertie with San Lorenzo Valley Water District (SLVWD).
- **Funding and Infrastructure:** The Receiver has secured funding to support ongoing operations, replace fire-damaged infrastructure, and create redundancy.
- **Monitoring and Records:** Monitoring capabilities have been improved through the implementation of remote monitoring equipment. Additionally, efforts have included recreating records, such as a comprehensive inventory of all meters and fire hydrants, to improve system management.

In March 2024, Moonshot Missions (Moonshot) was engaged to 1) assess the system's technical, managerial and financial condition and its operational challenges, 2) analyze the long-term sustainability of available ownership and governance alternatives, and 3) provide background and advice regarding water rights preservation.

In order to conduct the technical, managerial and financial assessment, Moonshot visited BBWC facilities multiple times, as well as reviewing existing documentation and records and discussing the system with the previous management, current operator, the Receiver and other stakeholders such as the Fire Chief in whose jurisdiction the system is located.

This report has two parts. Part One offers recommendations that are likely to improve the delivery of safe drinking water to BBWC customers. Part Two of this report evaluates options for BBWC's future. The recommendations below are structured to prioritize actions into short-term, medium-term and long-term timelines based on their urgency and impact on health, safety, and operational stability.



Table 1. Short-Term Recommendations

Short-Term Recommendations (0-1 year)		
Priority	Action Item	Notes
1	Locate and assess potential contamination risk from Well 5 (horizontal well under surface water influence).	Immediate action required to ensure it does not pose a contamination risk to the system.
2	Investigate the raw water diversion from Jamison Creek to the 1,000-gallon plastic storage tank. Determine the source and usage of the diverted water, identify affected customers, and take necessary steps to reconnect them to the main treated water system if required.	BBWC is unsure how the water from the creek is being used.
3	Conduct a comprehensive cross-connection survey, which includes: <ul style="list-style-type: none"> - identifying and assessing high-risk sites such as the Country Club and the wastewater treatment plant, as well as - identifying cross-connection issues in the Everest, Bloom Grade and other areas, where customers are using their own wells, storage tanks and bladder tanks. 	Prevents contamination and ensures system integrity.
4	Inspect and ensure Well 4's overflow pipe is properly screened or equipped with a fine mesh screen or flapper gate to prevent contamination.	Prevents critters and other debris from entering tank.
5	Complete fencing around Well 4/Well 4 Tank site for improved security.	Prevents unauthorized access.
6	Improve access road to Well 4 site and other critical infrastructure for better accessibility and emergency response.	Enhances emergency response capabilities. Ensures more efficient and timely access to critical sites.
7	Replace aging pump at Bloom Grade pump station.	Critical for maintaining operational reliability.
8	Confirm disconnection of inactive or fire-damaged infrastructure.	Critical for system integrity and safety.
9	Complete the inventory and assessment of all water meters.	Ensures accurate measurement and billing.
10	Address unauthorized connections and water use.	Prevents revenue loss.



11	Initiate fire hydrant inventory and condition assessment. Replace hydrants as needed.	Ensure functionality and readiness for emergency situations.
12	Develop immediate plan for water provision to disconnected customers (e.g., Hill House).	Ensures emergency provision of water service (e.g., hauling water) while planning for permanent connections.
13	Establish a formal agreement with SLVWD regarding the provision of water.	Establishes clear terms and conditions.
14	Secure access to all facilities such as wells, tanks, pump stations, and chemical storage with measures such as locks and fencing.	Consider programmable locks or Fire District-approved locks where feasible; ensures emergency access.
15	Assess pressure at temporary creek crossings (Rosita and Oberst Pump Stations) and develop an emergency response plan for potential failure of temporary pipes.	Ensures system stability.
16	Redirect Galleon Tank overflow away from customer's property.	Prevents potential damage to customer's property.
17	Develop a fire safety and action plan.	Ensures the protection of critical water infrastructure and enhances overall fire preparedness.
18	Purchase insurance to adequately cover liability or loss.	Protects the utility.
19	If considering selling property, implement a strategy to preserve water rights.	Preserves future options for water supply.
20	Consider another rate increase or other revenue generating actions.	Increases utility's ability to be sustainable financially.

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Table 2. Medium-Term Recommendations

Medium-Term Recommendations (1-3 years)		
Priority	Action Item	Notes
1	Well 4 Investigation and Rehabilitation Conduct a thorough investigation and rehabilitation of Well 4. This should include evaluating the current condition, identifying any potential issues or contaminants, and implementing necessary repairs or upgrades.	Ensures the well's operational efficiency.
2	Based on the cross-connection survey, install and test backflow preventers at high-risk sites.	Prioritize wastewater treatment plant and Country Club.
3	Install testable backflow prevention device at the SLVWD intertie and at all emergency interties (i.e. Bracken Brae and Forest Springs).	Prevents cross-connection.
4	Develop a cross-connection control program: <ul style="list-style-type: none"> - Acquire a cross-connection control program coordinator to oversee and implement the program. - Identify and document all backflow preventers in the service area, including details such as type, make, model, and location. - Establish a system for record-keeping, maintenance, and annual testing of backflow preventers. - Conduct annual testing of all system backflow preventers to ensure functionality and compliance. 	State requirements and critical for preventing water contamination.
5	Implement meter calibration and replacement program.	Ensures accurate water usage measurement.
6	Connect all critical infrastructure to the SCADA system.	Enhances monitoring capabilities.
7	Implement emergency power solutions for critical infrastructure including the intertie connection to SLVWD and critical pump stations.	Ensures water supply during power outages.
8	Develop and implement a valve inspection and exercising program.	Crucial for system maintenance and fire readiness.
9	Implement a line and fire hydrant flushing program.	Maintaining functionality of hydrants and ensures emergency preparedness.



		Enhances water quality and system efficiency.
10	Develop and implement a Water Supply Emergency Plan.	Crucial for responding to supply disruptions and other emergencies.
12	Develop written procedures for emergency repairs.	Enhances emergency preparedness.
13	Establish a comprehensive record-keeping system, including off-site back-up.	Improves operational efficiency and compliance.
14	Formalize existing easements to protect access in case of future property transfers.	Ensures clarity and continuity.
15	Develop and periodically update formal management policies and plans.	Ensures clear management practices.

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Table 3. Long-Term Recommendations

Long-term Recommendations (3-5 years or post-consolidation)		
Priority	Action Item	Notes
1	Study long-term alternatives for sufficient supply.	Consider surface water treatment plant, increasing well capacity, or drilling new wells.
2	Establish cleaning, inspection, and maintenance programs for wells, tanks, and pump stations.	Enhance system reliability and extend infrastructure lifespan.
3	Upgrade or replace aging pump stations.	Improve reliability and efficiency of water distribution.
4	Upgrade SCADA capability from monitoring to control.	Increases operational efficiency.
5	Develop water main replacement program.	Prioritize areas with frequent breaks.
6	Replace temporary creek crossings (Rosita and Oberst).	Improves long-term system stability.
7	Conduct water audit to quantify and address water losses.	Helps identify and reduce water waste.
8	Implement comprehensive asset management system.	Improves long-term planning and operational efficiency.
9	Develop a long-term capital improvement plan.	Ensures systematic approach to infrastructure upgrades.
10	Assess and upgrade fire protection capabilities.	Improves system resilience.
11	Develop a long-term rate strategy so that revenues adequately cover operations, maintenance and capital expenses.	Plans for future sustainability.

In Part Two, this report evaluates options for BBWC's future by assessing available ownership, governance, and operations alternatives that have realistic potential to support sustainable operations. The considered alternatives involve three categories:

- **Dissolution and Annexation to San Lorenzo Valley Water District**
 - BBWC dissolves and becomes part of its neighboring utility, San Lorenzo Valley Water District.
 - SLVWD would become the full-service retail water provider for the BBWC service area and would provide all technical, managerial and financial resources to operate the system.
- **Hybrid**
 - BBWC becomes part of an entity that does not have neighboring infrastructure, benefiting from the advantages of an agency with greater resources but



operating the BBWC system with its own infrastructure within its current footprint. The alternatives under this category are:

- Converting the areas served to a County Service Area similar to Davenport County Sanitation District,
- Annexation with a non-neighboring utility, or
- Acquisition by an existing private company.
- Potential non-neighboring utilities include Central Water District, Scotts Valley Water District, Soquel Creek Water District, the City of Santa Cruz, the City of Watsonville, and Pajaro Valley Water Management Agency.
- **Stand-Alone**
 - BBWC continues to be an independent entity through some means of dissolution and reformation.
 - Alternatives include reforming as:
 - An independent special district
 - Mutual water company, or
 - New private corporation.

The sustainability analysis criteria used in Part Two were chosen because they encompass the critical aspects of delivering sustainable, safe, and affordable water service. The evaluation criteria are:

- **Level of Service:** Technical capacity to ensure competent and safe operations of the system, provide regulatory compliance, operations experience, ability to prepare for and respond to emergencies, and improve customer satisfaction.
- **Cost and Affordability:** Access to capital funding and financing, operational efficiencies, stable and sustainable rates, and customer affordability programs.
- **Ownership and Governance:** Accountability, transparency, retail water system management and oversight experience, and opportunities for community representation on governing bodies.

Based on the long-term sustainability analysis, the alternatives are ranked in the following order.

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Table 4. Ranking of Alternatives

Ranking	Alternative
1	Annexation into San Lorenzo Valley Water District
2	County Service Area
3	Annexation into Other Utility, except for Central Water District and Pajaro Valley Water Management Agency
4	Central Water District
5	Existing Investor-Owned Private Company
6	New Special District
7	Pajaro Valley Water Management Agency
8	New Mutual Water Company
9	New Private Company

The comparison of available governance alternatives is summarized in the table below.



Table 5. Summary of Sustainability Analysis

Criteria		Annexation to SLVWD	Hybrid			Stand-Alone		
			Formation into a County Service Area	Consolidation with Other Utility	Acquisition by Private Company	Dissolve and form a Special District	Dissolve and form a Mutual Water Company	Dissolve and form a new Private Company
Level of Service	Technical Capacity Established	High; No deficiencies in latest sanitary survey or outstanding violations. Appropriate certifications. Currently treats groundwater.	High; No outstanding violations. Treatment certifications appropriate. Current distribution certifications would need to be increased.	High: All except Pajaro Valley Water Management Agency (PVWMA). No deficiencies or active violations, appropriate certifications, groundwater experience.	Assume High; Lack of deficiencies or outstanding violations. Appropriately certified operators.	TBD	TBD	TBD
				PVWMA: Low; No retail utility operations experience.				
	Operations Experience	High; Longstanding utility which currently treats groundwater.	High; Utility in operation since 2015. Currently treats surface water.	High: All except PVWMA; Longstanding utilities, currently treat groundwater.	Assume High; If longstanding utility with groundwater experience.	TBD	TBD	TBD
				PVWMA: Low; No retail utility operations experience.				
	Emergency Preparedness and Response	High; Has an emergency response plan (ERP) and the ability to call in agency's other resources. Is a member of California Water/Wastewater Agency Response Network (CalWARN).	High; Has ability to call in agency's other resources and is a member of CalWARN.	High: All except Central and PVWMA; required to have ERP. Ability to call in other resources. Members of CalWARN.	Assume High; Ability to call in agency's other resources. May be currently required to have ERP.	Assume Low; No additional resources available within the agency.	Assume Low; No additional resources available within the agency.	Assume Low; No additional resources available within the agency.
				Central: Medium. No ERP required. Member of CalWARN.				
				PVWMA: Low; No retail utility operations experience.				
	Customer Satisfaction	High; Has a lack of extended/repeated outages. Has customer service and communications capacities. Able to pay online.	High: Has a lack of extended/repeated outages. Has customer service and communications capacities. Able to report issue or request service online.	High: All except Central and PVWMA. All except Central and PVWMA have no extended/repeated outages, have customer service/communications capacity, and offer online bill pay.	Assume High if no extended/repeated outages, has customer service and communications capacities, and customer-friendly features.	TBD	TBD	TBD
				Central: Medium; no extended/repeated outages, limited customer service capacity, no online bill pay.				
				PVWMA: Low; No retail utility operations experience.				



Table 5. Summary of Sustainability Analysis (cont.)								
Criteria		Annexation to SLVWD	Hybrid			Stand-Alone		
			Formation into a County Service Area	Consolidation with Other Utility	Acquisition by Private Company	Dissolve and form a Special District	Dissolve and form a Mutual Water Company	Dissolve and form a new Private Company
Cost & Affordability	Access to Capital Funding	High	High	High	Medium	High	Medium	Medium
	Types of Capital Funding	Grants, Loans, Assessments, General Obligation (GO) Bonds	Grants, Loans, Assessments, GO Bonds	Grants, Loans, Assessments, GO Bonds	Loans. No assessments or GO Bonds, limitations on grants	Grants, Loans, Assessments, GO Bonds	Loans and assessments. No GO Bonds. Grants may be taxable.	Loans. No assessments or GO Bonds, limitations on grants
	Cost of Capital	Low; Majority public funds with as low as 2.3% interest State Revolving Fund (SRF) and potential for principal forgiveness.	Low; Majority public funds with as low as 2.3% interest (SRF) and potential for principal forgiveness.	Low; Majority public funds with as low as 2.3% interest (SRF) and potential for principal forgiveness.	Medium. May qualify for SRF loans (2.3%) but not GO Bonds. Private funding at 6-12%.	Low. Majority public funds with as low as 2.3% interest (SRF) and potential for principal forgiveness.	Medium. May qualify for SRF loans (2.3%) but no GO Bonds. Private funding at 6-12%.	Medium. May qualify for SRF loans (2.3%) but no GO Bonds. Private funding at 6-12%.
	Rate of Return to Investors	Not Applicable	Not Applicable	Not Applicable	10.7-11.9%	Not Applicable	Not Applicable	10.7-11.9%
	Customer Rates	Increase; Benefits of economy of scale with SLVWD. Public participation.	Increase; Fewer economies of scale with small customer base. Public participation.	Increase; Fewer economies of scale with small customer base. Public participation.	Assume increase; return to investors, economy of scale TBD.	Assume Increase; No economy of scale. Public participation.	Assume Increase; No economy of scale. Public participation.	Increase; Return to investors, no economy of scale. No public participation.
	Administrative Efficiencies (Back-Office)	High; Greater economy of scale and adjacent location.	Medium; May be some capacity with the staff that currently manage the other CSA or utility.	Medium; May be some capacity with the staff that currently manage the other CSA or utility.	Assume Medium	None	None	None
	Affordability Programs	Program available; Up to \$240/year for eligible households.	None	Scotts Valley: Program available; discounted basic service charge and uniform rate for eligible households Remainder: None	TBD; As allowed by CPUC.	TBD; Would have to be Proposition 218 compliant ¹ .	TBD	TBD; As allowed by CPUC.

¹ Proposition 218, also known as the Right to Vote on Taxes Act, governs how local governments raise revenue. Proposition 218 Guide for Special Districts.
https://www.waterboards.ca.gov/drought/pricing/docs/csda_guide_proposition_218.pdf



Criteria		Annexation to SLVWD	Hybrid			Stand-Alone		
			Formation into a County Service Area	Consolidation with Other Utility	Acquisition by Private Company	Dissolve and form a Special District	Dissolve and form a Mutual Water Company	Dissolve and form a new Private Company
Ownership & Governance	Accountability	High; SLVWD is managed by an elected board focused on water.	High; Overseen by the elected County Board of Supervisors.	High; All alternatives overseen by elected governing board except for PVWMD, which has elected and appointed board members.	Assume Low; Not generally elected but by investors.	Assume High; Boards are elected, composition varies by type of special district.	TBD; Governing body composition varies and is established in the by-laws. Property owners are eligible to serve.	Assume Low; Not generally elected but by investors.
	Transparency	High; SLVWD practices transparency with public records and regular audits. Available on website: financial reports, water quality reports, employee compensation, agendas and minutes.	High; Davenport CSD practices transparency with public records and regular audits. Available on website: financial reports, water quality reports, regulations, agendas and minutes.	High; all show high level of transparency with documents available online.	Assume Low; Meetings may be closed to the public. Required to publish water quality data.	Assume High; Meetings open to public. Required to publish water quality data, budgets and board agendas/minutes.	Assume Medium; Required to publish water quality data. Notice of meetings required. Shareholders/tenants/elected must be allowed to attend. Meetings may be closed to the public. Not subject to Public Records Act.	Assume Low; Meetings may be closed to the public. Required to publish water quality data.
	Governance Experience	High; The San Lorenzo Valley Water District was established in 1941 as an independent special district. The District is governed by a five-member Board of Directors, elected at-large from within the District's service area.	High; providing water service since 2015.	<div> All except PVWMA: High with long-standing record of governing water service. </div> <div> PVWMA: Low because not experienced with managing a full-service retail water utility. </div>	Assume High; longstanding record of governing water service.	TBD	TBD	TBD
	Community Representation	High; Board is elected at large, not by districts.	Medium; Overseen by the County Board of Supervisors, of which one represents BBWC customers.	TBD	Assume Low; Representation is from investors only.	Assume High; Will have elected officials from the district.	Assume Medium; Property owners are eligible to serve.	Assume Low; Representation is from investors only.



This report presents a detailed technical, managerial, and financial evaluation of the current system, reviews governance options and analyzes long-term sustainability factors, including funding alternatives. It is intended to support informed decision-making regarding the most appropriate and sustainable path forward for the Big Basin Water Company system.

The observations and analysis in this report do not speculate on the political dimension of the alternatives and options discussed or recommended. That said, the willingness of the ownership involved or governing body and/or customers to support merger or consolidation with BBWC in the future is important to the success of any proposed change in governance.

The alternatives were identified and evaluated based on available information. All alternatives should be further analyzed and refined to ensure all costs, benefits and concerns are properly identified. Regardless of which alternative is selected, Big Basin Water Company faces significant challenges with implementing important improvements and maintaining the affordability of water services to customers.



INTRODUCTION

Big Basin Water Company (BBWC) is a water system in Boulder Creek, California that provides drinking water service to approximately 540 service connections or roughly 1,120 people. BBWC is an investor-owned water utility that was incorporated in the 1940s.

Prior to August 2020, the BBWC system was supplied by both surface water and groundwater. In August 2020, BBWC infrastructure was seriously damaged during the CZU Lightning Complex Fire. The damage included destruction of the surface water treatment plant, leaving the system with only the well that was reserved for back-up supply before the fire and an intertie with the neighboring San Lorenzo Valley Water District. The BBWC system also suffered serious damage elsewhere, including the loss of tanks, pipelines, and connections to customers.

BBWC is regulated by the California State Water Resources Control Board, Division of Drinking Water (DDW). After documenting multiple, serious deficiencies in the system since 2018, DDW issued a series of directives, compliance orders and citations designed to improve delivery of sufficient, safe drinking water. Despite ongoing discussions with the BBWC owners and managers, no significant progress was made in solving multiple major problems. After the BBWC owners and managers failed to comply with the DDW directives and orders, DDW determined that BBWC “are unable and unwilling to adequately serve the System’s customers and have been unresponsive to the Division’s directives, compliance orders and citations....”² DDW sought the appointment of a receiver to restore reliable water service and to implement a holistic approach to the system's rehabilitation and long-term viability.

On September 29, 2023, the Superior Court of the State of California for the County of Santa Cruz, appointed Serviam by Wright LLP as the Receiver. The court’s order gave full powers granted under Health & Safety Code § 116665 and Code of Civil Procedure section 564, *et seq.*³, to operate and administer BBWC because of the significant technical, managerial, and financial challenges confronting BBWC. Serviam by Wright engaged Cypress Water Services to operate the system on a day-to-day basis.

Moonshot Missions (Moonshot) is a 501(c)(3) nonprofit water and wastewater utility consulting firm, based on the core principle that all people, particularly those in disadvantaged communities, have a right to safe, accessible, and affordable drinking water and clean waterways. Moonshot is a collective of water leaders, professionals, and engineers with more than 250 years of experience with utility management, governance, community engagement, engineering, utility operations and finance. Moonshot helps communities attain clean water objectives by working collaboratively as trusted peer advisors.

² Declaration of Jonathan Weininger in Support of Application for Appointment of Receiver under Health and Safety Code Section 116665.

³ Order granting State Water Resources Control Board’s Request for Appointment of Receiver for the Big Basin Water Company.



Moonshot was engaged in March 2024 to provide technical assistance to the Receiver by 1) assessing BBWC's current technical, managerial and financial condition, and operational challenges, 2) evaluating ownership, governance, and operations alternatives that have the potential to support sustainable operations, and 3) providing information and advice regarding water rights preservation. This technical assistance was provided at no cost to the Receiver or BBWC and its customers through a cooperative agreement with the Environmental Protection Agency (EPA) as part of the EPA National Environmental⁴.

As part of the assessment process, Moonshot Missions conducted several site visits including:

- **March 5, 2024:** Initial site assessment.
- **April 2 and April 3, 2024:** Continued site assessment and data collection.
- **May 15, 2024:** Attendance at the Town Hall meeting, where the Receiver provided updates on the system. Presentation by Moonshot Missions to customers and stakeholders to explain Moonshot Missions' role and the assistance to be provided to Big Basin Water Company.
- **May 16, 2024:** Additional site assessment.
- **September 10, 2024:** Site visit to review records.

This report presents a detailed technical, managerial, and financial evaluation of the current system, reviews governance options and analyzes long-term sustainability factors, including funding alternatives. It is intended to support informed decision-making regarding the most appropriate and sustainable path forward for the Big Basin Water Company system.

The observations and analysis in this report do not speculate on the political dimension of the alternatives and options discussed or recommended. That said, the willingness of the ownership involved or governing body and/or customers to support merger or consolidation with BBWC in the future is important to the success of any proposed change in governance.

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⁴ Environmental Finance Center Program. <https://www.epa.gov/waterfinancecenter/efcn>



PART ONE: ASSESSMENT

Part One of this report presents Moonshot Missions' evaluation of the Big Basin Water Company water system's technical, managerial, and financial components. This assessment covers system ownership and governance, source water quality, treatment processes, distribution, regulatory compliance, management structure, and financial health. By highlighting both strengths and areas for improvement, this analysis aims to provide a solid foundation for decision-making. The following sections offer detailed insights, concluding with a summary that encapsulates the key points of our evaluation.

System Ownership & Governance

1. Brief System Description

Big Basin Water Company is a water system in Boulder Creek, CA that provides drinking water service to approximately 540 service connections and 1,120 people. The service area covers roughly 2,400 acres along Highway 9 between Boulder Creek and Big Basin in Santa Cruz County, including 700 acres of watershed land owned by BBWC (see service area map in Figure 1 below).

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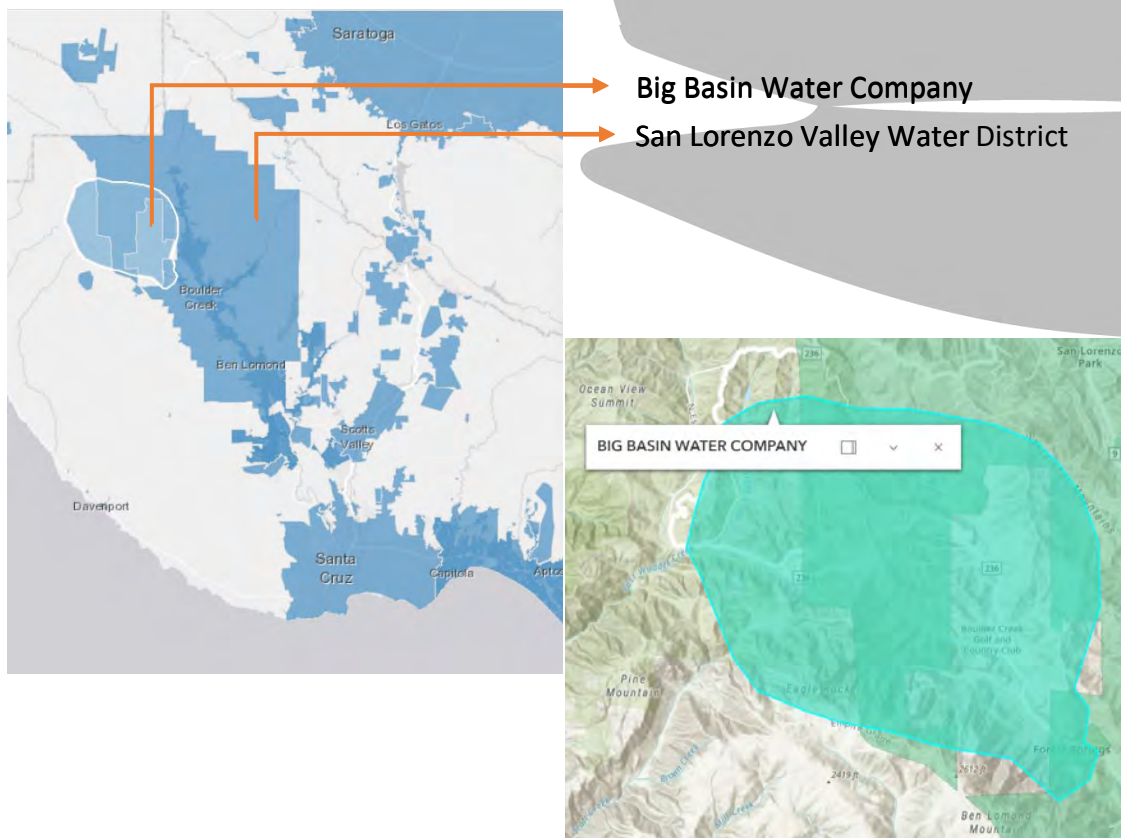


Figure 1. Big Basin Water Company Service Area Map (California State Water Resources Control Board)⁵

Prior to the 2020 CZU Lightning Complex Fire, the system relied on a combination of groundwater and surface water sources, with a surface water intake, treatment plant, wells, storage tanks, and pumping stations. The fire significantly damaged the system's infrastructure, particularly the surface water facilities. The fire led to a shift in the water supply sources and significant changes in the overall operation of the system.

Currently, the water supply primarily consists of purchased water from San Lorenzo Valley Water District (SLVWD) and groundwater from a single active well. The water is distributed to customers via storage tanks, pumping stations, and a distribution system pipeline network. While other wells exist, they are currently inactive/disconnected or non-producing.

⁵ California State Water Resources Control Board. ArcGIS Hub. "California Drinking Water System Area Boundaries". <https://hub.arcgis.com/datasets/waterboards::california-drinking-water-system-area-boundaries/explore?location=37.160263%2C-122.168436%2C13.69>



BBWC also maintains interconnections with two mutual water companies, Forest Springs (126 service connections) and Bracken Brae Country Club (24 service connections), which are both pursuing consolidation with SLVWD. These interconnections are designed for one-way water flow whereby BBWC can supply emergency water to Forest Springs and Bracken Brae Country Club when necessary. However, these mutual water companies cannot supply water back to BBWC. While these connections typically remain inactive, BBWC has the capability to provide emergency water supply when needed. Both Forest Springs and Bracken Brae Country Club have been provided with emergency water under the receivership.

2. Ownership and Staffing

Big Basin Water Company is a Class C⁶ investor-owned water utility incorporated in the 1940s. It is regulated by the California Public Utilities Commission (CPUC). It is registered as a Stock Corporation in California (Corporate Number: C1259077), with Thomas J. Moore as the company's registered agent.

In 2023, the system was placed in receivership because of chronic water outages, supply shortfalls, and aging infrastructure. The receivership was granted by the Santa Cruz County Superior Court in September 2023 at the request of the State Water Board after numerous enforcement actions against the previous owners. Serviam by Wright LLP (“Serviam”, formerly Silver & Wright LLP, is the court-appointed receiver overseeing the drinking water system. Cypress Water Services (“Cypress”) is the contracted operator and customer service contact. Routine operations and maintenance are performed by Cypress.

As the Receiver, Serviam is responsible for operating and managing the water system. The Receiver is collaborating with multiple stakeholders, including local and state agencies, to restore reliable water service and to implement a holistic approach to the system's rehabilitation and long-term viability. This effort involves addressing immediate infrastructure needs and developing sustainable management and financial practices.

Additionally, Serviam has implemented several community outreach initiatives, including regular town hall meetings and updates, to keep residents informed about ongoing system improvements and to provide a forum in which customers can relay their concerns.

3. Water System Primary Use

The water system is primarily used for residential purposes. It provides potable water to a single commercial customer, Boulder Creek Golf and Country Club. Additionally, the system is equipped with fire hydrants and storage tanks intended to support fire protection needs.

⁶ A Class C Investor-Owned Utility serves between 2,000 and 10,000 service connections. Standard Practice for Processing Informal General Rate Cases of Small Water and Sewer Utilities (Class B, C and D) <https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M531/K314/531314247.pdf>



However, there are concerns about the functionality of some fire hydrants, the system's storage and delivery capacity and its readiness for emergency fire protection.

BBWC currently maintains one-way emergency interconnections with Forest Springs and Bracken Brae Country Club, allowing for water provision to these systems during emergencies.

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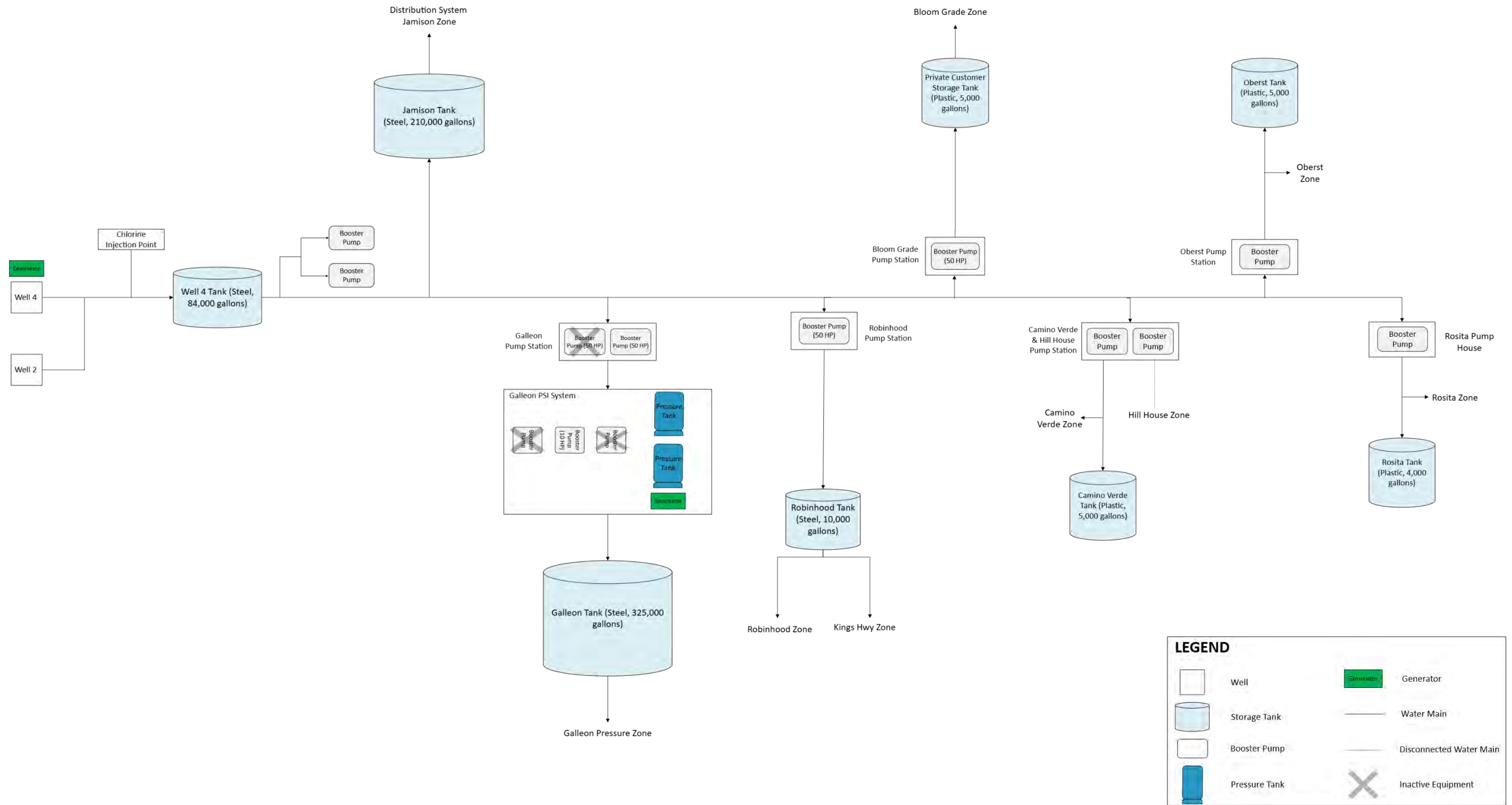


Figure 2. System Graphic (active/connected sites)



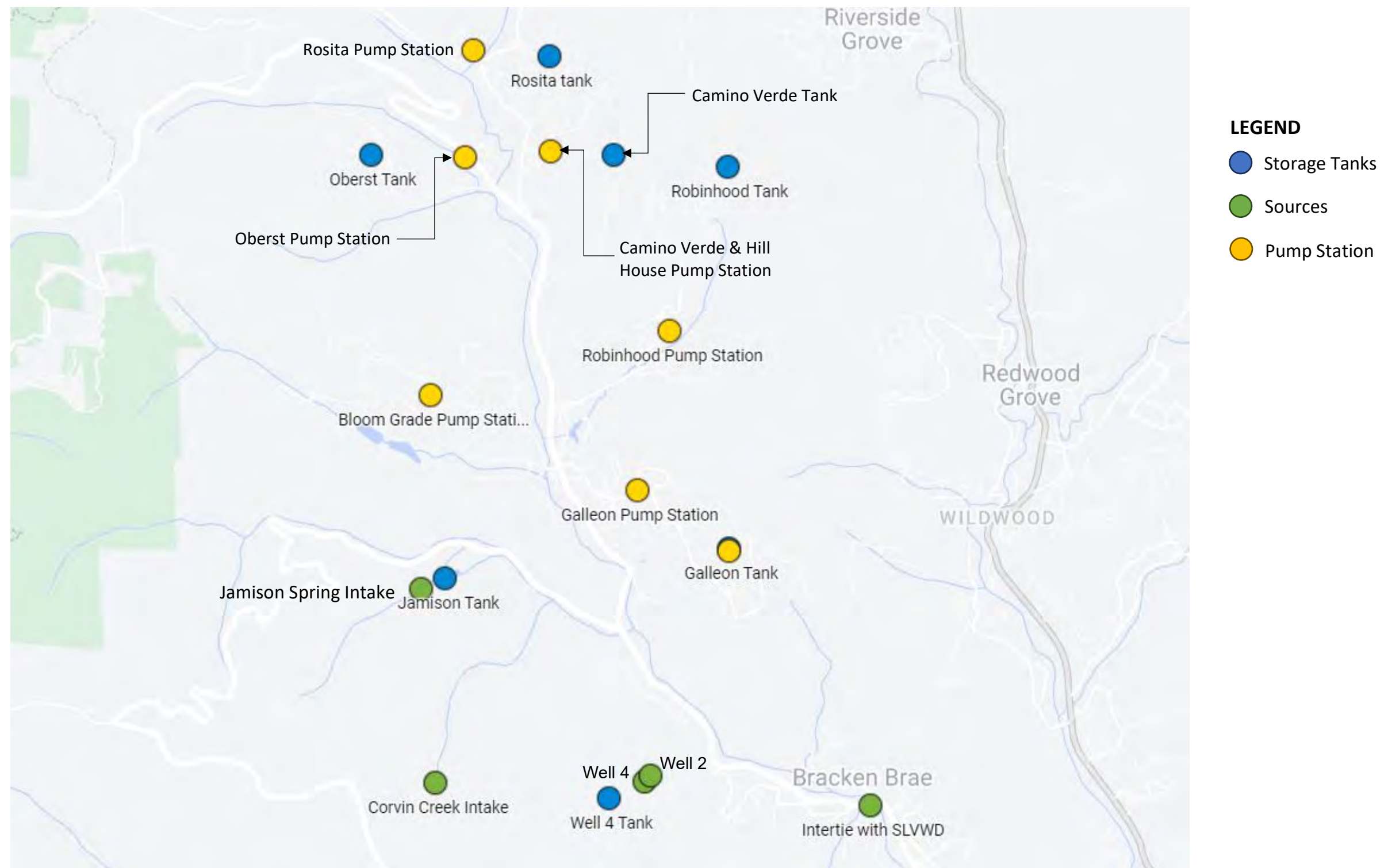


Figure 3. System Map (active/connected sites)



SANITARY DEFICIENCY QUESTIONS AND CONSIDERATIONS

Source Water

Quantity

The Big Basin Water Company (BBWC) system has undergone significant changes following the 2020 CZU Lightning Complex Fire. Currently, the primary water sources are:

1. Well 4: The main production well, with fluctuating output (observed at 200-280 gpm during recent site visit).
2. Interconnection with San Lorenzo Valley Water District (SLVWD).

Additional sources include:

1. Well 2 (also known as American Well): Connected to the system but is mostly kept offline. Its capacity is approximately 18 gpm.
2. Well 1: Inactive and disconnected from the system.
3. Well 5: Well 5 is a horizontal well that is under the direct influence of surface water. Its exact location could not be identified during the site visit. BBWC currently lacks information on its exact location and status.

Before the fire, BBWC relied on a combination of groundwater and surface water and maintained a surface water treatment system at Jamison Station. The company possesses surface water rights, some of which are not currently in active use.

Table 6 below shows the status and the condition of Big Basin Water Company's water sources/supply.

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Table 6. Water Sources

Type	Status	Description	Condition	Location
Well 4	Active	Installation Date: 1976 Water Level: Unknown Well Depth: Unknown Casing Type/Diameter: Unknown Pump Motor Type: Submersible pump Pumping Capacity: ~200-280 gpm	<input checked="" type="checkbox"/> Site secured/gated <input checked="" type="checkbox"/> Adequate slab <input checked="" type="checkbox"/> Air vent <input checked="" type="checkbox"/> Meter <input checked="" type="checkbox"/> Sanitary seal <input checked="" type="checkbox"/> Raw water sample tap Access: Not easily accessible/hard drive uphill. Notes: Main well. The well is in generally good condition. Fluctuating well capacity. Fenced in, but the fencing is not fully enclosed.	37°08'21.0"N 122°09'23.4"W
Intertie with SLVWD	Active	In Vault Capacity: The capacity of the intertie is not directly specified. BBWC used 9,020,880 gallons from September 2023 to July 2024.	<input checked="" type="checkbox"/> Site secured/gated <input checked="" type="checkbox"/> Meter <input checked="" type="checkbox"/> Adequate drainage <input type="checkbox"/> Backflow Prevention Assembly Access: Easily accessible – in vault, locked. Notes: No testable backflow prevention device at the intertie – there is a swing check valve. The intertie was recently upgraded with a timer system, variable frequency drive (VFD), and improvements to both electrical and plumbing systems.	37°08'17.2"N 122°08'36.3"W
Well 2 (also known as American well)	Active/ Connected to system	Installation Date: Unknown Water Level: Unknown Well Depth: Unknown Casing Type/Diameter: Unknown Pump Motor Type: Submersible pump Pumping Capacity: ~18 gpm	<input type="checkbox"/> Site secured/gated <input checked="" type="checkbox"/> Adequate slab <input checked="" type="checkbox"/> Air vent <input checked="" type="checkbox"/> Meter <input type="checkbox"/> Sanitary seal <input checked="" type="checkbox"/> Raw water sample tap Access: Not easily accessible/hard drive uphill. Access is not restricted. Notes: The well is mostly kept offline but remains connected to the system. Equipped with VFD. Unable to verify if the well has a sanitary seal.	37°08'22.0"N 122°09'22.0"W
Well 1 (also known as Galleon well)	Inactive/ Disconnected	Installation Date: Unknown Water Level: Unknown Well Depth: Unknown Casing Type/Diameter: Unknown Pump Motor Type: N/A Pumping Capacity: N/A	<input type="checkbox"/> Site secured/gated <input checked="" type="checkbox"/> Adequate slab <input type="checkbox"/> Air vent <input type="checkbox"/> Meter <input type="checkbox"/> Sanitary seal <input type="checkbox"/> Raw water sample tap <input type="checkbox"/> Raw water sample tap Access: Easily accessible. Access is not restricted. Notes: Well has been air-gapped/physically disconnected from the system.	37°08'59.1"N 122°09'05.7"W



Well 5	Unknown	Installation Date: Unknown Water Level: Unknown Well Depth: Unknown Casing Type/Diameter: Unknown Pump Motor Type: Unknown Pumping Capacity: Unknown	<input type="checkbox"/> Site secured/gated <input type="checkbox"/> Adequate slab <input type="checkbox"/> Air vent <input type="checkbox"/> Meter <input type="checkbox"/> Sanitary seal <input type="checkbox"/> Raw water sample tap Access: Unable to locate/assess well during site visit. BBWC is unsure of the exact location. Notes: Horizontal well under the influence of surface water. According to the 2018 San Jose Water Company Engineering Assessment and Acquisition Recommendation Report, Well 5 directly served the Moores without chlorination. ⁷ It is unclear whether Well 5 is still connected to the system or if it was properly abandoned or destroyed as its location and status are unknown. Further investigation is needed to ensure it does not pose a contamination risk to the system.	Possible location = 37°08'54.7"N 122°10'13.2"W
Jamison Spring Intake	Active	Raw water diversions on Jamison Creek	Notes: Currently, being diverted into a 1,000 gallon plastic storage tank and the open-air reservoir adjacent to Jamison Tank. No treatment plant on site. BBWC is not sure how the water is being used but is not actively treating or distributing it.	37°08'53.1"N 122°10'09.7"W
Corvin Creek Intake	Inactive	Raw water diversion on Corvin Creek	Notes: Destroyed during the fire.	Possible location = 37°08'20.7"N 122°10'06.8"W

⁷ San Jose Water Company. Big Basin Water Company – Engineering Assessment & Acquisition Recommendation, 2018.



1. Is the current water production capacity sufficient to meet current and future demands?

The current groundwater production is not sufficient to meet current and future demands. In its 2021 assessment of the BBWC, the California State Water Board noted that BBWC cannot meet the 10-year maximum day demand of 0.62 MGD (recorded in 2012) with its available source capacity of 0.104 MGD from Well 4. As of 2024, Well 4's production ranges from 0.288 MGD to 0.4 MGD, which, while improved, still falls short of the 10-year maximum day demand of 0.62 MGD. This production gap, coupled with the continued need for supplemental water from San Lorenzo Valley Water District (SLVWD), indicates that the system's current demand still exceeds BBWC's existing supplies.

2. Is the quantity of the source sustainable? Does the capacity/flow of the ground water source vary? If so, how does the water system meet demand during those periods?

The quantity of the source is not sustainable. Well 4's capacity varies significantly (200-280 gpm observed during site visits), and Well 2 has a limited capacity of 18 gpm. During periods of low production or high usage, the system relies heavily on the SLVWD interconnection to meet demand. This reliance on a single main well and an interconnection demonstrates the system's vulnerability.

3. Does the water system have plans or procedures to respond to variations in their source water supplies?

The system does not have formal plans to address source water variations. Currently, the primary response is to purchase water from SLVWD and encourage customers to implement conservation measures. In its 2021 sanitary survey, the California State Water Board identified this lack of preparation as a significant deficiency and required BBWC to develop comprehensive plans for water supply emergencies and power outages.

4. Has the water system had to increase pumping depths in their wells or drill deeper wells? Have any wells gone dry?

No. The Receiver is currently prioritizing other critical upgrades to ensure that the system remains operational and that supplemental supplies are being provided by SLVWD.

5. Does the water system track or have data regarding aquifer levels, recharge areas and related information for its source(s)?

BBWC does not currently track or have data regarding aquifer levels, recharge areas, and related information for its sources.

6. Does the water system have an operational master meter to measure production?

Yes. All active wells have meters, and the connection to SLVWD is metered, allowing for production monitoring.



7. Alternate/Emergency Source(s)

a. Does the water system have redundant sources?

No. Well 2 (mostly inactive) and Well 1 (inactive, disconnected) provide minimal redundancy. Current redundancy is provided by the interconnection to SLVWD.

b. Does the water system have interconnections with neighboring water systems or a contingency plan for water outages?

One active interconnection with SLVWD serves as the primary backup source.

c. Are there constraints or limits on reserve or alternate sources (e.g., permits, water rights, hydraulic limitations, costs)?

The interconnection with SLVWD presents significant cost constraints, with a cost of \$12.66 per hundred cubic feet, compared to \$5.33 per hundred cubic feet for water from the BBWC system. Additionally, there is no formal agreement with SLVWD regarding the provision of water that establishes clear terms and conditions.

d. Does the system monitor and maintain alternate/emergency supplies (e.g., intakes, valves, pumps, consecutive connections) to assure good operational conditions?

Yes, the water system has several measures in place for managing alternate and emergency supplies related to its water sources:

- A rented Whisperwatt diesel-powered AC generator is installed at the main well, Well 4, ensuring continued operation of the primary water source during power outages.
- An interconnection with SLVWD serves as an alternate water source during periods of high demand or low well production. This intertie has been upgraded with a timer, VFD, and improvements to electrical and plumbing systems at the intertie pump station to enhance its reliability and efficiency. BBWC is also collaborating with SLVWD to evaluate the possibility of increasing the capacity of the intertie.
- The system is integrating most of its critical assets, including well operations, into a Supervisory Control and Data Acquisition (SCADA) system. This upgrade will enhance real-time monitoring capabilities for the water sources.

Quality

1. Is the well in a confined or unconfined aquifer?

Unknown. Well 4 is in the Santa Margarita Groundwater Basin.



- 2. Is the well site subject to flooding?** No. According to the Federal Emergency Management Agency (FEMA) Flood Map Service Center⁸, BBWC's service area is designated as an "Area of Minimal Flood Hazard. " This classification suggests that the location has a very low risk of flooding based on FEMA's analysis.
- 3. Is the well site subject to wildfires or other natural hazards?**
Yes. The BBWC well site is in a "Very High" Fire Hazard Severity Zone⁹, indicating a significant risk of wildfire due to extreme conditions such as dense vegetation, challenging terrain, and high likelihood of intense wildfires.
- 4. Is the well(s) located near any immediate or PSOCs (Potential Source of Contamination)?**
Based on a visual inspection of the sites, the wells are not located near any immediate or PSOCs.
- 5. Are there any other contamination sources?** No known additional contamination sources have been identified. However, well 5's status as a GUDI (Groundwater Under the Direct Influence of Surface Water) well inherently suggests a higher potential for contamination from surface influences. This horizontal well is potentially located at 37°08'54.7"N 122°10'13.2"W, though its exact position remains uncertain. In addition, raw water from Jamison Creek is currently diverted into a 1,000-gallon plastic storage tank with no treatment plant on site, and BBWC is unsure how the water is being used.
- 6. Is there a Well Head Protection Program in place?** No.
- 7. Is there a driller's log available?** Driller's log was not provided by BBWC.
- 8. How often is drawdown measured?** Drawdown is not measured.
- 9. Has there been any decline in water quality or quantity over time?** According to BBWC, there has not been any decline in water quality, and the system is not exceeding any Maximum Contaminant Levels (MCLs). It is unknown if there has been a decline in water quantity since production records are not available.

⁸ FEMA Flood Map Service Center

https://msc.fema.gov/arcgis/rest/directories/arcgisjobs/nfhl_print/mscprintb_gpserver/jb33d15cb3ca346079817f8ee7b24c660/scratch/FIRMETTE_e1eccf2b-a388-4fcb-82c8-04c79e237c10.pdf

⁹ Office of the State Fire Marshal. (n.d.). Fire Hazard Severity Zones. California Department of Forestry and Fire Protection. Retrieved August 27, 2024, from <https://osfm.fire.ca.gov/what-we-do/community-wildfire-preparedness-and-mitigation/fire-hazard-severity-zones>



Treatment

After the CZU Complex fire, Big Basin Water Company switched from treating surface water to using only groundwater and purchased finished water from the San Lorenzo Valley Water District (SLVWD).

Currently, BBWC does not have a treatment plant. The Jamison Water Treatment Plant, a surface water treatment facility located at 37°08'55.1"N 122°10'04.1"W, burned during the CZU Lightning Complex fire in 2020 and no longer exists. The system's only treatment now consists of disinfection with sodium hypochlorite at Well 4.

Chemical Feed Systems

Table 7. Treatment

Type	Status	Description	Condition	Location
Sodium hypochlorite chemical feed system	Active	Installation date: 2020	Good. Includes sodium hypochlorite solution, container, feed pump, flow meter.	37°08'18.4"N 122°09'30.6"W (injection point near intake of well 4 tank)

- 1. Does the PWS have adequate process control monitoring and testing procedures?** Yes. The chlorine feed system is monitored via SCADA.
- 2. What is the condition of the chemical feed equipment?** The equipment is in good condition.
- 3. Does the operator routinely calibrate the chemical feed equipment?** Yes.
- 4. Are instrumentation and controls for the process adequate, operational, and used?** Yes.
- 5. Is chemical storage adequate and safe?** Yes.
- 6. Is any outside chemical storage protected?** N/A. Sodium hypochlorite containers kept in the shed.
- 7. Do daily operating records reflect chemical dosages and total quantities used?** Yes. The operator keeps a log of dosage and total quantities used.
- 8. Is the chemical feed system tied to flow (i.e., flow-paced)?** Yes. The chemical feed pump turns on when the well pump turns on.



9. **Is there appropriate safety equipment (e.g., cartridge respirator for calcium hypochlorite) and PPE (e.g., goggles and gloves) available and in use? Do operators have the training needed to use the safety equipment?** Yes. The contracted operator maintains the necessary SDS and has the appropriate safety equipment and personal protective equipment (PPE) available for use.
10. **Is the building as clean and dry as possible?** Yes.
11. **Are all chemicals labeled and listed as NSF or UL approved for drinking water?** Yes. The sodium hypochlorite solution used conforms to ANSI/NSF Standard 60.
12. **Is a sufficient quantity of chemicals stored on site for regular use?** Yes.

Disinfection Methods

1. **Can the operator answer basic questions about the specifics of their disinfection process? Do they know when and where disinfection occurs and why they are dosing at particular sites?** Yes.
2. **Have there been any interruptions in disinfection? If so, why?** No.
3. **Are spare chemical feed pumps and repair kits available?** No.
4. **How is disinfectant residual measured and recorded?** On SCADA.
5. **Is test equipment maintained and are reagents replaced?** Yes.
6. **Is a proper residual entering the distribution system at all times?** Per the operator, yes.

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Finished Water Storage Components

1. Inventory

Table 8. Storage Tanks

Tank Name	Status	Description	Condition	Location
Well 4 Tank	Active	Material: Steel Installation Date: Unknown Capacity (gallons): 84,000 gallons, Elevation is 216.5m. Controls: On SCADA, RTU (can see level & see the amp readings on all the pumps, can control the booster pumps – they alternate)	<input checked="" type="checkbox"/> Site secured/gated <input checked="" type="checkbox"/> Adequate foundation <input type="checkbox"/> Air vent <input checked="" type="checkbox"/> Overflow pipe <input checked="" type="checkbox"/> Drainpipe <input checked="" type="checkbox"/> Access hatch <input checked="" type="checkbox"/> Water level indicator Access: Not easily accessible. Hard drive uphill. Notes: The well 4 tank is fenced in, but the fencing is not fully enclosed. Fed by well 4 and well 2. The well 4 tank does not gravity feed down. Two booster pumps are used to provide the necessary pressure to move water from the tank to the distribution system. The overflow pipe is covered in riprap making it difficult to determine if it is screened or equipped with a flapper gate to prevent critters, animals and debris from entering the tank.	37°08'18.4"N 122°09'30.6"W
Jamison Tank	Active	Material: Steel Installation Date: Unknown Capacity (gallons): 210,000 gallons Controls: On SCADA (controls just to check levels in telemetry with wells)	<input checked="" type="checkbox"/> Site secured/gated <input checked="" type="checkbox"/> Adequate foundation <input checked="" type="checkbox"/> Air vent <input type="checkbox"/> Overflow pipe <input checked="" type="checkbox"/> Drainpipe <input type="checkbox"/> Access hatch <input checked="" type="checkbox"/> Water level indicator (on SCADA) Access: Easily accessible. Notes: The tank does not have an overflow pipe and a hatch. No visual signs of damage. The tank sits on concrete slab. The storage tank is equipped with air vents on the sides of the tank rather than on the roof. Vents are covered by large screens but it is unclear if there is a finer mesh screen inside the larger screen.	37°08'54.9"N 122°10'04.7"W
Galleon Tank (also known as Tradewinds tank)	Active	Material: Steel Installation Date: Unknown Capacity (gallons): 325,000 gallons Controls: RTU installed on Tradewinds transfer pump (put in controller) – based on the level of the tank)	<input checked="" type="checkbox"/> Site secured/gated <input checked="" type="checkbox"/> Adequate foundation <input checked="" type="checkbox"/> Air vent <input checked="" type="checkbox"/> Overflow pipe <input checked="" type="checkbox"/> Drainpipe <input checked="" type="checkbox"/> Access hatch <input checked="" type="checkbox"/> Water level indicator Access: Site is not gated but the storage tank ladder is locked. Notes: The tank overflows into a customer's yard.	37°08'59.7"N 122°09'05.8"W



Robinhood Tank	Active	Material: Steel Installation Date: ~2012 Capacity (gallons): 10,000 gallons Controls: Not on SCADA. On timer.	<input type="checkbox"/> Site secured/gated <input checked="" type="checkbox"/> Adequate foundation <input checked="" type="checkbox"/> Air vent <input checked="" type="checkbox"/> Overflow pipe (flapper gate) <input type="checkbox"/> Drainpipe <input checked="" type="checkbox"/> Access hatch <input type="checkbox"/> Water level indicator Access: Access is not restricted. Notes: No drain. No visual water level indicator and not on SCADA. On timer. Some rusting on overflow pipe.	37°10'02.9"N 122°09'06.0"W
Camino Verde Tank	Active	Material: Plastic Installation Date: Unknown. New – post 2020. Capacity (gallons): 5,000 gallons Controls: Not on SCADA. On timer.	<input type="checkbox"/> Site secured/gated <input type="checkbox"/> Adequate foundation <input checked="" type="checkbox"/> Air vent <input type="checkbox"/> Overflow pipe <input type="checkbox"/> Drainpipe <input checked="" type="checkbox"/> Access hatch <input type="checkbox"/> Water level indicator Access: Access not restricted. Notes: Old tank was destroyed during fire and was replaced with a 5,000-gallon plastic storage tank. The plastic tank does not have an overflow pipe, a drainpipe, or a water level indicator.	37°10'05.0"N 122°09'29.8"W
Oberst Tank	Active	Material: Plastic Installation Date: 2024 Capacity (gallons): 5,000 gallons Controls: Not on SCADA – no automation. On timer.	<input type="checkbox"/> Site secured/gated <input checked="" type="checkbox"/> Adequate foundation <input checked="" type="checkbox"/> Air vent <input type="checkbox"/> Overflow pipe <input type="checkbox"/> Drainpipe <input checked="" type="checkbox"/> Access hatch <input checked="" type="checkbox"/> Water level indicator Access: Access not restricted Notes: During the site visit, the Oberst tank was a steel tank with multiple leaks and signs of corrosion. This steel tank has since been replaced with a new plastic tank.	37°10'05.0"N 122°10'20.2"W
Rosita Tank	Active	Material: Plastic Installation Date: 2024 Capacity (gallons): 4,000 gallons Controls: Not on SCADA – no automation. On timer.	<input checked="" type="checkbox"/> Site secured/gated <input checked="" type="checkbox"/> Adequate foundation <input checked="" type="checkbox"/> Air vent <input type="checkbox"/> Overflow pipe <input type="checkbox"/> Drainpipe <input checked="" type="checkbox"/> Access hatch <input type="checkbox"/> Water level indicator Access: Site is fenced Notes: Old tank was destroyed during fire and was replaced with a 4,000-gallon plastic storage tank. The plastic tank does not have an overflow pipe, a drainpipe, or a water level indicator.	37° 10' 21.3" N 122° 9' 43.1" W
Hill House Tank	Destroyed during fire	N/A	Notes: The Hill House tank was destroyed in the fire. At the time of the site visit in April 2024, there were two customer-supplied plastic tanks at the previous Hill House tank location. There is a concern about potential cross-connection issues with these tanks, along with the presence of multiple customer wells, bladder tanks, and plastic storage tanks in the area.	37°10'20.0"N 122°09'30.5"W
Everest Tank	Destroyed during fire	N/A	Notes: The tank was destroyed in the fire, and some customers in the Everest Pressure Zone are using their own plastic storage tanks and bladder tanks, which could potentially create a cross-connection issue.	37°09'34.3"N 122°10'00.8"W



Bloom Grade Tank	Burned	N/A	Notes: The tank was damaged in the fire and remains on-site. A customer's plastic tank is located at the tank site, which could potentially create a cross-connection issue.	37°09'39.4"N 122°10'32.1"W
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2. Is the storage capacity adequate? Is the storage over-sized?

California does not have specific storage capacity requirements for water systems. However, based on the U.S. Geological Survey's reported national average of 82 gallons per capita per day (gpcd) for public-supplied domestic water use in 2015, we can approximate daily demand using this per capita rate. For BBWC, with an estimated population of approximately 1,120 people, the total daily water demand would be approximately 91,840 gallons. To estimate peak daily demand, applying a common peak factor of 2.0 results in a peak daily demand of 183,680 gallons per day. BBWC has a total storage capacity of 639,000 gallons. Given this information, the current storage capacity is adequate to meet the peak daily demands of the system.

3. Is there protection from natural hazard (fire, flooding, etc.) for the tank sites? No. See section of fire safety and action plan.

4. Does the system have cathodic protection? BBWC does not have any cathodic protection for the tanks.

5. Are the elevations of the tanks sufficient to maintain pressure throughout the distribution system? Yes, the elevation of the tanks are generally sufficient to maintain pressure throughout the distribution system. For tanks where elevation may be insufficient, booster pumps are utilized to ensure adequate pressure delivery (e.g., well 4 tank).

6. Controls

- a. **Are there adequate settings for tank operating levels?** Yes, most tanks are equipped with telemetry systems that interface with well pumps or pump stations. Additionally, many tanks are monitored through SCADA systems.
- b. **Are emergency procedures established (low/high level alarm...)?** No.

7. Can the tank(s) be isolated? Are there procedures to sustain the water supply when the storage tank(s) is/are out of service for maintenance? Yes.

8. Is there a cleaning, inspection, and maintenance program? No. Currently, BBWC is focused on maintaining basic functionality of the system. Its primary efforts are directed towards keeping essential components operational and gradually replacing damaged or compromised storage tanks as resources allow. A formal cleaning, inspection, and maintenance program has not been established because of the ongoing recovery efforts from the fire damage.



Pressure

1. Inventory

Table 9. Pump Stations

Pump Station Name	Status	Description	Condition	Location
Galleon Pump Station	Active	Installation Date: Unknown Equipment: One 50 HP booster pump Operation: On SCADA	<input checked="" type="checkbox"/> Site secured/gated <input checked="" type="checkbox"/> Pressure gauge <input checked="" type="checkbox"/> Can be isolated/bypassed for repairs/replacements Note: The pump is housed in a locked building, although there are openings in the roof and other areas. No redundancy with just one 50 HP pump, which was old and had caused a major leak. The pump is oversized for its application, has a leak of 5 gpm, and generates frequent customer calls regarding the leak. This pump boosts water to the Galleon/Tradewinds Tank, serving approximately 50 connections.	37°09'09.2"N 122°09'24.8"W
Galleon PSI System (also known as Galleon Heights Transfer Station or Tradewinds Transfer Station)	Active	Installation Date: Pressure tanks installed in 1975. Booster pump installation date is unknown. Equipment: One 10HP booster pump, two Bladder tanks Operation: On SCADA	<input checked="" type="checkbox"/> Site secured/gated Pressure Tanks: <input checked="" type="checkbox"/> Pressure gauge <input type="checkbox"/> Pressure relief valve <input type="checkbox"/> Operational water level gauge <input checked="" type="checkbox"/> Equipped with a drain <input checked="" type="checkbox"/> Can be isolated/bypassed for repairs/replacements Note: The system is housed in a locked, old building with holes on the sides. It includes a Winco generator that has been refurbished and automatically starts when needed. Big Basin Water Company (BBWC) maintains a full diesel tank for the generator. BBWC has rehabilitated the transfer station, including the installation of a new pump motor and VFD.	37°08'59.1"N 122°09'05.6"W



Rosita Pump Station	Active	Installation Date: Unknown Equipment: One booster pump Operation: Not on SCADA	<input checked="" type="checkbox"/> Site secured/gated <input checked="" type="checkbox"/> Pressure gauge <input checked="" type="checkbox"/> Can be isolated/bypassed for repairs/replacements Note: The Rosita Pump Station is situated inside a small pump house and is equipped with one booster pump. The electrical system is also very old. Currently, there is a significant leak from the valve. Following the damage when the bridge washed out in 2023, the line leading from the pump has been temporarily replaced with an unsecured plastic pipe that is suspended and spans the bridge. This pipe reduces in diameter from 6 inches to 3 inches, then to 2 inches, before expanding back to 6 inches. The pipe is undersized and may not meet the necessary requirements for fire protection. The pump station serves approximately 15 homes and supplies water to the Rosita Tank.	37°10'22.3"N 122°09'58.9"W
Robinhood Pump Station	Active	Installation Date: Unknown Equipment: One 50HP booster pump Operation: On Timer	<input checked="" type="checkbox"/> Site secured/gated <input checked="" type="checkbox"/> Pressure gauge <input checked="" type="checkbox"/> Can be isolated/bypassed for repairs/replacements Note: The pump and electrical systems are housed in the pump house and appear to be in good condition. This station supplies water to the Robinhood tank.	37°09'35.6"N 122°09'18.1"W
Bloom Grade Pump Station	Active	Installation Date: Unknown Equipment: One 50 HP booster pump Operation: On Timer	<input checked="" type="checkbox"/> Site secured/gated <input checked="" type="checkbox"/> Pressure gauge <input checked="" type="checkbox"/> Can be isolated/bypassed for repairs/replacements Note: The Bloom Grade pump station consists of one 50 HP booster pump housed in a small wooden shed. The pump appears to be quite old. The Bloom Grade pump station serves three connections in the Bloom Grade zone.	37°09'25.0"N 122°10'07.7"W
Camino Verde & Hill House Pump Station (also known as pump house #3)	Active	Installation Date: Unknown Equipment: Two booster pumps Operation: On Timer	<input checked="" type="checkbox"/> Site secured/gated <input checked="" type="checkbox"/> Pressure gauge <input checked="" type="checkbox"/> Can be isolated/bypassed for repairs/replacements Note: The pump station consists of two booster pumps housed in a small wooden pump house. One pump serves the Hill House zone (currently out of commission following the fire) while the other pump supplies the Camino Verde Tank. The system operates on a timer. The pump serving the Camino Verde tank appears to be quite old.	37°10'05.4"N 122°09'42.8"W



Oberst Pump Station	Active	Installation Date: Unknown Equipment: One booster pump Operation: On Timer	<input checked="" type="checkbox"/> Site secured/gated <input checked="" type="checkbox"/> Pressure gauge <input checked="" type="checkbox"/> Can be isolated/bypassed for repairs/replacements Note: The Oberst Pump Station consists of one booster pump that is located on a customer's property. An old wooden shed/pump house with a damaged pump remains on site, while the new pump is positioned nearby. The pump is not secured and is covered with a plastic container. The pump station predates the customer's property, and there is a prescription easement according to Jim Moore. Electricity is supplied by the customer, and BBWC is exploring submetering to facilitate reimbursement. The pump serves both the Oberst Tank and customers. The line from the pump station is a 2" suspended line crossing boulder creek.	37°10'04.4"N 122°10'00.8"W
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2. Does the system maintain adequate operational records for pumping facilities? No. BBWC is rebuilding operational records for pumping facilities. All previous records were lost during the fire.

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Distribution System

Components

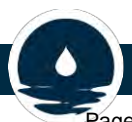
- 1. Does the water system have an inventory of pipe materials used?** No, the water system does not currently have a complete inventory of pipe materials. Big Basin Water Company is in the process of recreating these records.
- 2. Are there materials of concern such as lead service lines, wood pipe, unlined cast iron, thin wall PVC, pipe not approved for potable water use?** Unknown. Currently, BBWC is working on completing 20% of its materials inventory.
- 3. Are there any lead goosenecks still in place and used for service connections? If yes, how many? Are there plans to remove these? If yes, by what date?** Unknown.
- 4. Is there a water main replacement program?** No.
- 5. Does the water system meter all service connections?** BBWC is currently mapping and checking all meters. As of May 2024, 330 meters had been assessed. The Receiver plans to locate and evaluate an additional 200 to 350 meters by the end of 2024. There are also issues with incomplete customer records. Four hundred thirty-five (435) accounts have past due balances out of a total of 697 accounts, some of which may be inactive. Additionally, there are problems with unauthorized water use, including illegal tapping and failure to report existing meters.
- 6. Does the water system have a meter calibration and repair/replacement program?**
The water system has made significant progress in developing a meter calibration and repair/replacement program. Approximately 90% of the process has been completed. Efforts have included locating and assessing meters, identifying unauthorized users, and replacing some meters. However, to fully complete the program, a comprehensive meter condition assessment is still needed. Finalizing these steps will ensure accurate billing, effective system management, and the resolution of any remaining meter-related issues.
- 7. How old are the water meters? Does the water system replace water meters at the frequency recommended by primacy agency or AWWA standards?**
The age of the water meters varies. The water system is currently assessing and replacing meters on an as-needed basis, including those identified as outdated or problematic.
- 8. Is there any point in the water system where pressure drops below primacy agency pressure standards during peak demand or fire response?** Unknown.



9. **Are backflow prevention assemblies installed and tested at each commercial or industrial site where backflow could cause a reduction in water quality?** Boulder Creek Golf and Country Club is the only commercial site being served by BBWC. There are no backflow prevention assemblies at the Country Club. BBWC also serves the Big Basin Wastewater Treatment Plant, an industrial site. Based on visual inspection, it appears that the site does not have any backflow prevention devices. A cross-connection check should be conducted to confirm this observation and ensure proper backflow prevention measures are in place.
10. **Has management or the operator identified distribution system problem areas on a water system map?** No.
11. **Does the water system provide bulk water stations? How are they monitored and controlled?** No.

Operations & Maintenance

1. **Does management record and analyze customer water quality complaints?** Not at the moment. The Receiver is currently focused on stabilizing and maintaining the system's operations following the fire, with priority given to essential services.
2. **If the water system is fully metered, what is the percentage of total water produced that is non-revenue water?** BBWC is currently in the process of geotagging and assessing the condition of all meters. To date, 330 meters have been located and assessed. An estimated additional 200 to 350 meters have yet to be tagged and evaluated. BBWC is also discovering unauthorized connections. As a result, the percentage of total water produced that is non-revenue water is not yet determined, but likely significant. This assessment is ongoing. Detailed data will be available after the meter evaluation and identification of unauthorized connections have been completed.
3. **Does the water system experience significant water loss/leakage?** Yes, the distribution system experiences significant water loss and leakage. Although the exact extent of the loss has not yet been determined, BBWC continues to discover leaks throughout the distribution system. Efforts to identify and address these issues are ongoing as part of the recovery and assessment process.
4. **Is the water system managing water loss and supply efficiently?** BBWC is prioritizing keeping the system operational. Currently, efforts to manage water loss and supply efficiency are secondary to maintaining system functionality.



5. **Has the system implemented a leak detection program, including data collection and analysis?** No.
6. **Has the water system completed any water loss studies? If so, what is the water system doing in response to the findings?** No.
7. **What is the frequency of main breaks?** BBWC experiences frequent line breaks, most of which are minor. There have been a handful of significant main breaks since the Receiver was appointed in 2023.
8. **Are the breaks primarily in one area? What type of pipe is involved?** The breaks have not been confined to a specific area. The types of pipes involved mostly include ductile iron (DI) and small one-inch PVC lines.
9. **Is there a line flushing program? Are records maintained of frequency, location, and amount of time required?** No. N/A
10. **Does the system have fire hydrants and is there a fire hydrant flushing program separate from the line flushing program?** Yes, BBWC has fire hydrants, but a fire hydrant flushing program is not currently in place.
11. **Is there a valve inspection and exercising program? Does the system maintain the records?** No.
12. **Does the system experience significant pressure issues?** No.
13. **Does the system stock critical spare parts required to make emergency repairs?** The system does not maintain a dedicated inventory of critical spare parts. However, Cypress keeps essential spare parts on hand/in their trucks to handle emergency repairs promptly.
14. **Can the system make emergency pipeline, mechanical and electrical repairs using in-house resources? Are there written procedures?** Yes, the system can perform emergency repairs using in-house resources, as noted in response #13. However, there are no written procedures for these repairs.
15. **If answer to #14 is no, does the system have contractors on call for emergency repairs (e.g., well, pipeline, mechanical, electrical)?** Yes. Cypress assists BBWC in identifying and contracting specialists for certain emergency mechanical or electrical repairs. Additionally, Cypress oversees and procures the required work.



- 16. Does the water system maintain an updated list of critical customers?** N/A. BBWC primarily serves residential customers, with one commercial connection (Boulder Creek Golf and Country Club) and one industrial connection (the wastewater treatment plant). It is recommended that BBWC develop a contingency plan for the wastewater treatment plant to address potential water outages or emergencies, ensuring uninterrupted operation and compliance.
- 17. Does the water system have a corrosion control program?** No.

Monitoring & Reporting

- 1. Is adequate monitoring in place?** Yes. The water system follows sampling requirements.
- 2. Does the system properly maintain records of the monitoring program?** BBWC records including monitoring plans and samples were destroyed in the fire. Serviam is currently working on rebuilding these monitoring records – records of sampling data starting in 2023 are available.

Cross-Connections

- 1. Does the water system have a written cross-connection control program?**

BBWC does not have a comprehensive cross-connection control program in place. The lack of a comprehensive cross-connection control program means that BBWC:

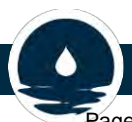
- does not know the location, number, or type of potential cross-connections within their system, including high-risk sites that require backflow prevention, and
- even if backflow prevention assemblies were installed at some locations, there is no system in place to ensure they are regularly tested and maintained.

This is a significant deficiency that needs to be addressed to comply with state regulations (California Code of Regulations, Title 17, §7584).

The loss of records in the fire and the transition to receivership have further complicated the development and implementation of a cross-connection control program.

- 2. Are there any unprotected cross-connections?**

Yes, there are numerous cross-connections. The water system has not conducted a thorough survey to identify potential cross-connection points. This includes a lack of information on residents who have their own wells and storage tanks, which were observed during the site visits. The exact number and locations of these private systems are unknown, posing potential water quality risks to the public water supply.



3. Are backflow prevention assemblies installed and tested at high-risk sites?

No. The water system has no testing or maintenance program in place for backflow preventers. This is largely because they have not identified or documented what devices, if any, exist in their system. A complete inventory of the system's infrastructure and customer connections is needed to identify and address high-risk sites.

4. Does the water system test backflow preventers at treatment plants and other facilities it owns?

BBWC does not have any backflow preventers at its facilities.

5. Does the system have a record-keeping system for backflow preventers?

No, the water system lacks a comprehensive record-keeping system for backflow prevention devices. This includes information on the type, make, model, location, and testing history of installed devices.

6. Is there a designated cross-connection control program coordinator?

The water system has not appointed a qualified cross-connection control program coordinator, as required by state regulations.

7. Does the water system have a program to control the use of fire hydrants?

BBWC does not have a program to control and monitor the use of fire hydrants. Moreover, there is uncertainty about the current inventory and condition of fire hydrants in the system following the fire event. An inventory is underway.

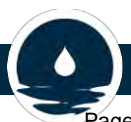
8. Are new services reviewed for cross-connection hazard?

There is no established procedure for reviewing new service connections to identify and address potential cross-connection hazards.

9. Does the water system have a program to control the use of fire hydrants?

No. BBWC does not have a program to control and monitor the use of fire hydrants.

It should be noted that the State's 2024 Drinking Water Needs Assessment lists BBWC as a failing system with risks in the following categories: past presence on the failing list for water quality, source capacity violations, drought and water shortage risk assessment results,



significant technical/managerial/financial capacity deficiencies, and monitoring and reporting violations.¹⁰

Status of State Compliance Items

The table below provides a detailed overview of the current status of State compliance items, as referenced in the Santa Cruz Local Agency Formation Commission (LAFCO) memo, hereafter referred to as the LAFCO memo.¹¹ The table below outlines the specific compliance items and their current statuses, with a particular emphasis on backflow directives.

It is important to note that the violations detailed were issued by the State prior to the appointment of the Receiver. The Receiver's primary focus is on restoring and maintaining operational functionality, though it is working to address critical compliance issues as part of its responsibilities.

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¹⁰ SAFER Dashboard. https://www.waterboards.ca.gov/drinking_water/certlic/drinkingwater/saferdashboard.html

¹¹ Santa Cruz Local Agency Formation Commission. Big Basin Water Company: Governance Options, 2024. <https://santacruzlafco.org/wp-content/uploads/2024/02/Mar-2024-Entire-Agenda-Packet.pdf>

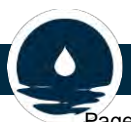


Table 10. Status of State Compliance Items

State Directive	Date	Current Status
State Directive for Backflow Violations: Following the 2018 Sanitary Survey Report, citation No. 02_05_19C was applied due to the system's violation of regulations to prevent backflow. The State Water Board has determined that the Big Basin WC has failed to comply with CHSC, Section 116555(a)(2) and CCR, Title 17, Sections 7584, 7585, and 7605. Follow 12 specific directions to correct violations of backflow regulations.	09/12/2018 10/17/2018	
- Backflow Prevention (1): Submit a plan and schedule to fully implement a cross-connection control program that includes all elements contained in CCR, Title 17, Section 7584.		Not addressed
- Backflow Prevention (2): Provide a copy of Big Basin WC's adopted cross-connection control program operating rules or ordinances approved by the California Public Utilities Commission.		Not addressed
- Backflow Prevention (3): Conduct and document a survey and hazard evaluation to identify water user premises where cross-connections are likely to occur and submit a report summary.		In progress.
- Backflow Prevention (4): Require installation of appropriate backflow protection at locations identified in the cross-connection survey and ensure installations follow CCR standards.		In progress. Big Basin Water Company has contacted the only commercial customer it has, Boulder Creek Golf and Country Club, to discuss the installation of appropriate backflow protection.
- Backflow Prevention (5): Complete annual testing of all backflow preventers for 2019.		Not addressed.



- Backflow Prevention (6): Identify and document the total number of backflow preventers in the service area, including type, make, model, location, and 2019 testing report.		Not addressed.
- Backflow Prevention (7): Provide a written overview of the procedure and system for record keeping, maintenance, and annual testing scheduling and tracking.		Not addressed.
- Backflow Prevention (8): Provide the name and qualifications of Big Basin WC's cross-connection control program coordinator.		Not addressed.
- Backflow Prevention (9): Conduct annual testing of all system backflow preventers and submit annual proof to the Division.		Not addressed.
- Backflow Prevention (10): Send quarterly status updates on progress towards completing directives to the State Water Board.		Not addressed.
- Backflow Prevention (11): Include this violation in the 2018 Consumer Confidence Report, submit a draft for review, and distribute the approved report.		Not addressed.
- Backflow Prevention (12): Complete and return the "Notification of Receipt" form attached to the Citation to confirm receipt and understanding of directives.		Not addressed.
System Outage Prevention: Ensure backup power and submit an outage plan.	10/28-10/29/2019	BBWC has not yet submitted the outage plan. However, the following improvements have been made: <ul style="list-style-type: none"> • Well 4 Site: Installed a rented generator with manual operation.



		<ul style="list-style-type: none"> • Galleon PSI System: BBWC refurbished the generator and installed an automatic transfer switch. Additionally, BBWC has remote access and control at the Galleon PSI System and storage tank (level indication and power failure alerts).
Capacity Deficiency: Obtain a second water source or establish a permanent interconnection with a nearby water system.	4/9/2021	<p>BBWC is actively working on addressing capacity deficiencies through potential consolidation with nearby systems such as SLVWD.</p> <p>In the meantime, BBWC has made several improvements to its existing intertie with SLVWD:</p> <ul style="list-style-type: none"> • The intertie with SLVWD was previously operating at 15 gpm due to an electrical issue. The electrical issue has been resolved, and the intertie is now operating with an estimated flow rate of 60-80 gpm. • BBWC has engaged with SLVWD to explore increasing the flow rate to 100 gpm. A quote for this upgrade has been obtained and is under review.
Galleon Heights Booster Station: Submit a plan for replacing pumps and appurtenances and adding backup power.	6/27/2021 8/19/2021	Partially addressed. Pumps have been replaced.
Regulatory Compliance Obligation: Galleon Heights: Address the \$21,000 fine for failure to comply with directives and pursue consolidation with SLVWD.	Immediate attention required	Not addressed.
Ongoing Issues and Infrastructure Issues: Install backup power at Well 4 and address infrastructure issues highlighted in February 2022 Sanitary Survey Report.		Partially addressed. BBWC has installed a rented Whisperwatt diesel-powered AC generator at Well 4.



Compliance Action Plan: Submit a compliance action plan prepared by a licensed California professional engineer including: proposal to comply with source capacity requirements, schedule for replacing fire-damaged infrastructure, and analysis of financial capacity to complete projects.	June 10, 2021 (extended to July 16, 2021)	Not completed. BBWC has been replacing fire-damaged infrastructure and is working with Moonshot Missions, which is conducting a comprehensive technical, managerial, and financial assessment of the system. This assessment aims to identify options for compliance and sustainable solutions for the Receiver.
Water Contingency Plan: Submit a plan describing how to secure temporary water supply in the event of Well 4 outage or failure. Include feasibility analysis for emergency/permanent interconnection with neighboring system.	May 10, 2021	<p>Addressed. BBWC has established measures to secure a temporary water supply in the event of a Well 4 outage or failure:</p> <ul style="list-style-type: none"> • An intertie with the San Lorenzo Valley Water District (SLVWD) is in place, with increased capacity and no usage limits per the Receiver, providing a reliable backup water supply. • A generator has been installed at Well 4 to ensure continued operation during power outages. • BBWC is purchasing a spare submersible pump and related equipment for Well 4 to minimize downtime and facilitate quick recovery in case of failure. <p>Additionally, a feasibility analysis for an emergency or permanent interconnection with neighboring systems is ongoing.</p>
Operations & Maintenance Plan: Submit a Water System Operations and Maintenance Plan including emergency response procedures, maintenance schedules, flushing procedures, tank inspection/cleaning, main repair	July 10, 2021 (extended to July 16, 2021)	Not addressed.



procedures, valve exercising, meter calibration, and staff qualifications.		
Monthly Progress Reports: Submit monthly progress reports by the 10th of each month showing actions taken to comply with corrective action plans.	Starting April 10, 2021	This requirement was applicable to the owners prior to receivership. At the moment, Serviam is in regular contact with regulators and has been meeting monthly with the California Water Boards, CPUC, Santa Cruz County, DWR, and other relevant agencies to provide updates on progress and improvements in the water and wastewater systems.



Fire Safety and Action Plan

According to the California Department of Forestry and Fire Protection, the Boulder Creek area remains highly susceptible to future fires.⁹ This underscores the urgent need for a comprehensive fire safety and emergency action plan.

To ensure the protection of critical water infrastructure, it is crucial for water systems to adhere to the protocols established by the Boulder Creek Fire Protection District. While the fire department will lead emergency response efforts, water systems must still take proactive steps to prepare and collaborate. Clear communication and coordination with the fire department are essential to ensure that vital resources are protected and can be utilized effectively when needed.

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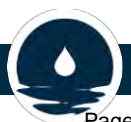
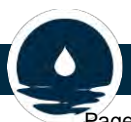


Table 11. Fire Safety and Protection Issues Identified During Moonshot’s April 2024 Site Visit

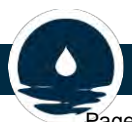
Category	Issues Identified
Accessibility Concerns	<ul style="list-style-type: none">- Well 4 site (main well) is not easily accessible due to a steep, difficult drive uphill, impeding emergency response during a fire.- Several critical infrastructure sites lack proper access roads for fire response vehicles.
Infrastructure Vulnerabilities	<p>1. Lack of Backup Power for Critical Infrastructure:</p> <ul style="list-style-type: none">- Only the Galleon PSI system has a backup emergency power generator. Other pump stations lack backup generators or quick connections to facilitate the rapid deployment of portable generators. This is a critical vulnerability, as the electrical provider may cut off service during a fire, leaving unprotected pump stations inoperable.- The intertie connection to SLVWD does not have emergency backup power. This presents a significant vulnerability, as the intertie could become inoperable during power outages, limiting the system's ability to receive supplementary water from SLVWD when it might be most needed. <p>2. Vulnerable Pump Station Structures:</p> <ul style="list-style-type: none">- Most pump stations are housed in highly flammable wood structures, increasing fire risk.- The Rosita Pump Station supplies customers and fill the Rosta tank via a temporary, unsecured plastic pipe (installed following bridge damage), which could fail during a fire event.- The 2” plastic suspended line from the Oberst Pump Station crosses Boulder Creek and could be at risk of damage during a fire event.- The Oberst Pump Station is inadequately secured, covered only by a plastic container, making it highly vulnerable to fire damage and vandalism. <p>3. Storage Tank Vulnerability:</p> <ul style="list-style-type: none">- Storage tanks, particularly the plastic one, are not adequately shielded against heat. This leaves them susceptible to damage or failure during high-temperature events such as wildfires.
System Capacity and Redundancy Issues	<ul style="list-style-type: none">- Well 4 exhibits fluctuating capacity, which could impact water availability during a fire emergency.
Maintenance and Inspection Deficiencies	<ul style="list-style-type: none">- BBWC does not have a formal cleaning, inspection, and maintenance program for well sites, pump stations, and storage tanks.- BBWC does not have a fire hydrant inspection, flushing and replacement program.- There is no comprehensive inventory of pipe materials, complicating the assessment of system vulnerability to fire-related damage.- BBWC does not have a formal valve inspection and exercising program, which could lead to difficulties in isolating sections during a fire.



These identified issues emphasize the need for both immediate improvements and a comprehensive fire action plan. To address these vulnerabilities, we recommend that BBWC focus on the following enhancements to the water system and develop a detailed fire action plan.

I. Improvements Recommended for the Water System:

1. **Maintain Clear Access Paths:** Ensure that access paths to critical infrastructure are kept clear of obstructions. Implement and maintain clearance zones, such as a 100-foot buffer around wells and storage tanks and a 10-foot radius around fire hydrants, to facilitate easy access for firefighting equipment. Additionally, ensure that there is clear signage for critical infrastructure to aid emergency responders in quickly locating and accessing key components during an emergency. To protect against vandalism, labels should be abstract (e.g., BBWL4) rather than descriptive. This approach helps ensure that while essential details are available to personnel and the fire department, sensitive information remains protected.
2. **Facility Access:** Consider installing Fire District-approved "knox" boxes or "knox" padlocks on all gates or chains blocking access to infrastructure or access roads. Coordinate with the local fire department for approval and proper installation of these access systems.
3. **Upgrade Pump Stations to Fire-Resistant Materials:** Replace existing wooden structures at pump stations with fire-resistant materials such as concrete, steel, or treated wood that meets fire safety standards. Additionally, apply fire-resistant coatings to any remaining wooden elements to enhance their fire resistance.
4. **Conduct Regular Maintenance and Vegetation Management:** Perform routine inspections and maintenance of all infrastructure components. Manage vegetation around these sites by removing flammable materials and maintaining a defensible space to reduce fire risk.
5. **Improve Emergency Generator Deployment and Maintenance:** Equip critical infrastructure, such as pump stations, with backup generators or quick-connect systems and transfer switches to facilitate the rapid deployment of portable generators if needed. Ensure that all existing and new generators, whether temporary or permanent, are regularly maintained, fueled, and tested.
6. **Staff Identification during Emergencies:** Ensure that during an emergency event, all staff members have marked vehicles and carry credentials with the company name, position, and other relevant details. This will help validate their identity and role when operating in an evacuation zone or arriving to support the emergency response as representatives.



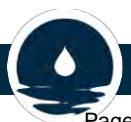
II. Components of an Effective Fire Action Plan:

The following actions outline the necessary components that the fire safety and emergency action plan should include to align with the Boulder Creek Fire Protection District's requirements and enhance overall fire preparedness:

1. **Identify Critical Infrastructure:** Begin by identifying and documenting all key components of the water system, including wells, storage tanks, and fire hydrants. Ensure that their precise locations are accurately recorded and mapped. In addition, clearly label critical infrastructure for internal use and emergency response.
2. **Coordinate with the Boulder Creek Fire Protection District:** Establish clear lines of communication with the Boulder Creek Fire Protection District. Share detailed information about the identified critical infrastructure, including maps and location data, to support their response efforts. This coordination ensures that firefighters have the necessary information to protect and utilize these resources effectively during emergencies.
3. **Emergency Contact Information:** Develop and regularly update a comprehensive list of emergency contacts, including key personnel and the Boulder Creek Fire Protection District. Ensure this information is readily accessible.
4. **Inform/Train Personnel:** Ensure that all relevant personnel are aware of their roles in supporting the fire department's response efforts. Additionally, train personnel annually on the action plan and integrate generator deployment procedures into staff fire preparedness activities. This should include routine drills to ensure readiness and familiarity with both emergency procedures and generator operation.
5. **Record Keeping:** Ensure that the fire action plan is reviewed annually and that documentation of the review is maintained as part of the official records.

Pictures and descriptions from Moonshot's site visits are available in Appendix A.

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MANAGEMENT

System Ownership and Governance

Big Basin Water Company is an investor-owned utility currently under receivership. Prior to the receivership, it was operated by Jim and Shirley Moore. The presence of Serviam by Wright as Receiver and Cypress Water Services as operator is temporary until the Court rules on how to proceed. As an investor-owned utility, Big Basin Water Company does not have a publicly elected board.

Staffing and Organizational Structure

Below are the current and previous organizational structures.

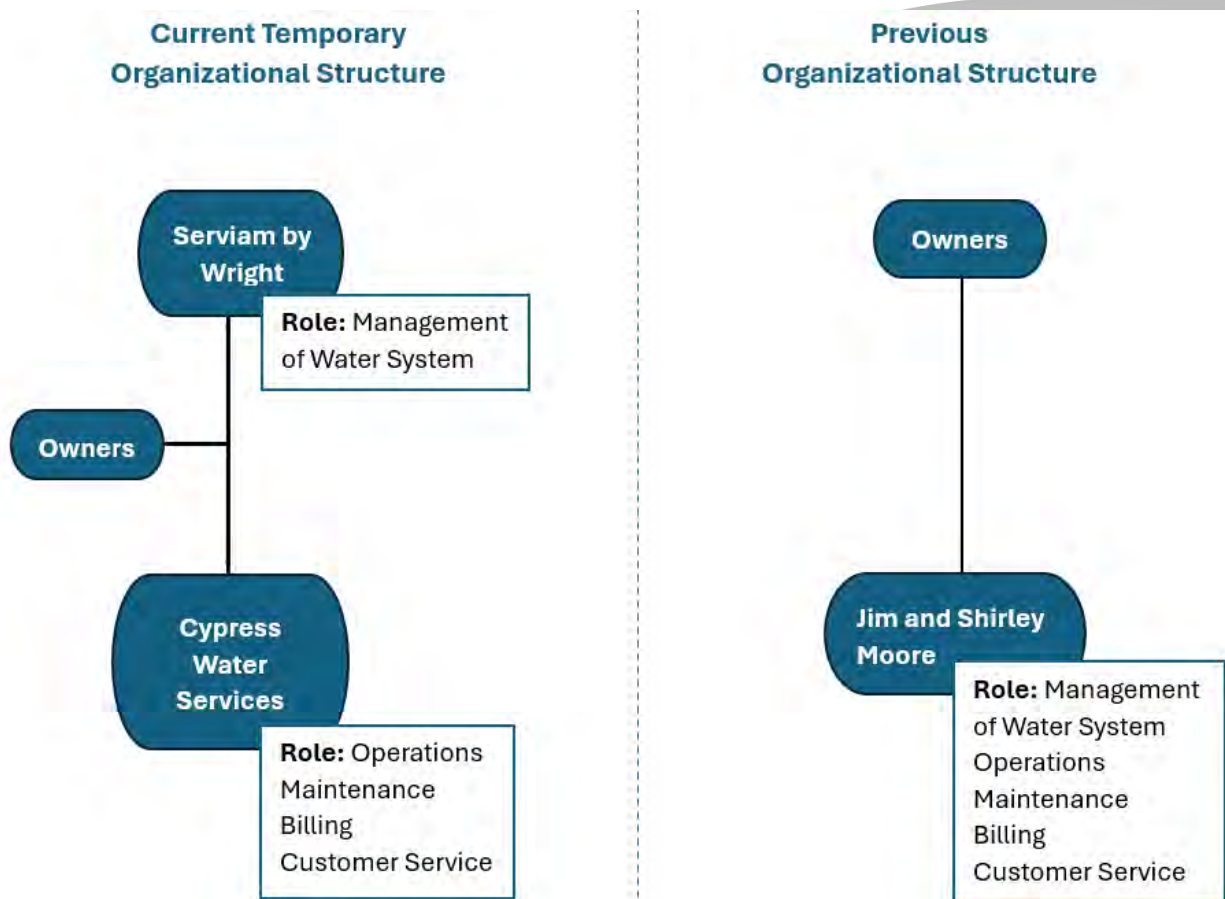
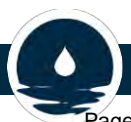


Figure 4. Current and Previous Organizational Charts

Cypress staff have the necessary certifications and adequate expertise to manage day-to-day operations. With a larger staff, they have some redundancies in the event of a staff absence. Previously, BBWC had one or two certified operators on staff.



BBWC currently has no internal staff to provide engineering support, technical/operations assistance, financial management and planning, legal counsel, or communications functions. It has no descriptions of jobs' roles and responsibilities, current succession plan, or workforce development plan.

External Linkages with Customers and Regulatory Bodies

Currently, the Receiver and Operator provide information to customers via bill inserts, the company website, and periodic town hall meetings. BBWC does not have the capacity to publish newsletters or engage with the public via social media. This ability would be helpful in alerting customers to time-sensitive information such as outages or the need to conserve in emergencies. Now customer issues are handled by Cypress or by the Receiver. Both have limited capacity to respond immediately given their roles and responsibilities with management and operations.

Currently, the Receiver interacts regularly with regulators and maintains open lines of communication given the receivership. With the length of time it will require to stabilize all aspects of the system, these open lines of communication are important to continue after the transition. Elected officials have also been part of regular status meetings and their continued engagement will benefit the system as it transitions.

Policies, Records and Plans

Best practices include having a set of formal policies, records and plans to support current and future operations. The following tables indicate which policies, records, and plans BBWC has in place.

Table 12. Policies

Policies	Status	Notes
Connecting to Water Service	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A	
Personnel	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> N/A	
Security	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> N/A	
Formal Rate Structure	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A	
Handling Customer Complaints	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> N/A	
Shutting Off Water Service	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A	

As BBWC transitions in the future, development and adoption of these additional policies will provide a framework to guide consistent practices that set clear expectations, safeguard employees and customers, and promote fair treatment.



Table 13. Records

Records	Status	Notes
Operations and Maintenance Manual	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> N/A	
Critical Documents (electronic and hard copy), including maps, as-built drawings, etc.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A	Critical document records are incomplete
Customer Records	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A	Records are currently incomplete; work in progress
Regulatory Compliance Data	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A	
Data Management Systems for maintenance data	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> N/A	
Operating Parameters such as non-revenue water and cost per unit of production of finished water	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> N/A	

The 2020 fire heavily impacted the water system's recordkeeping. The Moores, as the previous system managers, do not have complete electronic records of important items such as facilities, customers, meter locations and fire hydrant locations. This lack of records hampers both day-to-day operations and future planning. The Receiver has been working with Cypress to create records of facility locations, customer lists, meter information, and other critical data lost in the fire.

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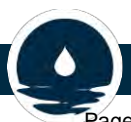


Table 14. Plans

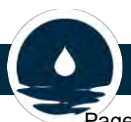
Plans	Status	Notes
Source Protection	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> N/A	
Sampling and Monitoring	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> N/A	
Emergency or Contingency	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A	Water Quality Emergency Notification Plan only
Cross-Connection Control	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> N/A	
Capital Improvement Plan for replacement and any future expansion	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> N/A	
Distribution System Flushing Program	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> N/A	
Asset Management Plan	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> N/A	
Maintenance Plan for scheduling routine preventive maintenance for items such as pumps, meters, and storage tanks	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> N/A	
Outage Plan (California requirement)	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> N/A	

Plans include both near-term and long-term management and operational elements. Maintenance planning can ensure that periodic maintenance tasks are scheduled when needed. Distribution system flushing is a way to address water aging related water quality issues and should be planned as part of all the other day-to-day activities. Capital improvement planning allows a utility to set a schedule and financing strategy for rehabilitating and/or replacing infrastructure. All these items are important to a well-functioning utility with an eye towards sustainable operation in the future.

Other Items

During the assessment, it was discovered that the easements for BBWC infrastructure are all verbal agreements. Industry best practice is to have legally described and recorded easements that are clear and shown on title reports when properties change hands.

As of July 2024, BBWC's insurance has lapsed. It is important to carry current insurance to protect BBWC from liability claims and to allow for the replacement of assets should they be damaged, including in another disaster. The Receiver is currently working to restore insurance coverage.



FINANCE

Budget

BBWC has an annual operating budget for drinking water operations. BBWC regularly operates in deficit. The calculated operating ratio of revenue to expenses in 2022 was 0.92, lower than the 1.0 which indicates breaking even (revenues equal expenses). Looking at data from 2018-2022, both 2021 and 2022 are below 1.0.

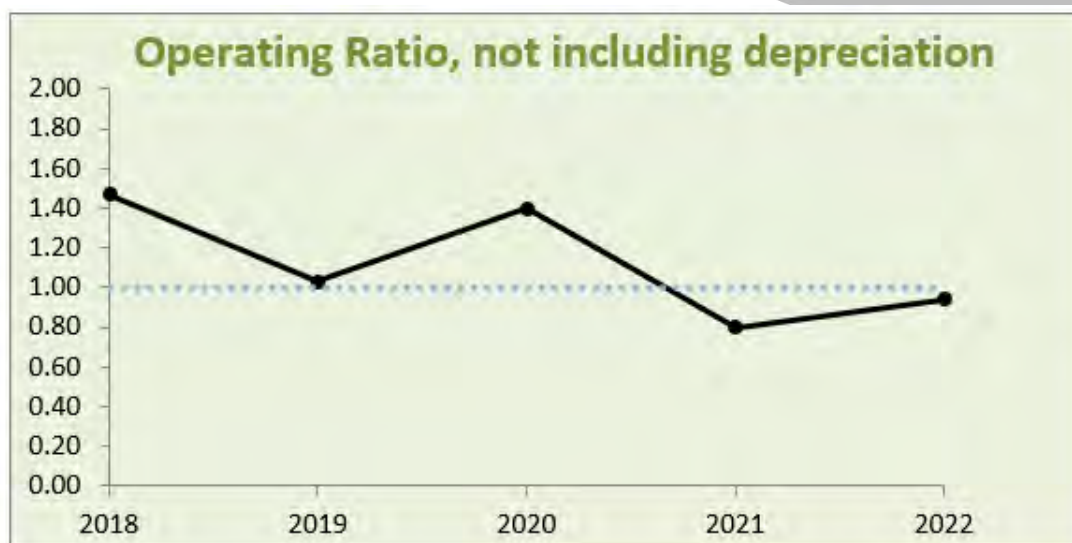


Figure 5. Operating Ratio

In six out of the 13 years from 2009-2022, BBWC was operating in a deficit, according to the financial analysis in the memorandum presented to LAFCO in March 2024.¹¹ The deficits of \$135,928 in 2021 and \$41,245 in 2022 were the largest deficits of the years analyzed. Note that in 2022, administration and general expenses accounted for almost half of BBWC's expenditures, which is significantly higher than most utilities.

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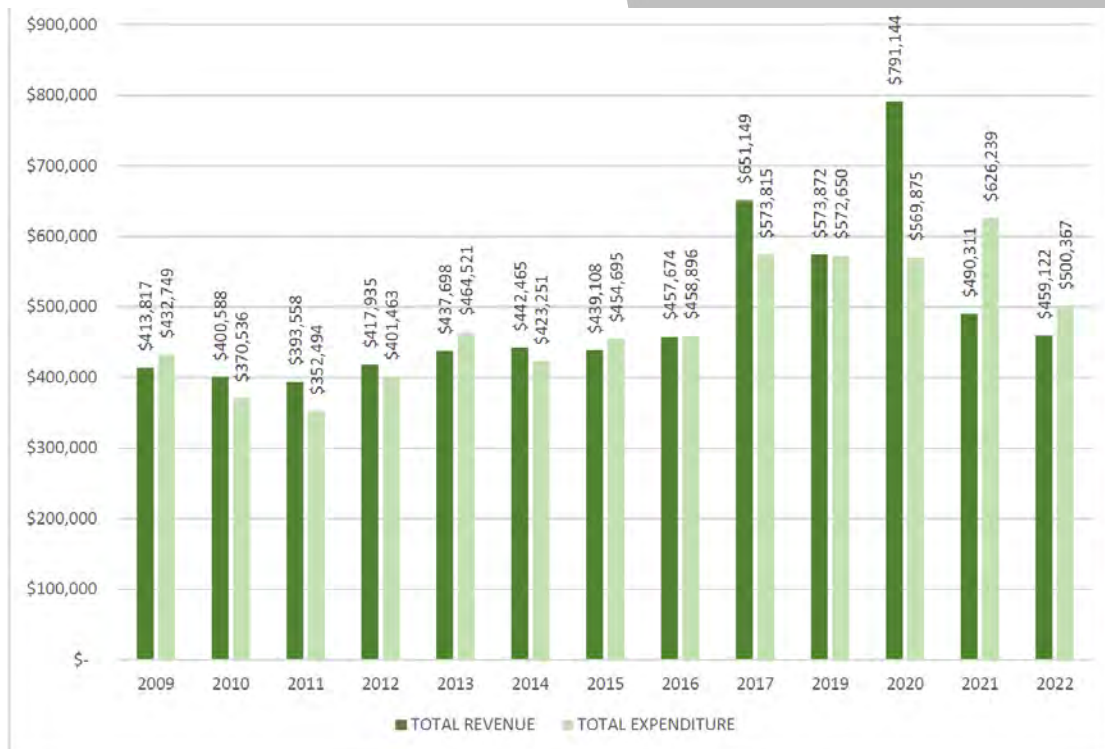
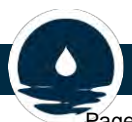


Figure 6. Historic BBWC Revenues and Expenditures¹¹

After the Receiver was appointed, BBWC's expenditures continued to be higher than the revenue. One of the major factors affecting the budget currently is the need to purchase supplemental water supplies from SLVWD. With the loss of the ability to treat the surface water sources because of the fire damage, BBWC draws from Well No. 4 as its primary internal water source. Because Well No. 4 does not produce enough water to meet demand, BBWC must purchase water from SLVWD at a higher rate than it is able to recover from its customers under its current schedule of rates and chargers.

For every hundred cubic feet (CCF) BBWC purchases from SLVWD, BBWC pays \$12.66 while only billing customers \$5.33 per CCF. This means that for every CCF BBWC purchases from SLVWD, BBWC is spending \$7.33 more than it can make. In September 2023 through July 2024, BBWC purchased a monthly average of 1,096 CCF (820,137 gallons) from SLVWD, for a total of 12,060 CCF (9,021,507 gallons). With this volume of water purchased, BBWC spent \$88,400 more from September 2023 through July 2024 than it billed its customers.

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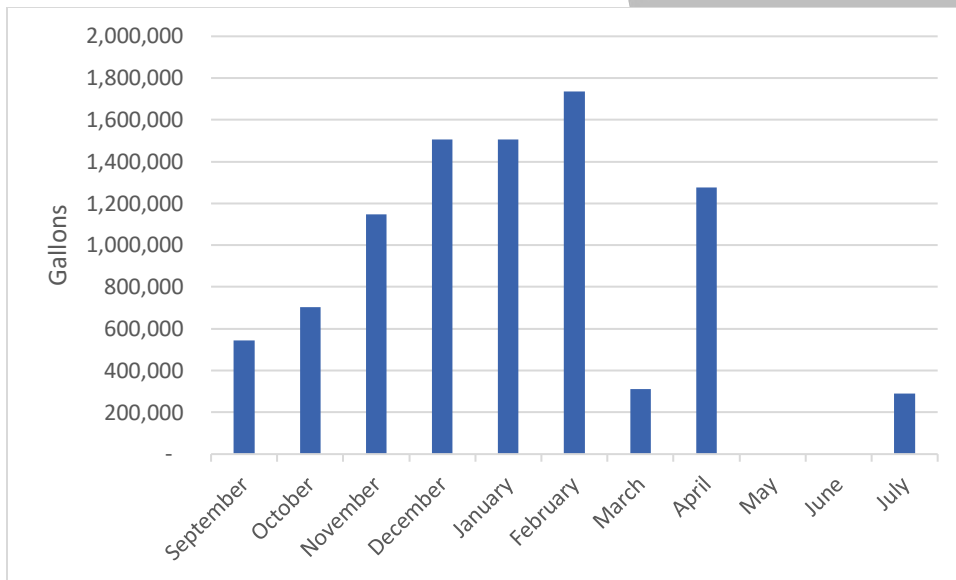


Figure 7. Big Basin Water Purchases from SLVWD

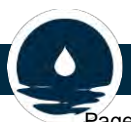
The CZU Lightning Complex Fire had a significant financial impact on BBWC. One major impact was a reduction in revenue from user rates. In 2020, metered water revenue fell from \$517,000 to \$420,000, and in 2021 (the first full year after the fire), it dropped again to \$352,000. Given that 1) a good portion of operating expenses do not vary based on the amount of water produced (staff salaries, etc.) and 2) expenses increased because of items such as needed post-fire repairs, this exacerbated the already precarious financial situation. The insurance payout received in 2020 indicates that the company was underinsured and therefore in a difficult position to replace lost assets.

Currently, the County of Santa Cruz and the State of California have been subsidizing BBWC's operations and maintenance through grant funds in the amount of \$475,000, of which \$395,000 has been expended to date. Stakeholders are aware that this is not a sustainable practice.

BBWC owns significant property that is not actively used for operations. As the Receiver explores potential sale of some of that property to raise revenue, it acknowledges that preserving water rights for future use is important and requested that Moonshot to 1) provide information about the surface water diversion and storage water rights, 2) know if the water rights are in good standing and conditions of a license granted to BBWC have been met, and 3) if the water rights can be retained if the property owned by BBWC is sold and what steps should be taken to preserve the water rights. The memorandum on water rights is available in Appendix B.

Cash on Hand and Reserves

Cash on hand means cash readily available to pay immediate expenses. Best practice is to keep more than 180 days of cash on hand, which is equivalent to roughly six months. This allows for



the difference in timing between when expenses are incurred and when customers remit their payments. In addition, cash on hand also acts as an operating capital cushion for unforeseen circumstances and expenses. In 2022, BBWC had the equivalent of one day of cash on hand and no other capital reserves.

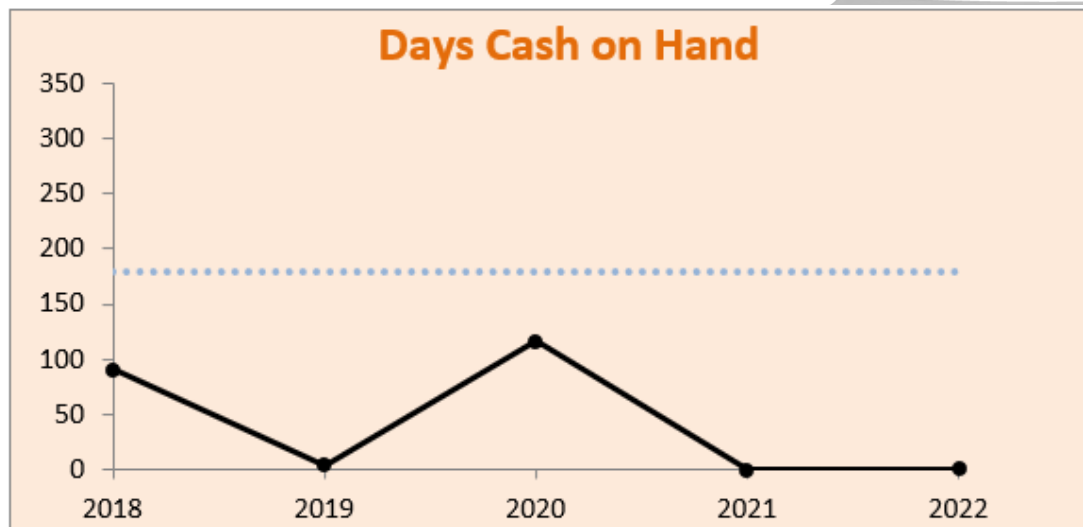


Figure 8. Days of Cash on Hand

Looking back historically using the financial analysis in the LAFCO memo, BBWC had very little cash on hand except for \$180,654 in 2020, which was the year it received an insurance payout, but had significant investments consisting of property adjacent to the reservoir purchased in 2016. It is unclear why not more cash was kept readily available.

Available financial records do not show that BBWC kept any designated reserves. Lack of designated reserves inhibits a utility's ability to respond to emergencies or situations that could benefit from rate stabilization reserves, such as drought, in which demand and therefore user revenues drop. Moreover, industry best practices also call for the establishment of replacement and refurbishment (R&R) reserves for aging infrastructure replacement or significant repairs. The level of R&R reserves is established by preparing an asset management plan that analyzes the condition of aging infrastructure, projects remaining useful life, and calculates the cash requirements needed over time for large capital outlays when infrastructure needs to be rebuilt or replaced. This type of analysis can also inform the setting of rates and charges to incrementally build needed capital reserves over time. This is particularly important for agencies with limited ability to issue debt for large capital projects because their financial metrics (cash on hand, operating and debt service reserves) do not support creditworthiness.

Rates and Affordability/Assistance Program

BBWC's current rates that went into effect in June 2024, when the utility was under receivership, are shown below.



Table 15. BBWC Current Rates

Item	Rate
Quantity Rate per 100 cubic feet (CCF)	\$5.33
Fixed Service Charge per Meter Size per Month	
5/8"	\$53.49
3/4"	\$80.23
1"	\$133.72
1-1/2"	\$267.44
2"	\$427.90
3"	\$802.31
Flat Rate Service	\$117.09
Private Fire Protection Service per Year for each inch of diameter of service connection	\$9.49

It is unclear how often rates have historically been reviewed at BBWC with an eye towards increasing them if necessary, or if a cost-of-service rate analysis has ever been completed. As a Class C investor-owned utility, the California Public Utilities Commission (CPUC) must approve any changes to BBWC rates. A search through the CPUC database shows periodic changes to new user fees and an increase to late payment charges, but the recent general rate cases in 2018 and 2020 were withdrawn. After the Receiver was appointed, the CPUC approved rate increases and BBWC has moved towards charging appropriate rates, however BBWC rates and charges still do not reflect its actual cost of service.

In comparing typical residential bills from neighboring utilities, BBWC ranks sixth out of eight when ranked from highest to lowest rates. A full comparison of local rates is available in Appendix C. BBWC does not have an affordability or assistance program for customers not able to pay their water bills.

Capital Improvement Plan

Although accounting for at least partial depreciation, it is apparent that, to date, BBWC has not invested appropriately in new capital improvements, preventative maintenance and infrastructure R&R. BBWC's backlog of capital improvements was compounded by fire damage.

There is no capital improvement plan in place to identify and plan for long-term needs and financing strategies to meet those needs. Ideally there would be a capital improvement plan based on an asset management plan.

Debt

The BBWC's current debt consists of a Safe Drinking Water Bond Act loan for previous system upgrades to the surface water treatment plant (no longer existing) and the distribution system,



according to the previous management. One measure of a utility's health is its debt service coverage ratio, which measures the utility's ability to pay their debt after paying operating expenses by dividing net operating income by debt service, including principal and interest. In 2022, BBWC had a debt service coverage ratio of -0.45. Best practice recommends a debt service coverage ratio of 1.2 or greater and indeed most financing terms and conditions require a minimum coverage ratio, along with a designated debt service reserve. The graph below shows BBWC's coverage ratio from 2018-2022. Only 2018 and 2020 had ratios above 1.2. In 2020, that ratio was affected by the income from insurance proceeds received after the CZU Lightning Complex Fire.

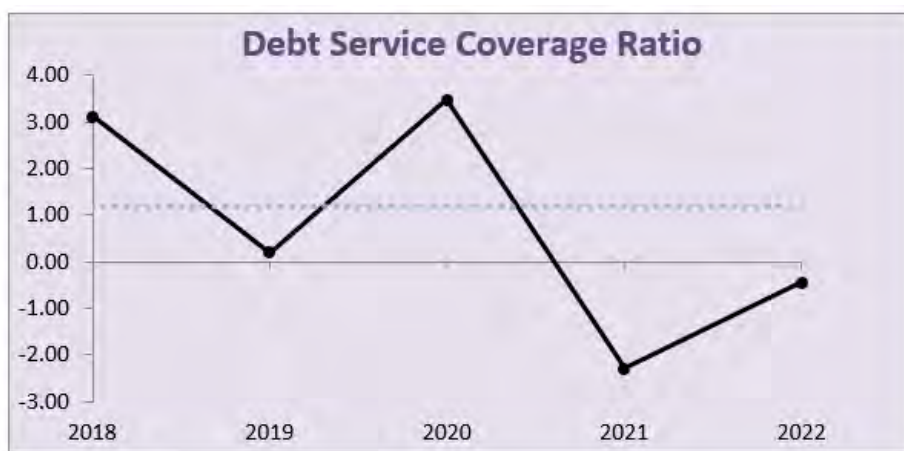


Figure 9. Debt Service Coverage Ratio

Given that current expenses are exceeding revenues without the operating grant provided by the County, the present estimated debt service coverage ratio is less than 1.0.

Financial Controls

BBWC had a local certified public accountant prepare its annual report, which included its financial reporting, for the CPUC. No annual audit was available. BBWC's previous management did not produce any policies regarding financial management, the use of generally accepted accounting principles, or oversight of cash and account management.

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ASSESSMENT SUMMARY

OBSERVATIONS

TECHNICAL:

1. **Water Supply and Infrastructure Challenges**
 - a. The current production capacity from Well 4 fluctuates and is insufficient to meet current and future demands sustainably, necessitating water purchases from SLVWD through an interconnection.
 - b. The intertie with SLVWD operates without a formal agreement and lacks emergency power backup.
 - c. The system lacks adequate source redundancy and a comprehensive Water Supply Emergency Plan.
 - d. Well 5's location and status remain uncertain.
2. **Distribution System Deficiencies**
 - a. The distribution system lacks a comprehensive inventory of pipe materials and a water main replacement program.
 - b. Significant water loss and leakage issues persist without an effective leak detection and repair program.
 - c. Absence of critical maintenance programs, including line flushing, fire hydrant flushing, and valve inspection and exercising.
3. **Storage and Pump Station Inadequacies**
 - a. Lack of SCADA at certain critical pump stations and storage tanks.
 - b. Pump stations are housed in vulnerable structures with aging equipment, and most lack backup power.
 - c. Some storage tanks do not meet regulatory standards, lacking features such as overflow protection, drains, or water level indicators.
4. **Cross-Connection Control and Backflow Prevention Issues**
 - a. No comprehensive cross-connection control program is in place.
 - b. Absence of backflow prevention assemblies at high-risk sites, including the Boulder Creek Country Club and the wastewater treatment plant.
 - c. Potential cross-connection risks where there are customer-supplied tanks, wells, and storage systems.
5. **Operational and Maintenance Protocol Deficiencies**
 - a. Lack of established cleaning, inspection, and maintenance programs for wells, storage tanks, and pump stations.
 - b. Absence of complete operational records.
 - c. Incomplete meter inventory and ongoing challenges with unauthorized water use.
 - d. Incomplete meter assessment, calibration, and replacement program.



- e. BBWC currently lacks a program for controlling and monitoring the use of fire hydrants, as well as a formal condition assessment or replacement program.
- 6. Emergency Preparedness**
 - a. Despite operating in a "Very High" Fire Hazard Severity Zone, BBWC lacks a comprehensive fire safety and action plan.
 - b. Inadequate communication with the local fire department regarding essential water distribution system information.
 - c. Critical infrastructure, including the main well and storage facilities, is situated on difficult, uphill roads that hinder maintenance efforts and timely emergency response.
 - d. Lack of critical spare parts inventory and written procedures for emergency repairs.
- 7. Record-Keeping and Compliance Concerns**
 - a. BBWC's record-keeping and monitoring systems are incomplete.
 - b. Unresolved issues with raw water diversion from Jamison Creek, including uncertainty about its use and lack of treatment.

MANAGERIAL:

- 1. While BBWC currently has sufficient qualified staff for operations through the contracted operator, it lacks sufficient staffing to handle engineering support, technical/operations assistance, financial management and planning, or legal counsel.
- 2. Without staff covering the communications functions, BBWC also is without the ability to proactively communicate on platforms other than the company website and bill inserts.
- 3. BBWC is currently without a full set of policies, records and strategic plans that can support its present day and future operations.
- 4. BBWC lacks recorded easements for its infrastructure located on private properties.
- 5. BBWC lacks current insurance to protect it from liability and the effects of disasters.

FINANCIAL:

- 1. BBWC's current rates are unsustainably low, do not adhere to basic cost-of-service principles, and do not take into account the maintenance and R&R of important infrastructure.
- 2. BBWC does not have a capital improvement plan to guide investment in infrastructure or an asset management plan to project infrastructure R&R needs and costs.
- 3. BBWC's financial situation has a detrimental effect on its ability to finance needed capital improvements.

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RECOMMENDATIONS

The recommendations below are structured to prioritize actions based on their urgency and impact on health, safety, and operational stability. The organization follows these key timelines and priorities:

1. **Short-Term Recommendations (0-1 year):** These actions focus on addressing urgent issues that impact immediate safety and operational stability. They include critical repairs, assessments, and improvements necessary to ensure the water system's functionality and public health in the short term.
2. **Medium-Term Recommendations (1-3 years):** These recommendations aim to enhance system performance and compliance over a slightly longer horizon. They involve implementing programs and upgrades that improve monitoring, maintenance, and operational efficiency.
3. **Long-Term Recommendations (3-5 years or post-consolidation):** These actions are aimed at achieving sustainable improvements and ensuring the water system's future resilience. They include major infrastructure upgrades and strategic initiatives designed to enhance long-term reliability. Some of these actions might be more effectively addressed after potential consolidation or changes in governance, as such transitions could impact priorities and available resources. This may involve re-evaluating priorities, integrating systems, and tackling any new challenges or opportunities that arise from the consolidation or restructuring process.

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Table 16. Short-Term Recommendations

Short-Term Recommendations (0-1 year)		
Priority	Action Item	Notes
1	Locate and assess potential contamination risk from Well 5 (horizontal well under surface water influence).	Immediate action required to ensure it does not pose a contamination risk to the system.
2	Investigate the raw water diversion from Jamison Creek to the 1,000-gallon plastic storage tank. Determine the source and usage of the diverted water, identify affected customers, and take necessary steps to reconnect them to the main treated water system if required.	BBWC is unsure how the water from the creek is being used.
3	Conduct a comprehensive cross-connection survey, which includes: <ul style="list-style-type: none"> - identifying and assessing high-risk sites such as the Country Club and the wastewater treatment plant, as well as - identifying cross-connection issues in the Everest, Bloom Grade and other areas, where customers are using their own wells, storage tanks and bladder tanks. 	Prevents contamination and ensures system integrity.
4	Inspect and ensure Well 4's overflow pipe is properly screened or equipped with a fine mesh screen or flapper gate to prevent contamination.	Prevents critters and other debris from entering tank.
5	Complete fencing around Well 4/Well 4 Tank site for improved security.	Prevents unauthorized access.
6	Improve access road to Well 4 site and other critical infrastructure for better accessibility and emergency response.	Enhances emergency response capabilities. Ensures more efficient and timely access to critical sites.
7	Replace aging pump at Bloom Grade pump station.	Critical for maintaining operational reliability.
8	Confirm disconnection of inactive or fire-damaged infrastructure.	Critical for system integrity and safety.
9	Complete the inventory and assessment of all water meters.	Ensures accurate measurement and billing.
10	Address unauthorized connections and water use.	Prevents revenue loss.



11	Initiate fire hydrant inventory and condition assessment. Replace hydrants as needed.	Ensure functionality and readiness for emergency situations.
12	Develop immediate plan for water provision to disconnected customers (e.g., Hill House).	Ensures emergency provision of water service (e.g., hauling water) while planning for permanent connections.
13	Establish a formal agreement with SLVWD regarding the provision of water.	Establishes clear terms and conditions.
14	Secure access to all facilities such as wells, tanks, pump stations, and chemical storage with measures such as locks and fencing.	Consider programmable locks or Fire District-approved locks where feasible; ensures emergency access.
15	Assess pressure at temporary creek crossings (Rosita and Oberst Pump Stations) and develop an emergency response plan for potential failure of temporary pipes.	Ensures system stability.
16	Redirect Galleon Tank overflow away from customer's property.	Prevents potential damage to customer's property.
17	Develop a fire safety and action plan.	Ensures the protection of critical water infrastructure and enhances overall fire preparedness.
18	Purchase insurance to adequately cover liability or loss.	Protects the utility.
19	If considering selling property, implement a strategy to preserve water rights.	Preserves future options for water supply.
20	Consider another rate increase or other revenue generating actions.	Increases utility's ability to be sustainable financially.

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Table 17. Medium-Term Recommendations

Medium-Term Recommendations (1-3 years)		
Priority	Action Item	Notes
1	Well 4 Investigation and Rehabilitation Conduct a thorough investigation and rehabilitation of Well 4. This should include evaluating the current condition, identifying any potential issues or contaminants, and implementing necessary repairs or upgrades.	Ensures the well's operational efficiency.
2	Based on the cross-connection survey, install and test backflow preventers at high-risk sites.	Prioritize wastewater treatment plant and Country Club.
3	Install testable backflow prevention device at the SLVWD intertie and at all emergency interties (i.e. Bracken Brae and Forest Springs).	Prevents cross-connection.
4	Develop a cross-connection control program: <ul style="list-style-type: none"> - Acquire a cross-connection control program coordinator to oversee and implement the program; - Identify and document all backflow preventers in the service area, including details such as type, make, model, and location; - Establish a system for record-keeping, maintenance, and annual testing of backflow preventers; and - Conduct annual testing of all system backflow preventers to ensure functionality and compliance. 	State requirements and critical for preventing water contamination.
5	Implement meter calibration and replacement program.	Ensures accurate water usage measurement.
6	Connect all critical infrastructure to the SCADA system.	Enhances monitoring capabilities.
7	Implement emergency power solutions for critical infrastructure including the intertie connection to SLVWD and critical pump stations.	Ensures water supply during power outages.
8	Develop and implement a valve inspection and exercising program.	Crucial for system maintenance and fire readiness.
9	Implement a line and fire hydrant flushing program.	Maintaining functionality of hydrants and ensures emergency preparedness.



		Enhances water quality and system efficiency.
10	Develop and implement a Water Supply Emergency Plan.	Crucial for responding to supply disruptions and other emergencies.
12	Develop written procedures for emergency repairs.	Enhances emergency preparedness.
13	Establish a comprehensive record-keeping system, including off-site back-up.	Improves operational efficiency and compliance.
14	Formalize existing easements to protect access in case of future property transfers.	Ensures clarity and continuity.
15	Develop and periodically update formal management policies and plans.	Ensures clear management practices.

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Table 18. Long-Term Recommendations

Long-term Recommendations (3-5 years or post-consolidation)		
Priority	Action Item	Notes
1	Study long-term alternatives for sufficient supply.	Consider surface water treatment plant, increasing well capacity, or drilling new wells.
2	Establish cleaning, inspection, and maintenance programs for wells, tanks, and pump stations.	Enhance system reliability and extend infrastructure lifespan.
3	Upgrade or replace aging pump stations.	Improve reliability and efficiency of water distribution.
4	Upgrade SCADA capability from monitoring to control.	Increases operational efficiency.
5	Develop water main replacement program.	Prioritize areas with frequent breaks.
6	Replace temporary creek crossings (Rosita and Oberst).	Improves long-term system stability.
7	Conduct water audit to quantify and address water losses.	Helps identify and reduce water waste.
8	Implement comprehensive asset management system.	Improves long-term planning and operational efficiency.
9	Develop a long-term capital improvement plan.	Ensures systematic approach to infrastructure upgrades.
10	Assess and upgrade fire protection capabilities.	Improves system resilience.
11	Develop a long-term rate strategy so that revenues adequately cover operations, maintenance and capital expenses.	Plans for future sustainability.

Given these recommendations, Moonshot developed an estimated capital improvement plan for the next five years. This plan includes both items that would be needed under all alternatives and items that would be needed for specific alternatives, as detailed below.

The costs provided are estimates and may fluctuate based on detailed engineering evaluations, market conditions, and unforeseen factors. These estimates do not include permitting costs, nor do they account for any additional upgrades that annexing agencies might implement, such as creating additional loops in the distribution system. To accommodate potential variability and unforeseen circumstances, a 50% contingency has been applied to the total estimated costs. Other unknowns include well depth, the number of cross connections, the number of hydrants, the number and location of valves, and complete distribution system mapping.

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Table 19. Estimated 5-Year Short Term Capital Improvement Plan (CIP)

Base		
Capital Improvement	Estimate Lower Bound	Estimate Upper Bound
Well 4 investigation and rehabilitation	\$100,000	\$150,000
Security upgrades (fencing, locks for all facilities)	\$13,000	\$19,000
Pump station upgrade (Bloom Grade)	\$10,000	\$20,000
Cross connection control implementation:	\$25,000	\$30,000
1. Conduct a comprehensive cross-connection survey.		
2. Develop a cross-connection control program.		
Fire hydrant assessment and replacement program	\$140,000	\$230,000
Leak detection and repair program	\$50,000	\$100,000
Tank inspection, maintenance and upgrades	\$150,000	\$300,000
SCADA upgrade from monitoring to full capability	\$50,000	\$100,000
Water meter replacement (automatic reading)	\$110,000	\$275,000
Valve replacement and exercising program	\$50,000	\$100,000
Water main replacement (priority areas)	\$250,000	\$500,000
SUBTOTAL	\$948,000	\$1,594,000

Additional Items Needed for Annexation		
Capital Improvement	Estimate Lower Bound	Estimate Upper Bound
Upgrades to existing SLVWD intertie	\$50,000	\$100,000
Trunkline installation	\$2,000,000	\$3,000,000
SUBTOTAL for Annexation Additional Items	\$2,050,000	\$3,100,000
TOTAL for Annexation	\$2,998,000	\$4,694,000

Additional Items Needed for Hybrid/Stand-Alone		
Capital Improvement	Estimate Lower Bound	Estimate Upper Bound
New water source development (planning and implementation) ¹²	\$400,000	\$750,000
SUBTOTAL for Hybrid/Stand-Alone Additional Items	\$400,000	\$750,000
TOTAL for Hybrid/Stand-Alone	\$1,348,000	\$2,344,000

¹² New water source development may include options such as drilling a new well or establishing a surface water treatment plant. The cost estimate provided here specifically covers the drilling of a new well, including pilot well drilling, testing, design, completion and certification.



PART TWO: ALTERNATIVES ANALYSIS

Part One of this report detailed the findings from Moonshot Missions' evaluation of the systems' technical, managerial, and financial components. Part Two evaluates the options for BBWC's future. This part evaluates ownership, governance and operations models that have plausible potential to support sustainable BBWC operations.

ALTERNATIVES

Alternatives identified by the Santa Cruz Local Agency Formation Commission (LAFCO) fall into three distinct categories.¹¹ It should be noted that BBWC customers will need to take action to opt in for many of these alternatives, according to LAFCO. Accordingly, it is vital that customers be provided with adequate information on what each alternative will mean in terms of formation requirements, resulting governance, service capabilities, rate implications and related matters. In addition to the information provided here, for reference purposes the UCLA Luskin Center for Innovation has detailed descriptions of the various governance models in its publication *Designing Water System Consolidation Projects: Considerations for California Communities, Appendix A*.¹³ The categories of alternatives are:

Dissolution and Annexation

This category involves BBWC dissolving and becoming part of its neighboring utility, San Lorenzo Valley Water District through annexation into SLVWD's service area. SLVWD is an independent special district authorized to provide water and related services under the County Water District Act.

The water system operations integration element of this alternative most likely involves extending a larger transmission main from the SLVWD system. Currently a large transmission main connecting from SLVWD to Bracken Brae and Forest Springs systems is in the planning stages. Well No. 4, which is currently being used as BBWC's primary water supply, would return to its previous status as a back-up water supply source. If desired, the BBWC surface water sources could be connected to an SLVWD treatment plant.

Under this alternative, SLVWD would become the full-service retail water provider for the BBWC service area and would provide all technical, managerial and financial resources to operate the system. The former BBWC service area would be governed by the SLVWD Board of Directors.

¹³ Dobbin, Kristin McBride, Justin and Pierce, Gregory. *Designing Water System Consolidation Projects: Considerations for California Communities*. UCLA Luskin Center for Innovation, 2022. Accessed June 125, 2024. <https://innovation.luskin.ucla.edu/wp-content/uploads/2022/10/Designing-Water-System-Consolidation-Projects.pdf>



Hybrid

This category involves BBWC becoming part of an entity that does not have neighboring infrastructure. The alternatives under this category are converting the areas served to a County Service Area, annexation with a non-neighboring utility, or acquisition by an existing private company.

The County of Santa Cruz operates another County Service Area serving Davenport, with a total of 108 connections, that serves 350 people.

Potential non-neighboring utilities include Central Water District, Scotts Valley Water District, Soquel Creek Water District, the City of Santa Cruz, the City of Watsonville, and Pajaro Valley Water Management Agency. The below table gives a thumbnail sketch of the non-neighboring utilities.

Table 20. Non-Neighboring Utility Alternatives

Utility	Number of Connections	Population Served	Location
Central Water District	826	2,726	Aptos
Scotts Valley Water District	3,945	11,147	Scotts Valley
Soquel Creek Water District	14,493	40,788	Soquel
City of Santa Cruz	22,972	95,017	Santa Cruz and Live Oak
City of Watsonville	14,955	65, 231	Watsonville
Pajaro Valley Water Management Agency	N/A	N/A	Areas near Corralitos, La Selva Beach, Freedom, Watsonville, Pajaro, Las Lomas, Aromas

Sources: State Water Resources Control Board's California Drinking Water Watch, Pajaro Valley Water Management Agency website

Acquisition by an existing private company would involve another private investor-owned, utility (IOU) taking the risk and responsibility for operations and acquiring assets currently owned by BBWC. To date, no private company has expressed interest in acquiring the assets of BBWC.

The Dissolution and Annexation and Hybrid alternatives would involve Well No. 4 remaining as the primary source, at least initially. The County, annexing utility, or IOU would need to continue purchasing water from SLVWD via the existing intertie while exploring other water supply options, including additional wells or rebuilding the surface water treatment facilities.



Stand-Alone

This alternative category involves BBWC continuing to be an independent entity through some means of dissolution and reformation. Alternatives include reforming as an independent special district, a mutual water company, or a new private corporation. Operations could include an operator who is directly employed by the entity or a contract operation individual or company, similar to Cypress. Options in this alternative would have the reformed entity operate independently. The reformed entity could continue to contract with SLVWD for water purchases.

This alternative would likely involve the same sources of water supply as the hybrid alternatives, with Well No. 4 remaining as the primary source initially. The newly formed stand-alone entity would need to continue purchasing water from SLVWD via the existing intertie while exploring other water supply options, including additional wells or rebuilding the surface water treatment plant.

LONG-TERM SUSTAINABILITY ANALYSIS

The analysis compares each alternative to criteria chosen as critical and necessary factors for a public utility to deliver safe drinking water with the greatest positive community impact.

To evaluate each ownership, governance, and operations alternative, criteria were chosen that encompass the critical aspects of delivering sustainable, safe, and affordable water service. The evaluation criteria are:

- **Level of Service:** Technical capacity to ensure competent and safe operations of the system, provide regulatory compliance, operations experience, ability to prepare for and respond to emergencies, and improve customer satisfaction.
- **Cost and Affordability:** Access to capital funding and financing, operational efficiencies, stable and sustainable rates, and customer affordability programs.
- **Ownership and Governance:** Accountability, transparency, retail water system management and oversight experience, and opportunities for community representation on governing bodies.

The analysis begins with a description of the criteria used to evaluate the various governance models and evaluation of each alternative against these criteria. It is followed by a summary table with the evaluation for each alternative against the chosen criteria.

Some alternatives involve a specific, existing entity such as a neighboring water utility or the County. When an entity is identified, ratings are based on publicly available information on that entity. When a specific entity does not exist, the ratings are known based on the type of entity, such as what funding it would be eligible for, or assumed based on typical attributes of that type of entity. Whenever appropriate, the word “assume” is included in the table to distinguish between specific entities and conceptual alternatives.



Level of Service

The mission of all public water utilities is to provide safe, reliable, and affordable water services to the community, thereby ensuring public health and environmental protection. Water utilities are required to supply drinking water that meets all public health standards and maintain reliable service. By adhering to water quality standards, preparing for emergencies, and managing water resources sustainably, public water utilities play a critical role in protecting human health and the environment.

Determining whether an alternative possesses the operational capability to deliver service that meets public health and environmental standards is a major component of this evaluation. Important considerations in this analysis are whether any deficiencies were noted during the latest available sanitary survey, whether there are any outstanding violations, and whether the current staff were appropriately certified to operate BBWC.

Operational experience assessed included evaluation of how long the utility has been operating, and whether it currently treats groundwater, which is BBWC's current primary water supply.

Emergency preparedness is another key criterion because it is especially important to the community. Considerations here included whether the utility was currently required to have an emergency response plan, whether it has additional resources to deploy in an emergency, and whether it is a member of an emergency mutual assistance/mutual aid organization.

Level of service also assesses customer satisfaction. The entity's ability to provide service without extended or repeated unplanning outages, to respond to customer inquiries, proactively communicate with customers, and utilize online self-service features such as bill pay were considered. A utility's capability to meet customer expectations and to respond promptly to issues are important for long-term satisfaction and trust.

Dissolution and Annexation

SLVWD has significant technical capacity and operations experience. There were no deficiencies in the latest SLVWD sanitary survey and no outstanding violations (including water quality, treatment technique, monitoring/reporting, source capacity and water outage violations). These are considered indicators of whether the utility is operating appropriately. SLVWD operators have certification higher than those needed to operate the BBWC system and currently treat groundwater. SLVWD has a longstanding record of utility operation.

Regarding emergency preparedness and response, SLVWD is required to have an emergency response plan in place and has some additional resources to assist from within the agency to increase capacity in the event of an emergency. SLVWD is also a member of the California Water/Wastewater Agency Response Network (CalWARN), which supports and promotes



statewide emergency preparedness, disaster response, and mutual assistance processes for public and private water and wastewater utilities.

Under SLVWD, customer satisfaction for BBWC customers will increase greatly from previous BBWC management because SLVWD does not have a history of extended or repeated unplanned outages and SLVWD also has customer service and communications capabilities greater than BBWC in the past. SLVWD also offers customer-friendly features such as the ability to pay and manage accounts online.

More than four years after it occurred, SLVWD continues to work to recover from the CZU Lightning Complex Fire, which may affect their capacity and resources to take on additional significant projects. SLVWD has also experienced significant turnover and vacancies in upper management recently.

Hybrid

County Service Area

The County of Santa Cruz operates the Davenport County Sanitation District (DCSD) as a county service area (CSA). In operating DCSD, the County has significant technical capacity and operations experience, with no outstanding violations. There are no site visits listed in the California Drinking Water Watch database.

DCSD was established in 2015 and it treats surface water, which is a more complex process than disinfecting groundwater. Its operators currently meet the treatment certification requirements for BBWC but would need one additional level in distribution system certifications to operate BBWC's distribution system. The County could address this easily by assisting one or more of the operators in gaining the higher distribution system certification or potentially by hiring an operator with a higher distribution certification.

Regarding emergency preparedness and response, DCSD does not meet the threshold population served to require an emergency response plan. However, the County of Santa Cruz has an emergency operations plan and has additional resources to assist from within the agency to increase capacity in the event of an emergency. The County of Santa Cruz is also a member of CalWARN.

Customer satisfaction for BBWC customers will increase greatly if formed into a CSA because the DCSD does not have a history of extended or repeated unplanned outages and has customer service and communications capabilities greater than BBWC in the past. There are also customer-friendly features such the ability to report an issue or submit a service request online.



Consolidation with Another Utility

All non-neighboring utility alternatives with the exception of PVWMA have significant technical capacity and operations experience. There were no deficiencies in the latest available sanitary surveys or outstanding violations. Excluding PVWMA, all of the alternatives' current operators have certifications higher than those needed to operate BBWC and currently treat groundwater.

PVWMA is a groundwater water management district formed to manage existing and supplemental water supplies in Pajaro Valley in order to prevent further increase in groundwater overdraft. As such, PVWMA is not a retail water service provider and does not treat or distribute potable water to retail customers.

Regarding emergency preparedness and response, all the utilities except Central and PVWMA are required to have an emergency response plan in place and have additional resources to assist from within the agency to increase capacity in the event of an emergency. All agencies except for PVWMA are also members of CalWARN.

Customer satisfaction for BBWC customers will increase to a high degree with Scotts Valley, Soquel Creek, Santa Cruz and Watsonville because they are retail water agencies and do not have a history of extended or repeated unplanned outages, have customer service and communications capabilities, and an array of customer-friendly online features including bill pay in all cases.

Central has no extended or repeated unplanned outages, has limited customer service capability but no online bill paying option. PVWMA has no retail utility operation.

Acquisition by a Private Company

The established technical capacity and operations experience are assumed high if the IOU is without deficiencies or outstanding violations, has appropriately certified operators, and has longstanding experience, including with groundwater operations.

Its emergency preparedness and response are assumed high as it will likely have additional resources to assist from within the agency to increase capacity in an emergency and may already be required to have an emergency response plan for existing operations.

Customer satisfaction is assumed high if it has a record of no extended or repeated outages, has customer service and communications capacities and customer-friendly online features.

Stand-Alone

Both the technical capacity and operations experience of the stand-alone alternatives are to be determined. These factors will depend on how the system is operated (in-house staff versus contracted) and the knowledge and experience of those staff. Additionally, while it may be



possible to hire appropriate staff initially, smaller systems typically find it difficult to retain qualified staff. Because the options vary widely between the three alternatives and who manages and operates the system is currently unknown, no rating is given.

For all stand-alone alternatives, the emergency preparedness and response capacity are assumed low because, due to their small size, there will be no additional resources to assist from within the agency to increase capacity in the event of an emergency. It is recommended that any stand-alone alternative join CalWARN to provide some additional capacity during an emergency.

Customer satisfaction is also to be determined as all the alternatives are new and currently lack specifics, though it is likely that because of the size of the system, it will be difficult to justify having dedicated customer service or communications staff.

Cost and Affordability

Access to capital funding and the cost of borrowing capital are important factors in evaluating alternatives. Grants and loans, available through state revolving funds (SRFs), federal programs offered by the Department of Agriculture or Bureau of Reclamation, or by philanthropic foundations, can play a significant role by offering low interest funding or funding without the expectation of repayment (principal forgiveness). This type of funding can support a range of projects, from infrastructure improvements to maintaining potable water quality and environmental compliance. Access to such funding can significantly reduce the financial burden on the utility, making it possible to undertake projects that might otherwise be unaffordable.

However, grants are not always available, and no utility should completely rely on them for financial sustainability. The cost of borrowing capital is important because it directly impacts the long-term financial burden placed on the utility for repayment. Borrowing costs, which include interest rates, need to be carefully evaluated to make sure they do not create a financial burden on the utility and its customers. High borrowing costs will lead to increased rates for customers and can also potentially limit the utility's ability to invest in needed infrastructure. In addition, loans also require creditworthiness. This includes sufficient days cash on hand, the ability to provide a debt service coverage ratio above 1.2 and establishing a debt service reserve are all needed to secure outside financing. Therefore, understanding and managing these costs and the rate implications to establish creditworthiness is important for ensuring the utility remains financially viable while providing quality and affordable service to its customers.

Some grants or loans may require that the community be designated a disadvantaged community (DAC) in order to qualify. There are ongoing efforts to assess whether the BBWC service area qualifies for that definition.

Customer rates are composed of the cost of operations, maintenance and administration costs, and the cost of capital improvements. In analyzing alternatives, it is important to look at



whether customer rates are expected to change and what factors would affect the magnitude of any changes.

Rates are also affected by how many customers are sharing the administrative costs, including fixed costs that do not vary with the amount of water produced and sold. In this analysis, administrative efficiencies are broken out to highlight the differences between the alternatives. The graphic below shows some of the items on which a utility can save money by sharing between a larger number of customers. This also means that the fewer customers share these expenses, the more they will cost per customer at a smaller utility, in addition to sometimes not being able to achieve a bulk discount. In the past, BBWC's administrative expenses have been disproportionately high. While it may be possible to make some changes to reduce administrative overhead costs, some of the disparity between BBWC's costs and the industry standards will likely remain due to the small size of the operation and the inability to realize economies of scale.

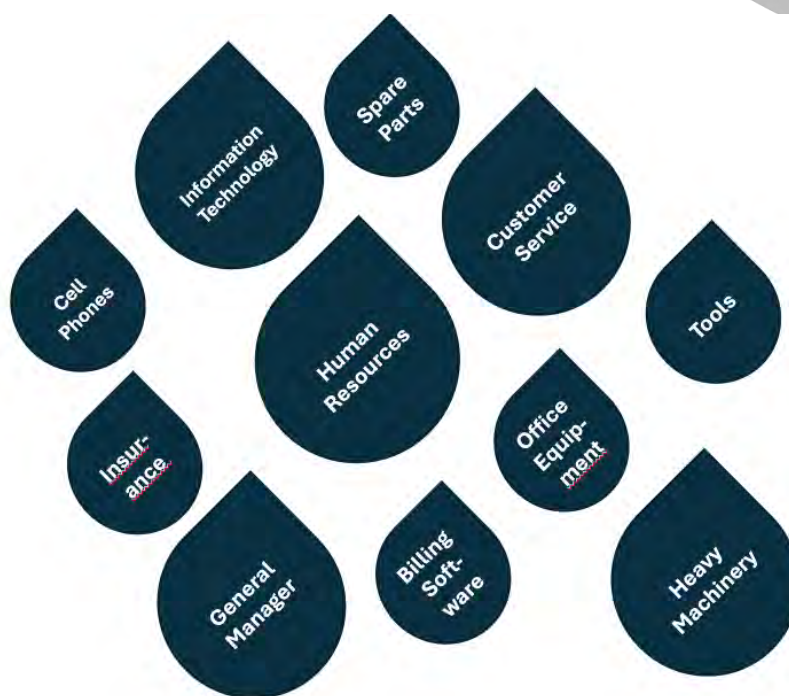


Figure 10. Opportunities for Economies of Scale

Affordability programs can offer low-income customers communities a way to better afford rising water bills while also ensuring the utility can bring in the required revenue to properly operate and maintain the system. Effective affordability programs provide financial assistance or reduced rates to vulnerable customers, thereby helping to ensure that everyone has access to essential water services regardless of their economic status. The availability of these types of programs is another important criterion that was used to compare different ownership and governance models.



Dissolution and Annexation

SLVWD's access to capital sources is relatively high. It may qualify for federal and state grants, loans potentially including principal forgiveness from the state revolving fund (SRF), as well as being able to levy assessments and issue general obligation bonds. For details of grant eligibility, see Appendix D.

The cost of capital for SLVWD is relatively low. The general obligation bond interest rate is 4.6% for 2024. If SLVWD were to receive an SRF loan, that interest rate is half of the general obligation bond rate, which is 2.3% in 2024.¹⁴

The annexation alternative does not include any rate of return to investors because SLVWD, as an independent special district, is governed by Proposition 218, which requires that all rates and charges have a nexus to the cost of providing service to the benefitted customer properties and do not generate revenue that is used for other purposes.

BBWC customer rates will increase with the annexation alternative because this scenario will require substantial capital investment to improve the BBWC system and to further connect the systems. The estimated five-year capital improvement plan for the annexation alternative is \$2,998,000-4,694,000. As California prioritizes consolidation in its funding decisions, the funding available for annexation may be up to 100% of cost. While guaranteed funding is not known, it is likely more available than funding for stand-alone alternatives.

One potential approach to annexation is to create an acquisition balance, which is a calculation that financially partitions the net costs associated with integrating and providing needed improvements to serve the annexed area and allows those costs to be recovered over time from the customers in the annexed area. This ensures existing customers of the utility annexing the area are not paying for improvements, or "cross-subsidizing" costs to operationally integrate or repair the system in the annexed area. Under this approach, BBWC customers would pay down this acquisition balance over a period of time through a surcharge on their bills. More information on considerations for annexation, including the acquisition balance concept, are available in Appendix E.

There are some factors that could potentially offset a portion of the acquisition balance and the associated rate surcharge. The first is BBWC's existing surface water rights. These water rights are potentially more valuable to SLV than any of the other agency alternatives given that SLVWD and BBWC are adjacent. It is possible that BBWC customers could receive credit for the BBWC water rights as part of the acquisition balance because the asset has benefit to current SLVWD service area.

¹⁴ California State Water Resources Control Board. "California Drinking Water State Revolving Fund Interest Rate History." https://www.waterboards.ca.gov/drinking_water/services/funding/documents/srf/dwsrf_interest_rate_history.pdf



The second factor that could potentially reduce BBWC customers' rates is the possibility of economies of scale and administrative efficiencies. The annexation alternative offers the greatest opportunity for administrative efficiencies. Administrative efficiencies include the cost of all overhead such as sharing the costs of a general manager or other staff, billing software, information technology, human resources, among other items. Because SLVWD has a larger customer base than BBWC and is adjacent to BBWC's service area, it is likely to have higher administrative efficiencies.

It should be noted that a ballot measure was placed on the November 2024 ballot that would eliminate the SLVWD fixed service charge and limit the future increases to the regular service charge to 2% per year through 2049. If this ballot measure is successful, it has the potential to affect SLVWD's future financial planning. An analysis with details of the effect of the measure on SLVWD operations will be published prior to the election, therefore this report cannot speak in detail to the effects at this time.

SLVWD has a rate assistance program to assist customers who may not be able to afford full rates. Eligible households must be a single-family dwelling with the account in the name of the occupant and must qualify for the Pacific Gas & Electric (PG&E) affordability program. Eligible households receive a discount of up to \$240 per year.

Hybrid

The access to capital sources for County or other water agency is relatively high and higher than the access available to BBWC currently. Hybrid entities may qualify for federal and state grants, loans potentially including principal forgiveness from the state revolving fund (SRF), as well as being able to levy assessments and issue general obligation bonds. Access to capital for an existing private company is considered medium as it may qualify for SRF loans but cannot issue general obligation bonds and may have limitations on grants. For details of grant eligibility, see Appendix D.

The cost of capital for a CSA or other public utility alternatives is relatively low. The general obligation bond interest rate is 4.6% for 2024. If any of the hybrid alternatives were to receive an SRF loan, that interest rate is half of the general obligation bond rate, currently at 2.3% in 2024.¹⁴ For an existing private company unable to secure SRF loans, the interest rate is projected to be between 6-12%, which is rated medium here.

The CSA or other public utility alternatives do not include any rate of return to investors because under Proposition 218, the rates must be tied to the cost of service and not used for



other purposes. An existing private company would have a rate of return between 10.7-11.9%, as of 2024.¹⁵

Under the hybrid alternatives, customer rates will increase. All alternatives will require substantial capital investment to improve the system and its water supply sustainability. The estimated five-year capital improvement plan for the hybrid alternatives is \$1,348,000-2,344,000. The CSA alternative would have a lower economy of scale with its small customer base consisting of just former BBWC customers, although some economies may occur because it is a dependent special district of the County. The alternative involving consolidation with another, non-adjacent utility would have a low economy of scale. Its customer base would be larger than just former BBWC customers but being non-adjacent will counteract some of that efficiency. Economy of scale for an existing private company would depend on the size of its current operations. Under an IOU, customer rates would also include the rate of return.

BBWC's water right assets are less valuable in hybrid alternatives because the annexing agencies could not transport the raw water to their treatment plants and would therefore have to treat the surface water within BBWC's service area by rebuilding a surface water treatment plant. The CSA or other public utility alternatives have public participation components in their rate-setting process. Note also that the DCSD is currently charged at a set amount for residential customers, which is currently \$2,281.28 per year.

Regarding administrative efficiencies, the CSA and other utilities are rated medium as there may be some capacity with the staff that currently manage the other CSA for Davenport or the other utilities. However, because the service areas are not adjacent, there would be lower efficiency than the annexation option because there would be additional effort, including travel time, to oversee a non-adjacent service area. The administrative efficiencies for an existing private utility are assumed medium as they would have existing administration.

Of the hybrid alternatives, only Scotts Valley Water District offers an affordability program. All the other utilities, including the CSA, do not offer any bill or rate assistance. The availability of an affordability program from an existing private company is to be determined, as allowed by the CPUC.

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¹⁵ California Public Utilities Commission. "Rates of Return and Rates of Margin for Class C, Class D Water and Sewer Utilities." <https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/water-division/reports/wd-memorandum/rorandrom-classcd2024.pdf>



Stand-Alone

The three stand-alone alternatives have varying access to capital sources, as shown below.¹³

Table 21. Sources of Capital Funding for Stand-Alone Alternatives

Source of Capital Funding	New Independent Special District	New Mutual Water Company	New Private Company
Grants	Yes	Yes, may be taxable	Yes, limited
Government Loans	Yes	Yes	Yes
Assessments	Yes	Yes	No
General Obligation Bonds	Yes	No	No
Private Loans	Yes	Yes	Yes

For details of grant eligibility for the alternatives, see Appendix D.

The cost of capital for the stand-alone alternatives varies. All alternatives may be eligible to receive an SRF loan with an interest rate of 2.3% as of 2024, should their projects be chosen.¹⁴ For a new independent special district, it is relatively low because it can access SRF funding or a GO Bond. For both a new mutual water company and a new private company, it is considered medium as they cannot access GO Bonds and would only receive SRF loans if chosen to participate. If either of those were to borrow privately instead, the interest rate is projected to be between 6-12%.

Of the stand-alone alternatives, the special district alternative does not include any rate of return to investors because under Proposition 218, the rates must be tied to the cost of service and not used for other purposes. A mutual water company also does not include any rate of return as it would be required to provide must be delivered to shareholders at cost.¹³ The private investor-owned alternative allows for a rate of return of 10.7-11.9% as of March 2024.¹⁵

Customer rates under all the stand-alone alternatives are assumed to increase significantly. These alternatives will require substantial capital investment to improve the system and its water supply resilience. The estimated five-year capital improvement plan for the stand-alone alternatives is \$1,348,000-2,344,000. Additionally, there are limited opportunities for economies of scale of which to take advantage.

The stand-alone alternatives do not have any administrative efficiencies such as sharing the costs of a general manager or other staff, billing software, information technology, human resources, among other items, because there is no existing administrative structure or other customers with which to share the costs.

The existence of any affordability programs for the stand-alone alternatives is to be determined based on the regulations affecting and the decisions of the district, mutual water company, or



private company. There are currently existing entities that could offer an affordability program but choose not to, so none is guaranteed.

Ownership and Governance

Evaluating each alternative involved an analysis of the accountability and transparency of each ownership and governance model. Accountability involves examining how the utility is governed and the connection it has to its customers. Transparency in the entity's operations, decision-making processes, and reporting practices is essential for building trust with the community and establishing a culture of accountability.

The history and track record of each governance model in managing a water utility provides insight into its capability to handle the complexities of water utility governance. A long successful history of governing a water-specific organization often indicates significant experience with handling complex issues well even in circumstances in which resources are constrained.

Evaluating ownership and governance models also involves assessing each model's mechanisms for community engagement. Effective community involvement in decision-making and responsiveness to concerns are essential for building trust and meeting community needs.

Dissolution and Annexation

Regarding accountability, SLVWD is rated high because it is managed by an elected board of directors whose sole focus is water delivery. SLVWD management and staff reports to the board.

SLVWD scores well on transparency. There is easy access to public records such as financial reports, water quality reports, employee compensation and board agendas and minutes on the website.

SLVWD is rated highly on governance experience and on community representation. SLVWD has been in existence as an independent special district since 1941. It is governed by a five-member board which is elected at-large from within the District's service area. The board has been navigating its own recovery from the CZU Lightning Complex Fire.

Hybrid

Under the CSA alternative, accountability is high because the CSA would be overseen by the elected County Board of Supervisors. The current County-run CSA in Davenport practices transparency by posting agendas and minutes, water quality reports, financial reports, and regulations available on the website. The DCSD has been governed by the County Board of Supervisors since 2015. Given the structure of the County Board of Supervisors, only one of the Supervisors would directly represent the residents living in the BBWC service area. For this reason, community representation is considered medium.



For the alternatives involving being annexed by another utility, accountability is considered high because all agencies are overseen by elected officials, with the exception of PVWMA, which has a combination of four elected and three appointed directors. For all utilities, transparency is considered high because agendas and minutes, financial documents, and water quality reports are readily available on agency websites. The governance experience of all alternatives except PVWMA are considered high because all have long-standing experience with governance of water utility operations. PVWMA is considered low as it does not have a full-service water utility. Community representation following annexation by another utility would be negotiated, with the possible outcome that BBWC customers would be able to vote for candidates, the same as other customers.

For the existing private company alternative, accountability, transparency, and community representation are assumed to be low because the governing body of an IOU is the owner or shareholders of the corporation, with rate setting oversight provided through the CPUC. Corporate board meetings are closed to the public, and agendas and minutes need not be published. Governance experience is assumed high if the company has a longstanding record of governing water service.

Stand-Alone

For the new special district alternative, accountability and community representation are assumed to be high because a district would be governed by an elected board, either at large or by division. Transparency is assumed to be high because meetings will be open to the public and the district is required to publish water quality data, budgets, and board agendas and minutes in accordance with the Brown Act.¹³ Governance experience is to be determined as it would depend on whether any board members or key staff will have previous relevant experience elsewhere.

For the new mutual water company alternative, the governing body composition can vary depending on the company by-laws when the company is formed, therefore accountability is to be determined. This alternative requires notice of meetings and shareholders, tenants and elected officials must be allowed to attend, though meetings are typically closed to the general public.¹³ Mutual water companies are not subject to the Public Records Act or the Brown Act. Governance experience is to be determined as it would depend on whether any board members or key staff have previous relevant experience elsewhere. Property owners are eligible to serve on the governing body, which is more restrictive than any resident being eligible. For a new mutual water company, transparency and community representation are assumed medium.

For the private company alternative, accountability, transparency, and community representation are assumed to be relatively low because the governing body is the owner or shareholders of the corporation, with rate setting oversight provided through the PUC. Meetings are typically closed to the public, and agendas and minutes need not be published.



Private companies are not subject to the provisions of the Public Records Act or of the Brown Act.¹³ Governance experience is to be determined as it would depend on whether any board members or key staff have previous relevant experience elsewhere.

ANALYSIS SUMMARY

The following tables are a summary of the analysis of long-term sustainability.

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Table 22. Summary of Sustainability Analysis

Criteria		Annexation to SLVWD	Hybrid			Stand-Alone		
			Formation into a County Service Area	Consolidation with Other Utility	Acquisition by Private Company	Dissolve and form a Special District	Dissolve and form a Mutual Water Company	Dissolve and form a new Private Company
Level of Service	Technical Capacity Established	High; No deficiencies in latest sanitary survey or outstanding violations. Appropriate certifications. Currently treats groundwater.	High; No outstanding violations. Treatment certifications appropriate. Current distribution certifications would need to be increased.	High: All except Pajaro Valley Water Management Agency (PVWMA). No deficiencies or active violations, appropriate certifications, groundwater experience. PVWMA: Low; No retail utility operations experience.	Assume High; Lack of deficiencies or outstanding violations. Appropriately certified operators.	TBD	TBD	TBD
	Operations Experience	High; Longstanding utility which currently treats groundwater.	High; Utility in operation since 2015. Currently treats surface water.	High: All except PVWMA; Longstanding utilities, currently treat groundwater. PVWMA: Low; No retail utility operations experience.	Assume High; If longstanding utility with groundwater experience.	TBD	TBD	TBD
	Emergency Preparedness and Response	High; Has an emergency response plan (ERP) and the ability to call in agency's other resources. Is a member of California Water/Wastewater Agency Response Network (CalWARN).	High; Has ability to call in agency's other resources and is a member of CalWARN.	High: All except Central and PVWMA; required to have ERP. Ability to call in other resources. Members of CalWARN. Central: Medium. No ERP required. Member of CalWARN. PVWMA: Low; No retail utility operations experience.	Assume High; Ability to call in agency's other resources. May be currently required to have ERP.	Assume Low; No additional resources available within the agency.	Assume Low; No additional resources available within the agency.	Assume Low; No additional resources available within the agency.
	Customer Satisfaction	High; Has a lack of extended/repeated outages. Has customer service and communications capacities. Able to pay online.	High: Has a lack of extended/repeated outages. Has customer service and communications capacities. Able to report issue or request service online.	High: All except Central and PVWMA. All except Central and PVWMA have no extended/repeated outages, have customer service/communications capacity, and offer online bill pay.	Assume High if no extended/repeated outages, has customer service and communications capacities, and customer-friendly features.	TBD	TBD	TBD



Criteria		Annexation to SLVWD	Hybrid			Stand-Alone		
			Formation into a County Service Area	Consolidation with Other Utility	Acquisition by Private Company	Dissolve and form a Special District	Dissolve and form a Mutual Water Company	Dissolve and form a new Private Company
Cost & Affordability	Access to Capital Funding	High	High	High	Medium	High	Medium	Medium
	Types of Capital Funding	Grants, Loans, Assessments, General Obligation (GO) Bonds	Grants, Loans, Assessments, GO Bonds	Grants, Loans, Assessments, GO Bonds	Loans. No assessments or GO Bonds, limitations on grants	Grants, Loans, Assessments, GO Bonds	Loans and assessments. No GO Bonds. Grants may be taxable.	Loans. No assessments or GO Bonds, limitations on grants
	Cost of Capital	Low; Majority public funds with as low as 2.3% interest State Revolving Fund (SRF) and potential for principal forgiveness.	Low; Majority public funds with as low as 2.3% interest (SRF) and potential for principal forgiveness.	Low; Majority public funds with as low as 2.3% interest (SRF) and potential for principal forgiveness.	Medium. May qualify for SRF loans (2.3%) but not GO Bonds. Private funding at 6-12%.	Low. Majority public funds with as low as 2.3% interest (SRF) and potential for principal forgiveness.	Medium. May qualify for SRF loans (2.3%) but no GO Bonds. Private funding at 6-12%.	Medium. May qualify for SRF loans (2.3%) but no GO Bonds. Private funding at 6-12%.
	Rate of Return to Investors	Not Applicable	Not Applicable	Not Applicable	10.7-11.9%	Not Applicable	Not Applicable	10.7-11.9%
	Customer Rates	Increase; Benefits of economy of scale with SLVWD. Public participation.	Increase; Fewer economies of scale with small customer base. Public participation.	Increase; Fewer economies of scale with small customer base. Public participation.	Assume increase; return to investors, economy of scale TBD.	Assume Increase; No economy of scale. Public participation.	Assume Increase; No economy of scale. Public participation.	Increase; Return to investors, no economy of scale. No public participation.
	Administrative Efficiencies (Back-Office)	High; Greater economy of scale and adjacent location.	Medium; May be some capacity with the staff that currently manage the other CSA or utility.	Medium; May be some capacity with the staff that currently manage the other CSA or utility.	Assume Medium	None	None	None
	Affordability Programs	Program available; Up to \$240/year for eligible households.	None	Scotts Valley: Program available; discounted basic service charge and uniform rate for eligible households	TBD; As allowed by CPUC.	TBD; Would have to be Proposition 218 compliant.	TBD	TBD; As allowed by CPUC.



Criteria		Annexation to SLVWD	Hybrid			Stand-Alone		
			Formation into a County Service Area	Consolidation with Other Utility	Acquisition by Private Company	Dissolve and form a Special District	Dissolve and form a Mutual Water Company	Dissolve and form a new Private Company
Ownership & Governance	Accountability	High; SLVWD is managed by an elected board focused on water.	High; Overseen by the elected County Board of Supervisors.	High; All alternatives overseen by elected governing board except for PVWMD, which has elected and appointed board members.	Assume Low; Not generally elected but by investors.	Assume High; Boards are elected, composition varies by type of special district.	TBD; Governing body composition varies and is established in the by-laws. Property owners are eligible to serve.	Assume Low; Not generally elected but by investors.
	Transparency	High; SLVWD practices transparency with public records and regular audits. Available on website: financial reports, water quality reports, employee compensation, agendas and minutes.	High; Davenport CSD practices transparency with public records and regular audits. Available on website: financial reports, water quality reports, regulations, agendas and minutes.	High; all show high level of transparency with documents available online.	Assume Low; Meetings may be closed to the public. Required to publish water quality data.	Assume High; Meetings open to public. Required to publish water quality data, budgets and board agendas/minutes.	Assume Medium; Required to publish water quality data. Notice of meetings required. Shareholders/tenants/elected must be allowed to attend. Meetings may be closed to the public. Not subject to Public Records Act.	Assume Low; Meetings may be closed to the public. Required to publish water quality data.
	Governance Experience	High; The San Lorenzo Valley Water District was established in 1941 as an independent special district. The District is governed by a five-member Board of Directors, elected at-large from within the District's service area.	High; providing water service since 2015.	<div> All except PVWMA: High with long-standing record of governing water service. </div> <div> PVWMA: Low because not experienced with managing a full-service retail water utility. </div>	Assume High; longstanding record of governing water service.	TBD	TBD	TBD
	Community Representation	High; Board is elected at large, not by districts.	Medium; Overseen by the County Board of Supervisors, of which one represents BBWC customers.	TBD	Assume Low; Representation is from investors only.	Assume High; Will have elected officials from the district.	Assume Medium; Property owners are eligible to serve.	Assume Low; Representation is from investors only.



CONCLUSIONS

Based on the analysis of long-term sustainability for the alternatives, Moonshot has ranked the alternatives in the following order. In assessing all the factors, emphasis was put on technical capability, access to capital funding, and customer rates.

Table 23. Ranking of Alternatives

Ranking	Alternative
1	Annexation into San Lorenzo Valley Water District
2	County Service Area
3	Annexation into Other Utility, except for Central Water District and Pajaro Valley Water Management Agency
4	Central Water District
5	Existing Investor-Owned Private Company
6	New Special District
7	Pajaro Valley Water Management Agency
8	New Mutual Water Company
9	New Private Company




The alternatives were identified and evaluated based on available information. All alternatives should be further analyzed and refined to ensure all costs, benefits and concerns are properly identified. Regardless of which alternative is selected, BBWC faces significant challenges with implementing important improvements and maintaining the affordability of water services to customers.

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APPENDIX A: Site Visit Photos and Descriptions

A. Pictures

WATER SOURCES	
Well 4 Site	
 	<p>Description:</p> <p>Well site includes:</p> <ul style="list-style-type: none"> - Well 4 (Main well), submersible pump, ~200-280 gpm - Well 4 tank (see description on page 93). <p>Observations:</p> <ul style="list-style-type: none"> - The well site is not easily accessible due to difficult drive uphill. - The well is in generally good condition and has a proper slab, air vent, sanitary seal, raw water sampling tap, meter, and check valve. - The well site is clean. The well is fenced in, but the fencing is not fully enclosed. - Fluctuating well capacity. - Rented Whisperwatt diesel-powered AC generator installed at Well 4.
Well 2 (also known as American Well)	
	<p>Description:</p> <ul style="list-style-type: none"> - Mostly kept offline but connected to the system. - Submersible pump, ~18 gpm <p>Observations:</p> <ul style="list-style-type: none"> - The well site is not easily accessible due to difficult drive uphill. - Well site not secured/fenced in. - The well is in generally good condition and has a proper slab, air vent, raw water sampling tap, meter, and check valve.



Intertie with San Lorenzo Valley Water District



Description:

- Intertie with San Lorenzo Valley Water District.
- Intertie located in a vault.

Observations:

- The equipment is in good condition.
- No testable backflow prevention device.
- Swing check valve in place.
- Adequate drainage.

Jamison Spring Intake



Description:

- Raw water diversion on Jamison Creek.

Observations:

- Water is being diverted into a 1,000 gallon plastic storage tank.
- No treatment plant on site. BBWC is not sure how the water is being used but is not actively treating or distributing it.



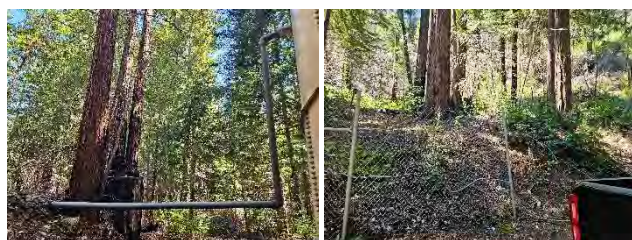
STORAGE TANKS

Well 4 Tank



Description:

- Well 4 tank and chlorine injection point (inlet to tank).
- Steel tank, 84,000 gallons
- Fed by well 4 and well 2.
- The tank site is not easily accessible due to difficult drive uphill.
- On SCADA



Observations:

- Well 4 tank is fenced in, but the fencing is not fully enclosed.
- Overflow pipe covered in riprap. Difficult to determine if it is screened or equipped with a flapper gate to prevent critters, animals and debris from entering the tank.

Jamison Tank



Description:

- Steel, 210,000 gallons
- On SCADA

Observations:

- No visual signs of damage.
- The tank does not have an overflow pipe or a hatch.
- Air vents covered by large screens on the sides of the tank. Unclear whether there is a finer mesh screen inside the larger screen.

Galleon Tank (also known as Tradewinds Tank)






Description:

- Steel, 325,000 gallons
- Not on SCADA

Observations:

- No visual signs of damage.
- The tank overflows into a customer's yard.



Robinhood Tank	
	<p>Description:</p> <ul style="list-style-type: none"> - Steel, 10,000 gallons <p>Observations:</p> <ul style="list-style-type: none"> - Tank in generally good condition - Signs of minor rusting/corrosion on overflow pipe. - No drain. - No visual water level indicator. - Not on SCADA.
Camino Verde Tank	
	<p>Description:</p> <ul style="list-style-type: none"> - Plastic, 5,000 gallons - Not on SCADA <p>Observations:</p> <ul style="list-style-type: none"> - Replaced old tank destroyed during fire. - The plastic tank does not have an overflow pipe, a drainpipe, or a water level indicator.
Oberst Tank	
	<p>Description:</p> <ul style="list-style-type: none"> - Plastic, 5,000 gallons - On SCADA <p>Observations:</p> <ul style="list-style-type: none"> - During the site visit, the Oberst tank was a steel tank with multiple leaks and signs of corrosion. This steel tank has since been replaced with a new plastic tank, as shown.



Rosita Tank



Description:

- Plastic, 4,000 gallons

Observations:

- In good condition.
- The tank does not have an overflow pipe, a drainpipe, or a water level indicator.

PUMP STATIONS

Galleon Pump Station



Description:

- One 50 HP pump
- Pump housed in locked building.

Observations:

- Pump is old and is leaking.
- No redundancy.
- Openings in the roof and other areas of the building.



Galleon PSI System (also known as Galleon Heights Transfer Station or Tradewinds Transfer Station)



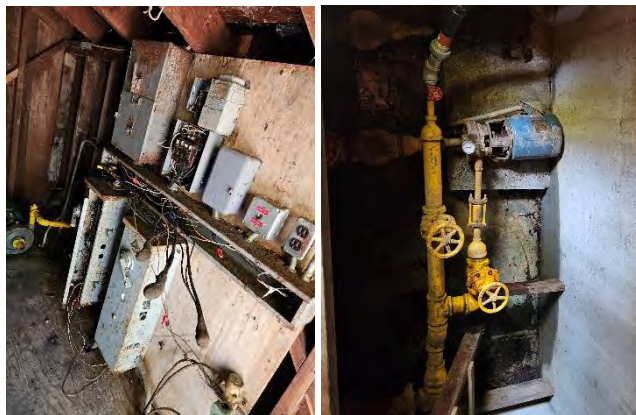
Description:

- One 10 HP booster pump and two bladder tanks.
- Winco generator that has been refurbished and starts automatically.
- On SCADA

Observations:

- Housed in a locked, old building with holes on the sides.

Rosita Pump Station



Description:

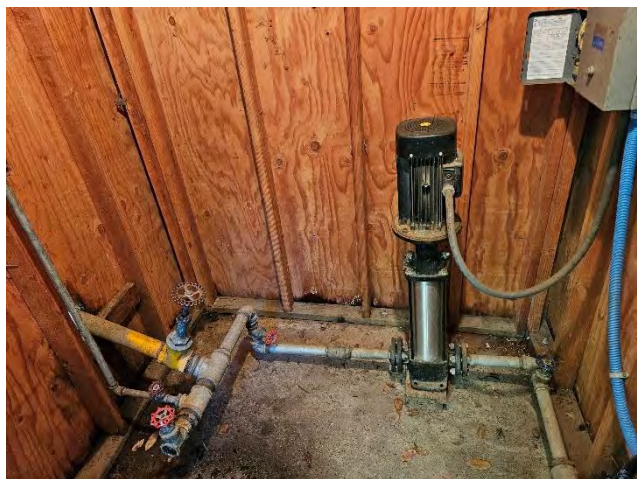
- Small pump house
- One booster pump

Observations:

- Very old electrical panel/system.
- Significant leak from the valve.
- Unsecured plastic pipe that is suspended and spans the bridge. This pipe reduces in diameter from 6 inches to 3 inches, then to 2 inches, before expanding back to 6 inches.



Robinhood Pump Station



Description:

- One 50 HP booster pump
- On timer

Observations:

- In pump house.
- In good condition.

Bloom Grade Pump Station



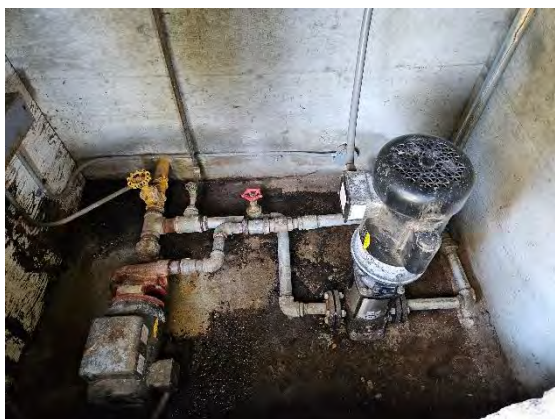
Description:

- One 50 HP booster pump
- Housed in small wooden shed.
- On timer

Observations:

- The pump appears to be quite old.

Camino Verde & Hill House Pump Station (also known as pump house #3)



Description:

- Two booster pumps housed in a small wooden pump house.
- On timer

Observations:

- The pump serving the Camino Verde tank appears to be quite old.
- Hill House pump is currently inactive.



Oberst Pump Station



Description:

- One booster pump that is located on a customer's property.
- The pump is not secured and is covered with a plastic container.
- An old wooden shed/pump house with a damaged pump remains on site, while the new pump is positioned nearby.

Observations:

- The line from the pump station is a 2" suspended line crossing boulder creek.



APPENDIX B: Water Rights Memorandum



Confidant Advisors, LLC

Memorandum

To: Lydia Rossiter/Moonshot Missions, LLC

From: Jeff Barry

CC: Genevieve Mancuso
Reshet Gebremariam

Date: August 19, 2024

Subject: Big Basin Water Company Water Rights

Introduction

This memorandum presents information regarding water rights held by the Big Basin Water Company (BBWC), located in Santa Cruz County, California. The objective of this work is to provide Moonshot Missions information to be included in its report to the receivership. Moonshot Missions would like to: 1) have information about the surface water diversion and storage water rights, 2) know if they are in good standing and conditions of a license granted to Big Basin Water Company have been met, and 3) if the water rights can be retained if the property owned by the Water Company is sold and what steps should be taken to preserve the water rights.

The source of information presented in this memorandum was obtained from the California State Water Resources Control Board (SWRCB) online water rights information system ([eWRIMS – Electronic Water Rights Information Management System | California State Water Resources Control Board](#)). Additional information was obtained from conversations with Mr. Damon Hess at the SWRCB, Ms. Jessica Diaz, water law attorney at Brownstein Hyatt Farber Schreck, and Mr. Jim Moore, former General Manager of BBWC. No field check was conducted to verify the information.

The specific scope of work included the following:

1. Review and compile information and data available online regarding the surface water rights including permit application, license granted by the SWRCB, points of diversion, place



of use, allowed uses, maximum diversion rates and storage volume, conditions that must be met, and annual water use reports. Obtain documentation, if available, on the well that is presently being used as a source of supply.

2. Prepare a map showing the points of diversion, place of use, and Water Company boundaries.
3. Contact Jim Moore, former Water Company Manager, to obtain additional information and answer questions about water rights and reporting practices.
4. Contact staff from SWRCB to discuss the water rights, answer questions, and learn about any concerns they may have about what is reported in their files.
5. Consult with a Water Law Attorney about the efficacy of retaining and transferring water rights such as those in question. More in-depth legal analysis may be required but is not included in this scope of work.
6. Prepare a memorandum discussing the findings of this investigation.

Results

Table 1 presents a summary of the active and inactive water rights held by Big Basin Water Company. The Company holds an active water right (Permit 17425) to divert up to 0.37 cubic feet per second (cfs) from 5 points of diversion (POD) and store up to 460 acre-feet per year (AFY) in Jamison Reservoir as shown on Figure 1. The total amount of water to be placed to beneficial use (direct diversion plus withdrawal from storage) cannot exceed 231 AFY. Allowed beneficial uses are domestic and fire protection within the boundaries of the BBWC service area and Forest Springs Improvement & Maintenance Association in Sections 2, 11, 12, 14, 15, 23, & 24, all within T9S, R3W, MDB&M, as shown on the map on file with SWRCB.

The points of diversion shown on Figure 1 are based upon the coordinates that are listed in the actual water rights. Attachment 1 contains the License issued by the SWRCB. Water use reports (report of Licensee) have been submitted to the SWRCB through December of 2022 (refer to Attachment 2). Given the fact that the water system was damaged in the last fire, it is the opinion of Jessica Diaz that they are not subject to forfeiture due to lack of use or reporting of use.

The Company also holds 3 inactive riparian surface water rights as shown on Figure 1. These diversions are from three springs and are likely original diversions when the Company was established. It is unknown if these springs and spring boxes are functional. It is not known when the riparian water rights were last used.



Table 1 – Big Basin Water Rights

Application Number	POD Num	POD ID	Latitude	Longitude	POD Type	POD Status	Parcel Number	Direct Diversion Rate	DD Unit	POD Storage	Source
ACTIVE											
A024804	04	12552	37.1353061	-122.15561106	Point of Direct Diversion	Licensed	083-251-71	0.37	Cubic Feet per Second	4.6	UNST
A024804	03	12553	37.13965603	-122.15879515	Point of Direct Diversion	Licensed	083-251-77	0.37	Cubic Feet per Second	4.6	UNST
A024804	05(POR)	5792	37.1486	-122.1671	Point of Storage - Unspecified	Licensed	083-251-77	0.0	Acre-feet per Year	4.6	
A024804	02	20250	37.14803213	-122.16858884	Point of Direct Diversion	Licensed	083-251-77	0.37	Cubic Feet per Second	4.6	UNST
A024804	01	20251	37.14774285	-122.16961187	Point of Direct Diversion	Licensed	083-251-76	0.37	Cubic Feet per Second	4.6	UNST
INACTIVE - RIPARIAN											
S008439	01	4859	37.13965603	-122.15879515	Point of Direct Diversion	Inactive	083-251-77	0.208	Cubic Feet per Second	0.0	CORVIN SPRING
S008440	01	19649	37.14803703	-122.16824579	Point of Storage - Unspecified	Inactive	083-251-77	0.0	Gallons per Day	0.0	JAMISON SPRING
S008441	01	31163	37.1353061	-122.15561106	Point of Storage - Unspecified	Inactive	083-251-71	0.0	Gallons per Day	0.0	FOREST SPRING

As shown on Figure 1, each POD is located in a different parcel (refer to APNs). It will be necessary to specifically exclude the water rights and have an easement to the PODs if any of the parcels owned by BBWC are sold. This was confirmed by Mr. Hess from the SWRCB. Likewise, a transfer application must be prepared and submitted to the SWRCB should it be desirable to move any of the PODs. It is unknown if infrastructure associated with any of the diversions crosses from one parcel to another; this must also be considered in an easement.

While the riparian/spring water rights are considered inactive and not used in recent years, it would be prudent to maintain access to them if the Company retains the land they are appurtenant to. Because the spring water rights are riparian, the claim goes with the land should the land be sold (according to Mr. Hess).

It is my understanding that since the fire in 2022, BBWC has utilized water produced from wells to supply water to the service area. According to Mr. Moore, Well 4 is now the primary source of supply for the water system. It is located near POD #AO24804 on parcel #083-251-77 (refer to Figure 1). According to Mr. Moore the well can produce 200 gpm and is 300 feet deep. Due to its depth, it is unlikely to be associated with any of the surface water PODs (not riparian). For this reason, groundwater produced by Well 4 is considered percolating water and is not subject to SWRCB regulation.

Because the beneficial use is for community purposes, it is considered appropriative by the SWRCB. Appropriative rights have a lower priority than overlying rights held by surrounding landowners, should there be a reduction in supply and overdraft of the aquifer. If the parcel that Well 4 is located on is sold, the well will go with the property unless a separate agreement is reached.

Mr. Moore mentioned a second well that produces less than 30 gpm. This flow has not been consistent. He referred to it as a shallow “horizontal well” and indicated that it is associated with one of the riparian rights. It is located uphill of Well #4 and discharges to “Jamison Tank”. I was not able to conclusively locate this well. If this well is still being used and is associated with an inactive riparian right, notice should be provided to the SWRCB that this POD is still active. This well and associated water rights must also be retained if the parcel it is located on is sold.

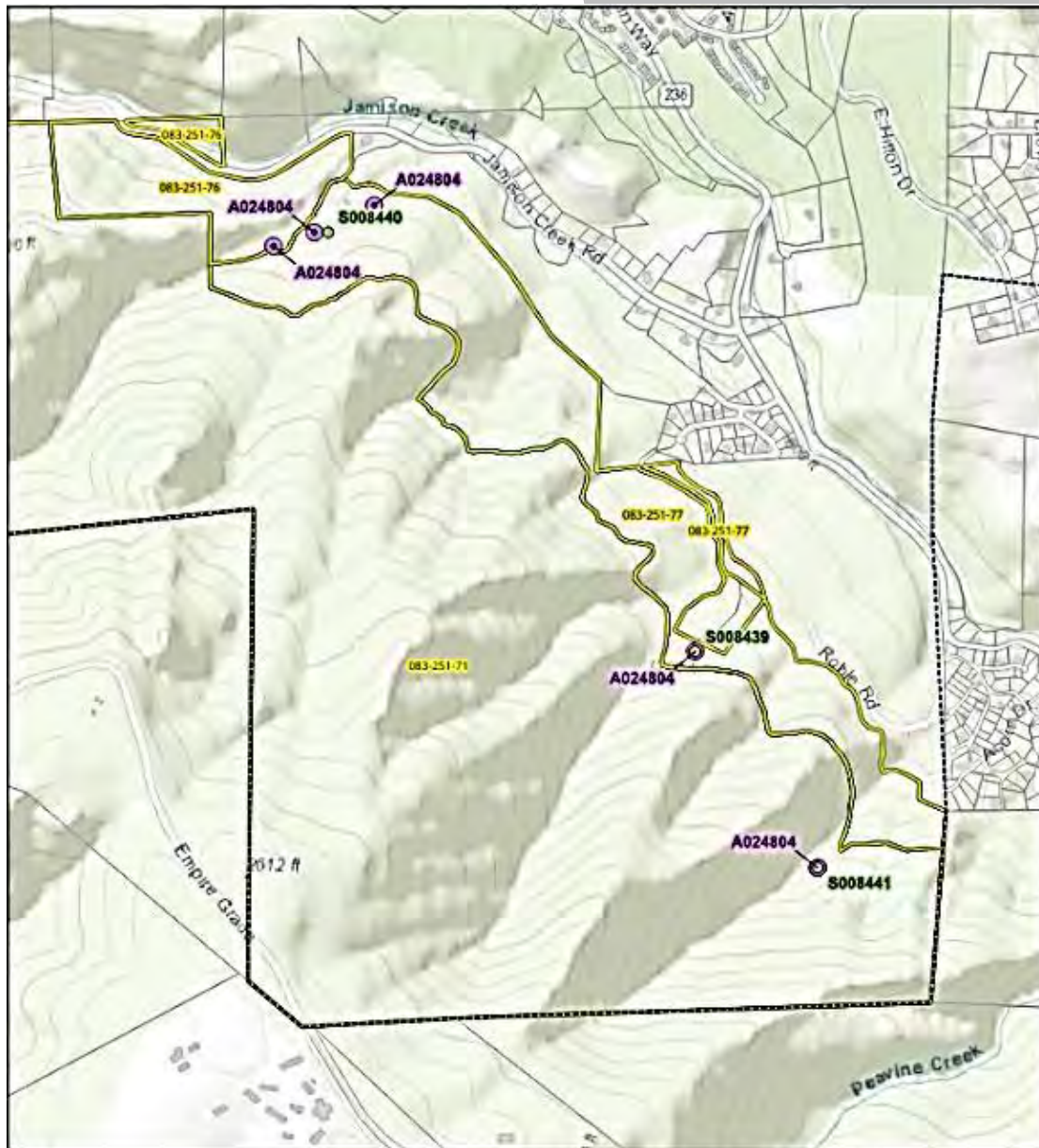


Recommendations

Following are recommendations relating to preserving the water rights associated with BBWC:

1. It will be necessary to specifically exclude the water rights and establish an easement to the PODs in the sale contract if any of the parcels owned by BBWC are sold.
2. Hire a surveyor to specifically identify the location of all PODs and wells relative to the boundaries of any parcels to be sold.
3. Obtain a map showing the locations of pipes and infrastructure and hire a surveyor to prepare descriptions of easements to be included in a sale agreement.
4. If Well 4 is located on a parcel that is being sold, an agreement with the buyer and an easement will be needed in order to preserve access to the well and water.
5. Determine the location of the “horizontal” well, confirm whether it is being used, and find out what riparian water right it is associated with. If it is being used or will be used, notify the SWRCB regarding the status of the associated riparian right. Confirm whether the Department of Health is aware that this well is being used for drinking water purposes and determine if required testing and monitoring requirements have been followed.





LEGEND

- Point of Diversion (POD)
- POD - Inactive Riparian
- Big Basin Service Area
- Tax Lot of Interest
- Tax Lot

Data Sources: OGIS, ESRI, Santa Cruz Co., sWRIMS (2024), LAFCO (2024)

Figure 1 Big Basin Water Rights
Santa Cruz County



The attachments referenced in this memo are included herein:



Attachments



APPENDIX C: Rates of Neighboring Water Providers

This table shows a comparison of some neighboring water providers, assuming a three-person household using roughly 50 gallons of water per person per day.

Agencies	Average Monthly Bill for 4,600 Gallons of Water
Soquel Creek Water District	\$139.17
PureSource Water Inc.	\$124.55
San Lorenzo Valley Water District	\$122.40
City of Santa Cruz Water Department	\$104.84
Scotts Valley Water District	\$97.55
Big Basin Water Company	\$86.27
San Jose Water Company	\$85.82
Watsonville Public Works and Utilities	\$54.66



APPENDIX D: Potential Capital Funding Options

Grant Name	Grant Description	Annexation into SLVWD	Annexation into Another Local Agency	County Service Agency	Independent Special District	Mutual Water Company	Private Company (Existing or New)	Source
State Water Board – Drinking Water State Revolving Fund (DWSRF) Loan - Planning Grants	Planning/design of drinking water infrastructure projects (e.g., treatment, distribution systems, consolidations, pipeline extensions, water sources, water meters, water storages, etc.). No specific maximum limit.	Eligible - Eligible for up to 100% grant/PF funding for planning projects related to consolidation and feasibility studies, especially if the project serves a small Disadvantaged or Severely Disadvantaged Communities (DAC or SDAC)	Eligible - Qualified if annexed into public entity, especially for consolidation studies	Eligible - managed by a county government, especially serving DAC and small communities	Eligible - Public Entity	Eligible - non-profit mutual water companies	Eligible - Privately-owned community water systems (e.g., for-profit water utilities)	https://www.waterboards.ca.gov/water_issues/programs/grants_loans/
State Water Board – DWSRF Loan - Construction Projects	Loan funding for construction projects related to treatment systems, distribution systems, interconnections, consolidations, pipeline extensions, water sources, water meters, water storages, etc. May offer incentives for consolidation, including up to \$10 million in 0% financing and grants of \$3,000-10,000 per connection. ¹⁶	Eligible - Eligible for up to 100% grant/PF funding for construction projects related to consolidation if serving a small SDAC or DAC	Eligible - Qualified if annexed into public entity, especially consolidation	Eligible - managed by a county government, especially serving DAC and small communities	Eligible - Public Entity	Eligible - non-profit mutual water companies	Eligible - Privately-owned community water systems.	https://www.waterboards.ca.gov/drinking_water/services/funding/dwsrf_basics.html

¹⁶ Drinking Water Grants – Drinking Water State Revolving Fund (DWSRF) Program Fact Sheet. https://www.waterboards.ca.gov/water_issues/programs/grants_loans/srf/docs/dw-grant-fact-sheet.pdf



Technical Assistance (TA) Program administered by The State Water Resources Control Board's Office of Sustainable Water Solutions	Grant available for project coordination, funding application support, rate studies, income surveys, engineering and environmental analysis, legal support for entity formation and agreements, as well as various technical assistance activities. Must serve small community, DAC, and high demand for water. TA funding program primarily focused on systems serving small DACs.	Eligible - Public Entity.	Eligible - Qualified if annexed into public entity, especially under DAC criteria	Eligible - managed by a county government	Eligible - Public Entity	Eligible - non-profit mutual water companies	Eligibility for limited technical assistance, particularly if it operates as a community water system serving a disadvantaged community (DAC). However, priority is typically given to small DACs addressing drinking water needs.	https://www.waterboards.ca.gov/water_issues/programs/grants_loans/tech_asst_funding.html
Safe and Affordable Funding for Equity and Resilience (SAFER)	Funding is available to help small disadvantaged communities with interim water supplies, planning or design, construction, consolidation (physical or managerial), administrator funding, operations and maintenance, and technical assistance needs. Additional consideration for DAC, small systems, and failing systems.	Eligible - Public Entity.	Eligible - Public Entity.	Eligible - Public Entity.	Eligible - Public Entity.	Eligible - non-profit mutual water companies. Must benefit the customers and not the shareholders.	Eligible - Privately - owned community water systems. Must benefit the customers of the system and not the investors.	https://www.waterboards.ca.gov/water_issues/programs/grants_loans/sustainable_water_solutions/docs/2023/final_policy_for_dev_fep_sadwf_0130.pdf
CoBANK Loan Program	Funds for rural water and wastewater infrastructure projects. Funds can provide interim & bridge financing, term loans for system upgrades and lines of credit.	Eligible - Public Entity.	Eligible - Public Entity.	Eligible - Public Entity	Eligible - Public Entity	Eligible - non-profit mutual water companies	Eligible - Privately - owned community water systems.	https://www.cobank.com/web/cobank/corporate//industry/water



National Rural Water Association Rural Water Loan Fund	Low-cost loans for short term repair costs, replacement equipment, small scale extensions, system upgrades, and small capital projects that are not part of regular maintenance and pre-development costs associated with larger infrastructure projects. Energy efficiency projects to lower costs and improve system sustainability.	Eligible - Public Entity.	Eligible - Public Entity.	Eligible - Public Entity	Eligible - Public Entity	Eligible - non-profit mutual water companies	Not Eligible	https://nrwa.org/members/products-services-portfolio/rural-water-loan-fund/
Rural Community Assistance Corporation (RCAC) Environmental Infrastructure Loan Program	The Environmental Infrastructure Loan program has several loan programs. Short term products cover eligible projects including feasibility studies (e.g., PER, EA) - NTE \$50,000; planning and pre-development (e.g., engineering, legal, bond counsel) costs prior to receiving state and federal funding - NTE \$350,000; and short-term construction costs for water & wastewater facilities that serve lower-income rural areas - NTE \$3 million. Intermediate loans offer low interest and up to 20 years repayment - NTE \$100,000. Long term loans must meet requirements of USDA's Water & Waste Disposal Grants including repayment ability & loan security.	Eligible - Public Entity.	Eligible - Public Entity.	Eligible - Public Entity	Eligible - Public Entity	Eligible - non-profit mutual water companies	Not Eligible	https://www.rcac.org/lending-2/environmental-loans/
RCAC Small Business Loan Program	Funds for private sector financing needs include short term loans for working capital & lines of credit; and long-term loans for real estate and equipment acquisition. The loan under consideration must result in job creation or retention.	Not Eligible	Not Eligible	Not Eligible	Not Eligible	Eligible - non-profit mutual water companies	Eligible - for profit organization	https://www.rcac.org/lending-2/small-business-loans/
RCAC Community Facilities Loan Program	To improve essential community facilities. Short-term loans for acquisition and pre-development needs (market studies, EA reports); interim construction costs and permanent financing.	Eligibility depends on whether population served has MHI is below state/county MHI, whichever is greater	Eligibility depends on whether population served has MHI is below state/county MHI, whichever is greater	Eligibility depends on whether population served has MHI is below state/county MHI, whichever is greater	Eligibility depends on whether population served has MHI is below state/county MHI, whichever is greater	Eligibility depends on whether population served has MHI is below state/county MHI, whichever is greater	Not Eligible	https://www.rcac.org/lending-2/community-facility-loans/



Rural Community Assistance Partnership Communities Unlimited Water/Waste water Loans	Loans with terms up to 15 years for small, rural community water/wastewater projects. Funds may be used for construction projects & system improvements, extending service to new customers, purchase of equipment, or pre-development activities that allow systems to qualify for longer-term financing. Emergency financing in the event of a natural disaster or catastrophic system failure in as little as 1-3 business days.	Eligible - Public Entity.	Eligible - Public Entity.	Eligible - Public Entity	Eligible - Public Entity	Eligible - non-profit mutual water companies	Not Eligible	https://communities.u.org/lending/#water-loans
United States Dept of Agriculture - Rural Development (USDA-RD) Emergency Community Water Assistance Grants	Eligible rural communities to recover from or prepare for emergencies that threaten the availability of safe drinking water. Grants up to \$150,000 for waterline extensions, repair breaks or leaks in distribution system and related maintenance to replenish the water supply. Grants up to \$1,000,000 for construction of a new water source, intake and/or treatment facility or waterline extension. "Emergency" includes drought, flood, earthquake, disease outbreak, chemical spill, leak or seepage, other. Can fund 100% of eligible costs.	Eligible - Public Entity.	Eligible - Public Entity.	Eligible - Public Entity	Eligible - Public Entity	Eligible - non-profit mutual water companies	Not Eligible	Website: https://www.rd.usda.gov/programs-services/water-environmental-programs/emergency-community-water-assistance-grants#overview
USDA-RD Water & Waste Disposal Direct Loan & Grant Programs	Funds may be used to finance the acquisition, construction or improvement of drinking water sourcing, treatment, storage & distribution; sewer collection, transmission, treatment & disposal; solid water collection, disposal and closure; stormwater collection, transmission & disposal. Fixed, low interest loans. Repayment up to 40 years. Grants may be available.	Eligible - Public Entity.	Eligible - Public Entity.	Eligible - Public Entity	Eligible - Public Entity	Eligible - non-profit mutual water companies	Not Eligible	https://www.rd.usda.gov/programs-services/water-environmental-programs/water-waste-disposal-loan-grant-program
USDA-RD Water & Waste Disposal Predevelopment Planning Grants	Funds for initial planning and development for application to USDA-RD W/WD direct loan/grant and loan guarantee program. Maximum is \$30,000 or 75% of predevelopment planning costs. 25% local cash match required	Eligible - Public Entity.	Eligible - Public Entity.	Eligible - Public Entity	Eligible - Public Entity	Eligible - non-profit mutual water companies	Not Eligible	https://www.rd.usda.gov/programs-services/water-environmental-programs/water-waste-disposal-predevelopment-planning-grants



United States Dept. of Interior - Bureau of Reclamation (BOR) WaterSMART Grants Small Scale Water Efficiency Projects	Provides for 50/50 cost share funding for small scale on the ground water efficiency projects identified by previous planning efforts. Projects include: canal lining/piping to address seepage, municipal meter upgrades, irrigation flow measurement devices, SCADA systems and automation. Max award \$75,000; total project costs shall not exceed \$200,000. Requires 50% non-federal cost-share.	Eligible - Public Entity.	Eligible - Public Entity.	Eligible - Public Entity	Eligible - Public Entity	Not Eligible	Not Eligible	https://www.usbr.gov/watersmart/swep/index.html
BOR WaterSMART Water & Energy Efficiency Grants	Provides for 50/50 cost share funding for projects to conserve & use water more efficiently; increase the production of hydropower; mitigate conflict risk in areas at a high risk of future water conflict and other projects that contribute to water supply reliability. Water conservation projects including canal lining/piping, metering, SCADA & automation, groundwater recharge, landscape irrigation measures; energy-water nexus where use of renewable energy sources in the management & delivery of water is increased; benefits to endangered species & projects that implement or use water markets to make water available to meet other existing water supply needs. Projects must be completed within 24 - 36 months. Requires 50% non-federal cost share.	Eligible - Public Entity.	Eligible - Public Entity.	Eligible - Public Entity	Eligible - Public Entity	Not Eligible	Not Eligible	https://www.usbr.gov/watersmart/weeg/
BOR System Optimization Reviews thru WaterSMART Water Conservation Field Services Program	System optimization reviews (SORs) are to assess the potential for water management improvements and to identify a plan of action that contains recommendations for implementing specific improvements that have the potential to enhance water management. The review can include an analysis of the entire water delivery system, district, watershed, or portion thereof. SORs are intended to take a broad look at system-wide efficiency and are not focused on single project-	Eligible - Public Entity.	Eligible - Public Entity.	Eligible - Public Entity	Eligible - Public Entity	Not Eligible	Not Eligible	https://www.usbr.gov/waterconservation/



	specific planning. Requires 50% non-federal cost share.							
BOR Designing Water Management Improvements thru WaterSMART Water Conservation Field Services Program	Design of improvement projects may include pipelines, canal lining, water measurement structures, or other water management improvement projects. This would include the necessary preliminary work in preparation of the design such as surveying and gathering pertinent site specific information (e.g., hydraulic head available at site, soil testing, groundwater levels). Requires 50% non-federal cost share.	Eligible - Public Entity.	Eligible - Public Entity.	Eligible - Public Entity	Eligible - Public Entity	Not Eligible	Not Eligible	https://www.usbr.gov/waterconservation/



APPENDIX E: Annexation Considerations

There are two key issues at the heart of an annexation process that, when handled carefully, can contribute to its successful completion.

Cross-Subsidization

The first issue is cross-subsidization, which is when the customers of the utility annexing end up paying some of the costs incurred by the customers of the utility being annexed. In California, even though cross-subsidization is prohibited, customers and utilities tend to be cautious about the possibility. An approach to addressing this issue that can contribute to the success of the annexation is the concept of an acquisition balance.

An acquisition balance is a calculation that financially partitions the net costs associated with integrating and providing needed improvements to serve the annexed area and allows those costs to be recovered over time from the customers in the annexed area. The acquisition balance can be structured to provide credit for property and assets that the utility being annexed may have that provide a benefit to the customers of the annexing utility. The net acquisition balance is the amount that the customers of the utility being annexed will need to pay, less any credits received, for the improvements to fully integrate them into the annexing system. The assets that the utility being annexed brings include the water rights which would be transferred. The acquisition balance would be divided into monthly surcharges.

The acquisition balance period is the time it would take the customers of the utility being annexed to pay down the acquisition balance. Once the improvements needed for integration are completed, customers of the utility being annexed would pay the same rates as the customers of the annexing utility. This concept ensures that the costs of the improvements needed for annexation are fairly accounted-for and do not financially burden the annexing utility's current customers.

Representation

The second issue is how customers of the utility being annexed would be represented by the board of the annexing utility. This is an issue that should be decided before annexation. One approach that promotes success is an advisory committee made up of several customers of the utility being annexed and a member of the annexing utility's current board. This advisory committee is active during the acquisition balance period, creating a public process while allowing the annexing utility's board to have ultimate authority.

It should also be noted that once the dissolution and annexation occur, and the annexed area is within the service area boundaries of the annexing utility, residents of the annexed area will be eligible to run for the Board of Directors of the annexing utility.

Both the acquisition balance (including any credits) and representation can be included in a pre-consolidation agreement.



ABBREVIATION KEY

Abbreviation	Stands For
ANSI	American National Standards Institute
AWWA	American Water Works Association
BBWC	Big Basin Water Company
Brown Act	Ralph M. Brown Act
CalWARN	California Water/Wastewater Agency Response Network
CFS	Cubic feet per second
CPUC	California Public Utilities Commission
CSA	County Service Area
DAC	Disadvantaged community, defined as 80% of state Median Household Income
DCSD	Davenport County Sanitation District
CZU	CAL FIRE San Mateo-Santa Cruz Unit
EPA	Environmental Protection Agency
FEMA	Federal Emergency Management Agency
GPD	Gallons per day
GPM	Gallons per minute
GUDI	Groundwater Under the Direct Influence of Surface Water
HCF	Hundred cubic feet
HP	Horsepower
IOU	Investor Owned Utility
LAFCO	Local Agency Formation Commission
MGD	Million gallons per day
NSF	National Science Foundation
PPE	Personal protective equipment
Proposition 218	Right to Vote on Taxes Act
PRV	Pressure reducing valve
PSOC	Potential source of contamination
PVC	Polyvinyl chloride
PVWMA	Pajaro Valley Water Management Agency
R&R	Replacement and refurbishment
RTU	Remote Telemetry Unit
SCADA	Supervisory Control and Data Acquisition
SDS	Safety data sheet
SLVWD	San Lorenzo Valley Water District
SRF	State Revolving Fund
SWRCB	State Water Resource Control Board
UL	Underwriters Laboratories
USDA	United States Department of Agriculture
VFD	Variable frequency drive



FOOTNOTES

¹ Proposition 218 Guide for Special Districts.

https://www.waterboards.ca.gov/drought/pricing/docs/csda_guide_proposition_218.pdf

² Declaration of Jonathan Weininger in Support of Application for Appointment of Receiver under Health and Safety Code Section 116665.

³ Order granting State Water Resources Control Board's Request for Appointment of Receiver for the Big Basin Water Company.

⁴ Environmental Finance Center Grant Program. <https://www.epa.gov/waterfinancecenter/efcn>

⁵ California State Water Resources Control Board. ArcGIS Hub. "California Drinking Water System Area Boundaries". Accessed June 16, 2024.

<https://hub.arcgis.com/datasets/waterboards::california-drinking-water-system-area-boundaries/explore?location=37.160263%2C-122.168436%2C13.69>

⁶ Standard Practice for Processing Informal General Rate Cases of Small Water and Sewer Utilities (Class B, C and D).

<https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M531/K314/531314247.pdf>

⁷ San Jose Water Company. Big Basin Water Company – Engineering Assessment & Acquisition Recommendation, 2018.

⁸ FEMA Flood Map Service Center

https://msc.fema.gov/arcgis/rest/directories/arcgisjobs/nfhl_print/mscprintb_gpserver/jb33d15cb3ca346079817f8ee7b24c660/scratch/FIRMETTE_e1eccf2b-a388-4fcb-82c8-04c79e237c10.pdf

⁹ Office of the State Fire Marshal. (n.d.). Fire Hazard Severity Zones. California Department of Forestry and Fire Protection. Retrieved August 27, 2024, from <https://osfm.fire.ca.gov/what-we-do/community-wildfire-preparedness-and-mitigation/fire-hazard-severity-zones>

¹⁰ SAFER Dashboard.

https://www.waterboards.ca.gov/drinking_water/certlic/drinkingwater/saferdashboard.html

¹¹ Santa Cruz Local Agency Formation Commission. Big Basin Water Company: Governance Options, 2024. <https://santacruzlafco.org/wp-content/uploads/2024/02/Mar-2024-Entire-Agenda-Packet.pdf>



¹³ Dobbin, Kristin McBride, Justin and Pierce, Gregory. Designing Water System Consolidation Projects: Considerations for California Communities. UCLA Luskin Center for Innovation, 2022. Accessed June 125, 2024. <https://innovation.luskin.ucla.edu/wp-content/uploads/2022/10/Designing-Water-System-Consolidation-Projects.pdf>

¹⁴ California State Water Resources Control Board. “California Drinking Water State Revolving Fund Interest Rate History.” Accessed August 15, 2024. https://www.waterboards.ca.gov/drinking_water/services/funding/documents/srf/dwsrf_interest_rate_history.pdf

¹⁵ California Public Utilities Commission. “Rates of Return and Rates of Margin for Class C, Class D Water and Sewer Utilities.” Accessed August 15, 2024. <https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/water-division/reports/wd-memorandum/roandrom-classcd2024.pdf>

¹⁶ Drinking Water Grants – Drinking Water State Revolving Fund (DWSRF) Program Fact Sheet. https://www.waterboards.ca.gov/water_issues/programs/grants_loans/srf/docs/dw-grant-fact-sheet.pdf





Santa Cruz Local Agency Formation Commission

Date: November 6, 2024
To: LAFCO Commissioners
From: Joe Serrano, Executive Officer
Subject: **Service & Sphere Review Multi-Year Work Program**

SUMMARY OF RECOMMENDATION

Government Code Section 56425 requires LAFCO to review and update each sphere of influence every five years. Pursuant to Government Code Section 56430, a service review shall either be conducted before or in conjunction with the sphere update. The adoption of a multi-year work program will indicate when the next round of service and sphere reviews will be conducted for each city and district within Santa Cruz County. It is recommended that the Commission adopt the proposed multi-year work program.

EXECUTIVE OFFICER'S REPORT:

There are currently 77 agencies that are subject to Santa Cruz LAFCO's purview: 4 cities, 11 dependent special districts, 22 independent special districts, and 40 county service areas. **Table A** provides an overview of the local agencies under LAFCO's jurisdiction.

Table A: Local Agencies Under LAFCO's Purview (In Alphabetical Order)

Local Agencies	Amount	Percentage
Cities		
Capitola; Santa Cruz; Scotts Valley; Watsonville		
Total Cities	4	5%
County Service Areas (non-fire or sewer related)		
Park & Rec Services (CSA 11)	1	
Multi-Services (CSA 3; CSA 9; CSA 57)	3	
Mosquito Abatement (CSA 53)	1	
Road-Related (CSA 13 to 59)	34	
Sheriff's Patrol (CSA 38)	1	
Total County Service Areas (non-fire or sewer related)	40	52%
Independent Special Districts		
Cemetery Districts	1	
Fire Districts	8	
Healthcare Districts	1	
Port Districts	1	
Rec & Park Districts	3	
Regional Open Space Districts	1	
Resource Conservation Districts	1	
Sanitation Districts	1	
Water Districts	5	
Total Independent Special Districts	22	29%
Other Dependent Special Districts		
Fire-Related (CSA 4; CSA 48)	2	
Sewer-Related (CSAs 2, 5, 7, 10, 12, 20; Davenport; Freedom; Santa Cruz County Sanitation Districts)	9	
Total Other Dependent Special Districts	11	14%
Total Local Agencies Under LAFCO's Purview	77	100%

Previous Work Program (2020 – 2024)

In November 2019, the Commission adopted the first multi-year work program, which outlined when a service and sphere review would be conducted for each of the existing local agencies under LAFCO's jurisdiction. There was a total of 81 agencies when the first work program was adopted. Since then, the Commission successfully completed various reorganizations to ensure the efficient and effective delivery of municipal services within Santa Cruz County. It is important to note that most (if not all) of these reorganizations stemmed directly from the adopted service and sphere reviews, specifically the recommended actions identified in the reports. The following summarizes the successful change of organizations during the past five years:

- **February 4, 2021:** Consolidation of Aptos/La Selva & Central Fire Protection Districts;
- **February 23, 2021:** Dissolution of CSA 60 (Huckleberry Island);
- **April 11, 2022:** Dissolution of Opal Cliffs Recreation District;
- **March 3, 2023:** Dissolution of CSA 54 (Summit West);
- **June 16, 2023:** Entire Sphere Annexation into Scotts Valley Water District;
- **December 8, 2023:** Reorganization of Branciforte Fire Protection District; and
- **June 5, 2024:** Dissolution of Reclamation District No. 2049

As a result of the work program, coupled with the Commission's robust analysis, LAFCO has been able to build a stronger working relationship with the local agencies. This strategic partnership has established trust between the governmental entities and LAFCO – allowing us the opportunity to discuss, consider, and explore governmental options that would benefit the residents now and in the future. LAFCO staff considers these partnerships as markers of success for a work program that can't always be quantifiable when compared to the actual and physical boundary changes listed above. That said, LAFCO staff believes that continuing with work programs will help LAFCO navigate through the statutory requirement in a timely manner while also strengthening the bond with local agencies at the same time.

New Work Program (2025 – 2029)

LAFCO staff has developed a new multi-year work program, which outlines when the next round of reviews will occur for each of the 77 agencies (refer to **Attachment 1**). With the adoption of the new work program, the Commission will be up-to-date and in compliance with the requirements under the Cortese-Knox-Hertzberg Act. A total of five service and sphere reviews are scheduled to be completed in 2025 if the proposed work program is adopted by the Commission. **Table A** summarizes the proposed service and sphere reviews for next year:

Table A: Proposed Service & Sphere Reviews in 2025

Local Agency	Commission Meeting (Proposed Hearing Date)
Sanitation Districts (11 in total)	March 5
CSA 9 (County Public Works)	May 7
Pajaro Valley Cemetery District	August 6
Resource Conservation District	September 3
Pajaro Valley Health Care District	November 5

New Service Review Elements to Consider

State law requires LAFCOs to analyze a number of factors when developing service and sphere reviews. During the 2024 CALAFCO Annual Conference, staff learned how other LAFCOs evaluate additional factors as part of their analysis. Therefore, staff will consider analyzing two additional elements in our future reports: Environmental Justice and Fiscal Indicators.

Environmental Justice

Environmental justice is defined in California law (Government Code Section 65040.12) as “the fair treatment of people of all races, cultures, and incomes with respect to the development, adoption, implementation, and enforcement of environmental laws and policies.” The Cortese-Knox-Hertzberg Act (CKH) states in Government Code Section 56668(o) that “environmental justice” means the fair treatment of people of all races, cultures, and incomes with respect to the location of public facilities and the provision of public services. Several LAFCOs have been able to drive sustainable growth and encourage inclusive decision-making processes that design healthier environments for communities considering this new element of their evaluation. Future service reviews may include an evaluation of environmental justice as part of Government Code Section 56430(a)(2) which focuses on disadvantaged unincorporated communities.

Fiscal Indicators

Financial indicators help measure and describe the prospects for fiscal health. Indicators can flag trends that warrant further evaluation and can help anticipate potential service reductions or declining reserves. Several LAFCOs across the State have utilized fiscal indicators when conducting service reviews. For example, Orange LAFCO uses three fiscal indicators when evaluating the financial health of an agency:

- **Annual Change in Revenues:** Compares revenue growth to long-term inflation (historically about 2-3%) – Low revenue growth below inflation indicates a potential long-term problem keeping pace with inflationary cost increases. Declining revenues can be a symptom of the pandemic and/or weakening economic conditions.
- **Annual Change in Expenditures:** Compares expenditure growth to long-term inflation. Expenditure growth consistently above inflation and/or above revenue growth indicates a potential structural imbalance and potential future revenue shortfalls. Excessive expenditures could require reserve drawdowns and/or service reductions.
- **Adequate Operating Reserves:** Compares reserves that typically provide at least two months of operating funds (i.e., 16.7% of annual expenditures). Reserves are essential to manage cash flow during the year, handle contingencies and emergencies, provide a “rainy day” account for future economic downturns, and assure funding for asset repair/replacement and expansion of facilities and infrastructure.

Future service reviews may include fiscal indicators as part of Government Code Section 56430(a)(4) which focuses on the financial ability of agencies to provide services.

CONCLUSION

The proposed multi-year work program will be used as a roadmap for the Commission and staff in completing service and sphere review cycles in a timely fashion. Prior to each upcoming cycle, LAFCO staff will provide an update to the Commission on the scheduled dates during each quarter of the fiscal year for potential adjustments or further discussion. This will give the Commission an opportunity to change the assigned completion dates, if needed.

Respectfully Submitted,



Joe A. Serrano
Executive Officer

Attachment:

- 1) Service & Sphere Review Multi-Year Work Program (2025 – 2029)

November 6, 2024

	Last Service Review Cycle	Current Service Review Cycle	Next Service Review Cycle
Cities			
Capitola	August 2017	May 2022	May 2027
Santa Cruz	December 2018	January 2024	January 2029
Scotts Valley	October 2016	March 2021	March 2026
Watsonville	April 2018	May 2023	May 2028
Cemetery District			
Pajaro Valley	April 2015	August 2020	August 2025
County Service Areas			
CSA 2 (Place de Mer)	October 2019	March 2025	March 2030
CSA 3 (Aptos Seascapes)	June 2019	April 2024	April 2029
CSA 4 (Pajaro Dunes)	October 2016	October 2021	October 2026
CSA 5 (San Dollar/Canyon del Sol)	October 2019	March 2025	March 2030
CSA 7 (Boulder Creek Country Club)	October 2019	March 2025	March 2030
CSA 9 (County Public Works)	July 2015	May 2020	March 2025
CSA 10 (Rolling Woods)	October 2019	March 2025	March 2030
CSA 11 (County Parks)	May 2018	August 2023	August 2028
CSA 12 (Septic Maintenance)	August 2018	September 2023; March 2025	March 2030
CSA 13 (Hutchinson Road)	July 2017	November 2022	November 2027
CSA 15 (Huckleberry Woods)	July 2017	November 2022	November 2027
CSA 16 (Robak Drive)	July 2017	November 2022	November 2027
CSA 17 (Empire Acres)	July 2017	November 2022	November 2027
CSA 18 (Whitehouse Canyon)	July 2017	November 2022	November 2027
CSA 20 (Trestle Beach)	October 2019	November 2024	November 2029
CSA 21 (Westdale)	July 2017	November 2022	November 2027
CSA 22 (Kelly Hill)	July 2017	November 2022	November 2027
CSA 23 (Old Ranch Road)	July 2017	November 2022	November 2027
CSA 24 (Pineridge)	July 2017	November 2022	November 2027
CSA 25 (View Point Road)	July 2017	November 2022	November 2027
CSA 26 (Hidden Valley)	July 2017	November 2022	November 2027
CSA 28 (Lomond Terrace)	July 2017	November 2022	November 2027
CSA 30 (Glenwood Acres)	July 2017	November 2022	November 2027
CSA 32 (View Circle)	July 2017	November 2022	November 2027
CSA 33 (Redwood Drive)	July 2017	November 2022	November 2027
CSA 34 (Larsen Road)	July 2017	November 2022	November 2027
CSA 35 (Country Estates)	July 2017	November 2022	November 2027
CSA 36 (Forest Glen)	July 2017	November 2022	November 2027
CSA 37 (Roberts Road)	July 2017	November 2022	November 2027
CSA 38 (Sheriff's Patrol)	August 2018	January 2024	January 2029
CSA 39 (Reed Street)	July 2017	November 2022	November 2027
CSA 40 (Ralston Way)	July 2017	November 2022	November 2027
CSA 41 (Loma Prieta Drive)	July 2017	November 2022	November 2027
CSA 42 (Sunlit Lane)	July 2017	November 2022	November 2027
CSA 43 (Bonita Encino)	July 2017	November 2022	November 2027
CSA 44 (Sunbeam Woods)	July 2017	November 2022	November 2027
CSA 46 (Pinecrest Drive)	July 2017	November 2022	November 2027
CSA 47 (Braemoor Drive)	July 2017	November 2022	November 2027
CSA 48 (County Fire)	June 2018	October 2021	October 2026
CSA 50 (The Vineyard)	July 2017	November 2022	November 2027
CSA 51 (Hopkins Gulch Road)	July 2017	November 2022	November 2027
CSA 52 (Upper Pleasant Valley Road)	July 2017	November 2022	November 2027
CSA 53 (County Mosquito Abatement)	October 2018	June 2023	June 2028

Service Review Work Program (2025 to 2029)

November 6, 2024

	Last Service Review Cycle	Current Service Review Cycle	Next Service Review Cycle
CSA 54 (Summit West Water) Dissolved on 3/3/23	July 2017	August 2022	-
CSA 55 (Riverdale Park)	July 2017	November 2022	November 2027
CSA 56 (Felton Grove)	July 2017	November 2022	November 2027
CSA 57 (Graham Hill)	June 2019	June 2024	June 2029
CSA 58 (Ridge Drive)	July 2017	November 2022	November 2027
CSA 59 (McGaffigan Bill Road)	July 2017	November 2022	November 2027
CSA 60 (Huckleberry Island) Dissolved on 2/23/21	July 2015	March 2020	-
Fire Districts			
Aptos/La Selva Consolidation w/ CFPD on 2/4/21	October 2016	October 2021	-
Aromas Tri-County	October 2016	October 2021	October 2026
Ben Lomond	October 2016	October 2021	October 2026
Boulder Creek	October 2016	October 2021	October 2026
Branciforte Dissolved & Reorganized w/ SVFPD on 12/8/23	October 2016	October 2021	-
Central Fire District	June 2018	October 2021	October 2026
Felton	October 2016	October 2021	October 2026
Pajaro Valley	October 2016	October 2021	October 2026
Scotts Valley	October 2016	October 2021	October 2026
Zayante	October 2016	October 2021	October 2026
Health Care District			
Pajaro Valley Health Care Dist. (Created by Special Legislation on 7/1/22)		December 2025	December 2030
Port District			
Santa Cruz Port District	July 2019	August 2024	August 2029
Reclamation District			
No. 2049 Dissolved on 6/5/24	November 2017	August 2022	-
Recreation and Park Districts			
Alba	March 2016	August 2021	August 2026
Boulder Creek	March 2016	August 2021	August 2026
La Selva Beach	March 2016	August 2021	August 2026
Opal Cliffs Dissolved on 4/11/22	March 2016	August 2021	-
Resource Conservation District			
Resource Conservation Districts of Santa Cruz County	July 2015	October 2020	October 2025
Regional Open Space District			
Midpeninsula Regional Open Space District	November 2019	October 2024	October 2029
Sanitation Districts			
Davenport	October 2019	March 5, 2025	March 2030
Freedom	October 2019	March 5, 2025	March 2030
Salsipuedes	October 2019	March 5, 2025	March 2030
Santa Cruz County	October 2019	March 5, 2025	March 2030
Water Districts			
Central	August 2017	August 2022	August 2027
Pajaro Valley Water Management Agency	November 2017	August 2022	August 2027
San Lorenzo Valley	July 2014	November 2020; August 2022	August 2027
Scotts Valley	October 2016	May 2021; August 2022	August 2027
Soquel Creek	May 2017	August 2022	August 2027

Footnote: Proposed dates may be subject to change



Santa Cruz Local Agency Formation Commission

Date: November 6, 2024
To: LAFCO Commissioners
From: Joe Serrano, Executive Officer
Subject: **LAFCO Meeting Schedule (2025 Calendar Year)**

SUMMARY OF RECOMMENDATION

Each year, LAFCO approves a meeting schedule for the upcoming year. This type of action informs the Commission, local agencies, and the general public when the next regular LAFCO meetings will be held.

It is recommended that the Commission adopt the meeting schedule for the 2025 calendar year.

EXECUTIVE OFFICER'S REPORT:

LAFCO normally meets at 9:00am on the first Wednesday of each month at the County Board of Supervisors Chambers. The attached draft meeting schedule outlines next year's anticipated regular LAFCO meetings, with the following exceptions:

- **January 8, 2025** – LAFCO meeting will be held on the second Wednesday of the month to prevent any scheduling conflicts due to the start of the new year and the conclusion the holiday recess. The meeting will also be held at the Watsonville City Council Chambers;
- **July 2, 2025** – No LAFCO Meeting will be held to allow for a summer recess; and
- **December 3, 2025** – No LAFCO Meeting will be held to allow for a holiday recess.

The Commission may set special meetings in accordance with the Commission's adopted policies, if needed. Pursuant to Assembly Bill 2449, the Commission may continue utilizing online platforms such as Zoom to conduct meetings remotely. The Commission will have full discretion on whether to conduct virtual meetings, hybrid meetings, or revert back to in-person meetings at any point in the calendar year.

Respectfully Submitted,

A blue ink signature of Joe A. Serrano, written in a cursive style.

Joe A. Serrano
Executive Officer

Attachment: 2025 LAFCO Meeting Schedule (draft version)



Local Agency Formation Commission of Santa Cruz County

2025 SCHEDULE OF REGULAR LAFCO MEETINGS

(Approved on November 6, 2024)

January 8 – Second Wednesday

February 5

March 5

April 2

May 7

June 4

July – No Meeting

August 6

September 3

October 1

November 5

December – No Meeting

All regular meetings begin at 9:00am and are typically held in the Board of Supervisors Chambers, located on the fifth floor of the County Governmental Center – 701 Ocean Street (Room 525), Santa Cruz, CA

HYBRID LAFCO MEETINGS

Santa Cruz LAFCO has established a hybrid meeting process in accordance with Assembly Bill 2449. Members of the public will have the option to attend virtually or in-person. The Commission will have full discretion on whether to conduct hybrid meetings or revert back to in-person meetings at any point in the calendar year.



Santa Cruz Local Agency Formation Commission

Date: November 6, 2024
To: LAFCO Commissioners
From: Francisco Estrada, LAFCO Analyst
Subject: **Comprehensive Quarterly Report – First Quarter (FY 2024-25)**

SUMMARY OF RECOMMENDATION

This report provides an overview of projects currently underway, the status of the Commission's Multi-Year Work Program, the financial performance of the annual budget, and staff's outreach efforts from July through September. This agenda item is for informational purposes only and does not require any action. Therefore, it is recommended that the Commission receive and file the Executive Officer's report.

EXECUTIVE OFFICER'S REPORT

The Cortese-Knox-Hertzberg Act delegates LAFCOs with regulatory and planning duties to coordinate the logical formation and development of local governmental agencies. **Attachment 1** summarizes how several of these statutory mandates are being met through the consideration of boundary changes, the development of scheduled service reviews, and staff's ongoing collaboration with local agencies.

Respectfully Submitted,

A handwritten signature in blue ink, appearing to read 'Francisco Estrada', is written over a horizontal line.

Francisco Estrada
LAFCO Analyst

Attachment:

1. FY 2024-25 Comprehensive Quarterly Report (First Quarter)

Comprehensive Quarterly Report

FISCAL YEAR 2024-25
FIRST QUARTER
(JULY TO SEPTEMBER)



LOCAL AGENCY FORMATION COMMISSION OF SANTA CRUZ COUNTY

ACTIVE PROPOSALS

As of September 30, 2024, Santa Cruz LAFCO has two active applications.

1. **“Lockewood Lane/Graham Hill Road Parcel Annexation” (Project No. DA 24-12):** This application was initiated by landowner petition on July 3, 2024, and proposes to annex a single parcel (APN: 061-441-01) into the San Lorenzo Valley Water District. The purpose of the annexation is for the provision of water services from a nearby public agency.

Latest Status: Pending - may be considered by the Commission in late 2024 or early 2025.

2. **“1610 Bulb Avenue Parcel Annexation” (Project No. CA 24-13):** This application was initiated by landowner petition on August 15, 2024, and proposes to annex a single parcel (APN: 031-121-39) into the City of Capitola. The purpose of the annexation is to receive municipal services and land use oversight from the City.

Latest Status: Pending - may be considered by the Commission in early 2025.

MULTI-YEAR WORK PROGRAM (SERVICE REVIEWS)

A five-year work program was originally adopted in 2019 to ensure that service reviews for each local agency under LAFCO’s purview are considered within the legislative deadline. Since then, the Commission reviews and adopts the work plan on an annual basis. A total of six separate service and sphere reviews will be completed this year. Below is a status update on each scheduled review.

1. **County Service Area 38 (Sheriff’s Patrol)** – The CSA was formed in 1983 and provides extended police protection, under the County Sheriff’s Department, to areas outside city limits. The CSA serves the entire county excluding the four cities.

Latest Status: Completed. The Commission adopted the service and sphere review on January 10, 2024.

2. **City of Santa Cruz** – The City was incorporated in 1866 and provides a variety of municipal services, including water services under the City’s Water Department. The City’s water service area encompasses nearly 27 square miles of territory including the entire City of Santa Cruz, adjoining unincorporated areas of Santa Cruz County, a small part of the City of Capitola, and coastal agricultural lands north of the City.

Latest Status: Completed. The Commission adopted the service and sphere review on February 7, 2024.

3. **County Service Area 3 (Aptos Seascapes)** – The CSA was formed in 1965 to provide a series of services to the unincorporated community known as Seascapes. Services allowed to be provided by CSA 3 include road median landscaping maintenance, street sweeping, beach access maintenance, beach patrol, and beach litter control.

Latest Status: Completed. The Commission adopted the service and sphere review on April 3, 2024.

4. **County Service Area 57 (Graham Hill)** – The CSA was formed in 2001 to provide sanitary and storm sewer services to the Woods Cove Subdivision. In 2014, sanitary sewer services along Graham Hill Road were transferred to County Service Area 10 (Rolling Woods). CSA 57 continues to provide storm drain maintenance to Woods Cove.

Latest Status: Completed. The Commission adopted the service and sphere review on June 5, 2024.

5. **Santa Cruz Port District** – The District was formed in 1950 to provide for and manage small craft harbor facilities in Santa Cruz County. The District offers slip renter services including wet berthing and dry storage, as well as visitor services such as visitor berthing, launching and parking. The District also leases space for restaurants, retail, office, and marine commercial businesses.

Latest Status: Completed. The Commission adopted the service and sphere review on August 7, 2024.

6. **Midpeninsula Regional Open Space District** – The District was formed in 1972 to preserve the regional greenbelt in northwestern Santa Clara County. In accordance with its principal act, the District may be located within multiple counties as long as the lands are contiguous. In the last four decades, the District has expanded its services into three counties. In 1992, the District was extended to include a small portion of Santa Cruz County.

Latest Status: Completed. The Commission adopted the service and sphere review on September 4, 2024.

OTHER PROJECTS

Santa Cruz LAFCO currently has three other LAFCO-related projects:

1. **CSA 48 Transition Plan Outline:** Staff continue to meet and coordinate with representatives from the County and CalFire to develop a transitional plan outline for the potential reorganization of CSA 48 into an independent fire district. The Board of Supervisors reviewed the draft county fire master plan and directed staff to continue coordinating with LAFCO on the transition plan.
2. **Educational Workshops:** LAFCO is planning to host educational workshops tailored to the private water systems and road-CSAs in Santa Cruz County. The purpose of the workshops is to provide helpful tools for these local entities to succeed.
3. **The LAFCO Academy:** In partnership with CALAFCO, staff have designed and developed a draft curriculum with the purpose of preparing the next generation of LAFCO leaders. The LAFCO Academy is spearheaded by Santa Cruz LAFCO's Executive Officer, and it is a yearlong course that will provide current clerks, analysts, and other LAFCO-related staff with opportunities to gain the skills and knowledge needed to be an effective leader today and tomorrow for their respective agencies.

BUDGET REPORT

The first quarter of Fiscal Year 2024-25 ended on September 30, 2024. During this three-month period, the Commission received around \$422,122 in revenue. During the same period, the Commission incurred approximately \$160,063 in total expenses. In total, LAFCO used 21% of estimated costs for the entire fiscal year, as shown in the table below.

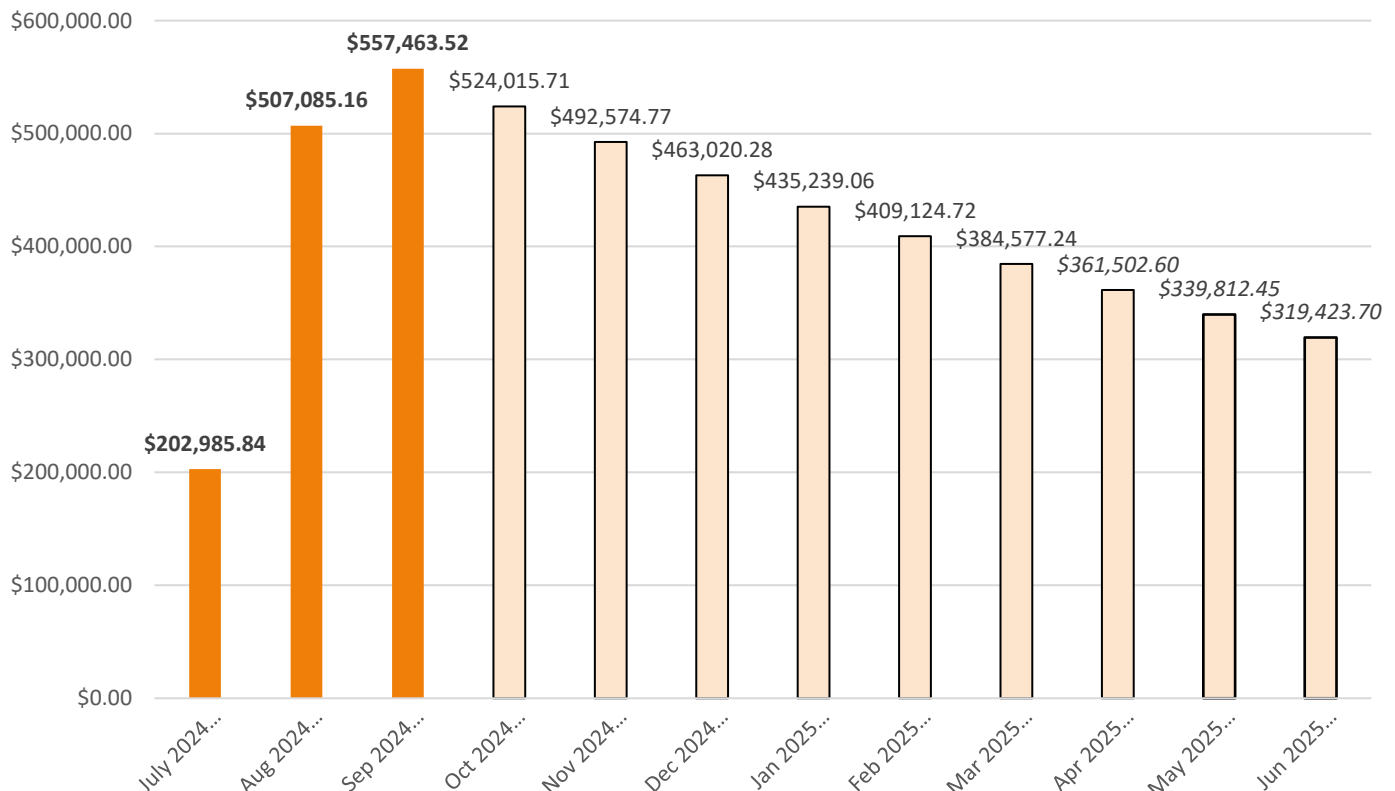
	FY 23-24 (1st Qtr.)	Available Funds	FY 24-25 Total Amt	FY 24-25 Budget	Percent (%)
Total Revenue	\$422,122	\$351,358	\$773,507	\$772,150	100%
Total Expense	\$160,063	-	\$160,063	\$772,150	21%
Difference	\$262,059	\$351,358	\$613,444	-	-

\$557,464 was the ending balance of the Commission's reserves: \$351,385 was earmarked to balance the budget and the remaining \$206,079 was designated as unrestricted revenue. The unrestricted revenue may be used to address any unanticipated expenses during the fiscal year. A detailed review of LAFCO's financial performance during the first quarter (July to September) is shown on page 4.

Fund Balance / Reserves

As of September 30, 2024, the total fund balance ended with approximately \$557,000. The following table highlights the fund balance during the entire fiscal year (actual and projected). LAFCO's fund balance typically reaches its peak during the first quarter after receiving all the scheduled apportionments from the funding agencies. The ending balance of FY 24-25 will be used to balance the new budget for FY 25-26, if needed.

Funding Balance - Ending Amount



FY 2024-25 Budget (Financial Performance by Quarter)

FISCAL YEAR 2023-24	FY 24-25 First Qtr. (Jul - Sep)	FY 24-25 Adopted Budget	FY 24-25 Actual	Difference (\$)	Budget Line Item Notes
REVENUES DESCRIPTION					
Interest	\$ 2,477	\$ 1,500	\$ 2,477	\$ 977	
Contributions from Other Govt Agencies	\$ 419,265	\$ 419,265	\$ 419,265	\$ -	
LAFCO Processing Fees	\$ -	\$ -	\$ -	\$ -	
Medical Charges-Employee	\$ 381	\$ -	\$ 381	\$ 381	
Re-budget from Fund Balance	\$ -	\$ 351,385	\$ 351,385	\$ 247,985	
TOTAL REVENUES	\$ 422,122	\$ 772,150	\$ 773,507	\$ 249,342	Additional Funds in Total Revenue
EXPENDITURES DESCRIPTION					
Regular Pay	\$ 54,225	\$ 260,000	\$ 54,225	\$ 205,775	Remaining Funds
Holiday Pay	\$ 497	\$ 10,300	\$ 497	\$ 9,803	Remaining Funds
Social Security	\$ 4,186	\$ 18,000	\$ 4,186	\$ 13,814	Remaining Funds
PERS	\$ 68,863	\$ 113,000	\$ 68,863	\$ 44,137	Remaining Funds
Insurances	\$ 10,093	\$ 45,000	\$ 10,093	\$ 34,907	Remaining Funds
Unemployment	\$ -	\$ 600	\$ -	\$ 600	Remaining Funds
Workers Comp	\$ 1,498	\$ 1,500	\$ 1,498	\$ 2	Remaining Funds
Salaries Sub-total	\$ 139,363	\$ 448,400	\$ 139,363	\$ 309,037	Remaining Funds in Salaries & Benefits
Telecom	\$ (1)	\$ 1,600	\$ (1)	\$ 1,601	Remaining Funds
Office Equipment	\$ -	\$ 200	\$ -	\$ 200	Remaining Funds
Memberships	\$ 5,541	\$ 7,500	\$ 5,541	\$ 1,959	Remaining Funds
Hardware	\$ -	\$ -	\$ -	\$ -	Remaining Funds
Duplicating	\$ -	\$ 500	\$ -	\$ 500	Remaining Funds
PC Software	\$ 474	\$ 700	\$ 474	\$ 226	Remaining Funds
Postage	\$ 19	\$ 800	\$ 19	\$ 781	Remaining Funds
Subscriptions	\$ 1,947	\$ 3,300	\$ 1,947	\$ 1,353	Remaining Funds
Supplies	\$ -	\$ 500	\$ -	\$ 500	Remaining Funds
Accounting	\$ -	\$ 14,000	\$ -	\$ 14,000	Remaining Funds
Attorney	\$ 759	\$ 15,000	\$ 759	\$ 14,242	Remaining Funds
Data Process GIS	\$ 2,076	\$ 9,500	\$ 2,076	\$ 7,424	Remaining Funds
Director Fees	\$ -	\$ 5,000	\$ -	\$ 5,000	Remaining Funds
Prof. Services	\$ 5,234	\$ 40,000	\$ 5,234	\$ 34,766	Remaining Funds
Legal Notices	\$ 288	\$ 4,000	\$ 288	\$ 3,712	Remaining Funds
Rents	\$ -	\$ 10,000	\$ -	\$ 10,000	Remaining Funds
Misc. Expenses	\$ 400	\$ 4,000	\$ 400	\$ 3,600	Remaining Funds
Air Fare	\$ -	\$ 600	\$ -	\$ 600	Remaining Funds
Training	\$ -	\$ 500	\$ -	\$ 500	Remaining Funds
Lodging	\$ 1,163	\$ 2,000	\$ 1,163	\$ 837	Remaining Funds
Mileage	\$ -	\$ 800	\$ -	\$ 800	Remaining Funds
Travel-Other	\$ -	\$ 250	\$ -	\$ 250	Remaining Funds
Registrations	\$ 2,800	\$ 3,000	\$ 2,800	\$ 200	Remaining Funds
Supplies Sub-total	\$ 20,700	\$ 123,750	\$ 20,700	\$ 103,050	Remaining Funds in Services & Supplies
TOTAL EXPENDITURES	\$ 160,063	\$ 572,150	\$ 160,063	\$ 412,087	Remaining Funds in Total Expenditures

RECENT & UPCOMING MEETINGS

LAFCO staff values collaboration with local agencies, the public, and other LAFCOs to explore and initiate methods to improve efficiency in the delivery of municipal services. During the first quarter (July – September) of 2024, staff participated in at least 40 meetings. For transparency purposes, a summary of those meetings is shown in the following table.

July Meetings			
Topic	Date	Subject Agency(ies)	Purpose
"ArcGIS 101" Mapping Workshop	7/3	County	Staff met with representatives from the County's mapping department to discuss the upcoming educational workshop.
Multi-LAFCO Shared Services Agreement	7/8	Kern, Marin, and Santa Cruz LAFCOs	Staff met with the EOs from Kern and Marino LAFCO to discuss possible ways to help each other with future projects.
CAO Office Update	7/8	County	Staff met with the CAO to provide an update on LAFCO-related projects affecting the County.
CALAFCO Conference	7/9	CALAFCO Planning Committee	Staff continues their participation in the planning committee for the conference.
CALAFCO Conference	7/10	CALAFCO	Staff hosted a discussion with the water session panel for the conference.
Government Accounting	7/10	Davis Farr Certified Public Accountants	Staff participated in a virtual introductory event with LAFCO's new auditor.
LAFCO Academy	7/16	CALAFCO	Staff met with CALAFCO's Executive Director to discuss the development of the LAFCO Academy.
"ArcGIS 101" Mapping Workshop	7/22	Various LAFCOS	Staff led a training session with other LAFCOs to showcase the benefits of ArcGIS and creating maps for projects.
Board of Directors Meeting	7/23	Santa Cruz Port District	Staff presented the draft version of the service and sphere review to the board and answered questions.
Upcoming Service Review	7/26	CSA 3 (Seascape) Representatives	Staff met with CSA representatives to discuss the upcoming service review.
CSDA Webinar	7/31	California Special Districts Association	Staff met with CSDA reps to discuss LAFCO's role during an upcoming virtual workshop.

August Meetings			
Topic	Date	Subject Agency(ies)	Purpose
CALAFCO Update	8/2	CALAFCO	Staff discussed the annual conference and other CALAFCO-related matters with the CALAFCO Executive Director.
Regional Officers Discussion	8/2	CALAFCO Regional Representatives	The EO, as the Coastal Region representative, met with the other Officers to discuss CALAFCO-related matters.
Board of Directors Meeting	8/5	Felton Fire Protection District	Staff provided technical assistance during FFPD's board meeting.
Countywide Water Update	8/7	Santa Cruz Water Advisory Commission	Staff participated in the County's regular water commission meeting.
CALAFCO Conference	8/7	CALAFCO	Staff hosted a discussion with the succession planning session panel for the upcoming annual conference.
CALAFCO Conference	8/12	CALAFCO Planning Committee	Staff continues their participation in the planning committee for the conference.
Virtual Workshop	8/13	California Special Districts Association	Staff was a guest speaker for CSDA's virtual workshop titled "Demystifying LAFCOs."
New Commissioner	8/16	San Diego LAFCO Commissioner	Staff met with a commissioner from San Diego LAFCO to learn more about LAFCO's role and responsibilities.
Fire Reorganization	8/19	Davenport North Coast Association	Staff met with Davenport residents to discuss CSA 48's proposed reorganization.
CALAFCO Elections	8/23	Virginia Chang Kiraly	Staff met with a commissioner from San Mateo LAFCO to discuss their interest on being on the CALAFCO board.
Radio Interview	8/23	Santa Cruz Voice	Staff participated in a local radio interview titled "Santa Cruz Voice."
CSA 48 Reorganization	8/29	County	Staff met County representatives to discuss CSA 48's proposed reorganization.

September Meetings			
Topic	Date	Subject Agency(ies)	Purpose
Water Update	9/2	Piret Harmon	Staff met with LAFCO's water consultant to discuss water-related projects/issues.
CALAFCO Conference	9/3	CALAFCO Planning Committee	Staff continues their participation in the planning committee for the conference.
CSA 48 Reorganization	9/3	CalFire	Staff met with CalFire representatives to discuss the proposed reorganization.
Upcoming Audit	9/4	Davis Farr Certified Public Accountants	Staff met with representatives of Davis Farr, LLC as part of the auditing process.
Civil Grand Jury	9/5	Grand Jury Foreperson	Staff met with the new foreperson for the Civil Grand Jury.
LAFCO Update	9/9	County	Staff met with the CAO to discuss current and possible LAFCO projects.
CSA 48 Reorganization	9/9	Pajaro Valley Fire Protection District	Staff met with representatives of the District to discuss reorganization efforts.
Annexation Process	9/10	City of Capitola	Staff met with City reps to discuss the proposed single parcel annexation.
LAFCO Application	9/11	County	Staff met with County reps to discuss the proposed single parcel annexation into CSA 7 as part of an existing ESA.
CALAFCO Conference	9/12	CALAFCO Awards Committee	Staff is a member of the awards committee and discussed/reviewed this year's nominations.
Upcoming Audit	9/19	Davis Farr Certified Public Accountants	Staff met with representatives of Davis Farr, LLC as part of the auditing process.
Possible Educational Workshops	9/23	California Special Districts Association	Staff met with CSDA representatives to discuss possible workshops tailored for private water systems and road CSAs.
Fire Master Plan	9/24	Santa Cruz County Board of Supervisors	Staff was present to answer fire-related questions from the board and public.
Countywide Water Update	9/26	Santa Cruz Regional Water Mgmt. Group	Staff attended this stakeholder meeting to discuss LAFCO-related issues.
LAFCO 101	9/30	Civil Grand Jury	Staff provided a presentation on LAFCO's role and purpose to the grand jury.
Legislative Committee	9/30	CALAFCO	Staff participated in a special meeting to discuss proposed changes to CALAFCO's legislative committee.
Private Water Systems	9/30	Santa Cruz County Environmental Health	Staff met with County reps to discuss a new mapping project regarding private water systems in Santa Cruz County.



Santa Cruz Local Agency Formation Commission

Date: November 6, 2024
To: LAFCO Commissioners
From: Joe Serrano, Executive Officer
Subject: **October Correspondence**

SUMMARY OF RECOMMENDATION

In late October, the Commission received written correspondence from Douglas Deitch, a member of the public and from Derek McGregor, commissioner for Orange LAFCO and board member for CALAFCO. This agenda item is for informational purposes only and does not require any action. Therefore, it is recommended that the Commission receive and file the Executive Officer's report.

EXECUTIVE OFFICER'S REPORT:

In October, LAFCO received emails from Dough Deitch (public member) and Derek McGregor (Orange LAFCO). Below is a quick summary of each correspondence:

- Douglas Deitch Email: LAFCO has received several emails from Douglas Deitch over the years. Most recently, Mr. Deitch sent LAFCO an email requesting that staff share his comments to the Commission about his "demands for SWRCB emergency intervention" (refer to **Attachment 1**). SWRCB and the nine Regional Water Quality Control Boards (Regional Water Boards), collectively known as the California Water Boards (Water Boards), are dedicated to a single vision: abundant clean water for human uses and environmental protection to sustain California's future.
- Derek McGregor Email: The CALAFCO Board held a meeting during the annual conference to address a number of statewide topics affecting LAFCOs. Mr. McGregor expressed concerns about CALAFCO's recent actions and encouraged the board to work on amending the relationship between the statewide organization and its member agencies. His full comments are found in **Attachment 2**.

Respectfully Submitted,

A blue ink signature of Joe A. Serrano, written in a cursive style.

Joe A. Serrano
Executive Officer

Attachments:

1. Douglas Deitch Email (dated 10-28-24)
2. Derek McGregor Email (dated 10-29-24)

From: ddeitch@pogonip.org
To: [Joe Serrano](mailto:Joe.Serrano@co.monterey.ca.us); district1@co.monterey.ca.us; district2@co.monterey.ca.us; district3@co.monterey.ca.us; district4@co.monterey.ca.us; 100-District 5 (831) 647-7755
Subject: Re: (ps/btw/fyi) ... Fwd: Noah Diffenbaugh & David Hayes/Doerr Sustainability: The #NBS FIXX for the Monterey Bay, (10% of Cali's \$50 bil ag): the 22, 800 acre (\$2.28 billion @ \$100k/a) coastfront farmlands to wetlands... (wait for it!) "Dianne Feinstein...
Date: Monday, October 28, 2024 5:46:24 AM

*******CAUTION:**This is an EXTERNAL email. Exercise caution. DO NOT open attachments or click links from unknown senders or unexpected email.*****

Good morning Mr. Serrano, et al,

Por nada, Joe!

Please spread the/my word(s) @ SWRCB about my demands for "SWRCB emergency INTERVENTION", below!!!, from April 16 2016 (and 8 more times+ subsequently before them!) @ 11:21 @ <https://thebestthatmoneycantbuy.org> and <https://dougforassembly.com> ...

and @ <https://x.com/DouglasDeitch/status/1570039298036240384> ...

"Told Ms. Bochco&entire CCC EXACTLY THIS! in March/2020 & 2011 @ 12:12 @

https://cal-span.org/meeting/ccc_20200312/ & <http://douglasdeitch.com>

[@johndoerr](#)

[@CaWaterBoards](#)

[@PPICWater](#)

[@PublicWaterNow](#)

[@TheCACoast](#)

[@JayLund113](#)

[@StanfordWoods](#)

[@StanfordLawMag](#)

[@MichaelWWara](#)

[@FiorenzaMicheli](#) !

Best/health/tikkun olam,

Douglas Deitch

Monterey Bay Conservancy

Aptos, Ca.,

831.476.7662

<http://douglasdeitch.com>

<http://douglasdeitch.net>

<https://makecaliforniagreatagain.democrat>

<https://douglasdeitch.democrat>

<https://lomejorqueeldineroNOpuedecomprar.org>

<https://lomejorqueeldineroNOpuedecomprar.com>

<https://lomejorqueeldineroNOpuedecomprar.net>

<https://ourinconvenienttruth.org>

<https://ourinconvenienttruth.net>

<https://ourinconvenienttruth.com>

On 10/27/24 4:46 PM, Joe Serrano wrote:

Good Afternoon Mr. Deitch,

Thank you for the correspondence.

-Joe

Joe A. Serrano

Executive Officer
Local Agency Formation Commission of Santa Cruz County

701 Ocean Street, Room 318-D, Santa Cruz, CA 95060

Email: joe@santacruzlafco.org

Phone: (831) 454-2055



From: ddeitch@pogonip.org <ddeitch@pogonip.org>
Sent: Sunday, October 27, 2024 4:08 PM
To: district1@co.monterey.ca.us; district2@co.monterey.ca.us;
district3@co.monterey.ca.us; district4@co.monterey.ca.us; 100-District 5 (831)
647-7755 <district5@co.monterey.ca.us>
Subject: Re: (ps/btw/fyi) ... Fwd: Noah Diffenbaugh & David Hayes/Doerr
Sustainability: The #NBS FIXX for the Monterey Bay, (10% of Cali's \$50 bil ag):
the 22, 800 acre (\$2.28 billion @ \$100k/a) coastfront farmlands to wetlands...
(wait for it!) "Dianne Feinste...

******CAUTION:**This is an EXTERNAL email. Exercise caution. DO NOT open attachments or click links from unknown senders or unexpected email.****

Dear Recipients including particularly Joe Serrano @ Santa Cruz LAFCO and Monterey and Santa Cruz County supervisors,

Please review my decades old starting from Manabe Annexation in 2005 ... communication(s) to LAFCO, etc., @ <https://www.santacruzlafco.org/wp-content/uploads/2019/02/7b-Deitch-Letter.pdf> and forwarded email to you below.

Respectfully,

Douglas Deitch

Monterey Bay Conservancy

831.476.7662

<https://makecaliforniagreatagain.democrat>

... btw/fyi/

On 8/16/24 4:11 PM, ddeitch@pogonip.org also wrote:

(ps/btw/fyi, David, Noah, et al ...

1. USGS Technical Memorandum on Pajaro for "Deitch" cite on "retirement of coastal agricultural land" under "Conservation", p 24-25 (5/1/1998) from R.T. Hanson

@

<http://pogonip.org/WaterDocs/98USGSTechnicalMemorandum.pdf>

2. Demand/Request #1 (of a total to date of a subsequent 8+) on April 19, 2016 SWRCB Public Forum @ 11:26 @ <http://thebestthatmoneycantbuy.org> before then SWRCB Chair now Stanford's Felicia Marcus for immediate intervention then by the SWRCB under the GSA and other authority including emergency executive both food and H2O action by our Governor in the entire Monterey Bay Region for the reasons presented at that meeting now partially online @ <http://dougforassembly.com>

3. Douglas Deitch, Commissioner Bochco, Chair Padilla, et al at March 12, 2020 at CCC Re: Cali SLR and DPR v. ASR

@ 12:12 https://cal-span.org/meeting/ccc_20200312/

4. My "purged"/"disappeared"/changed out-censored (?) CCC comment from 2010 on Dr. Lester's birthday (@ https://cal-span.org/meeting/ccc_20100311/), unbeknownst to me at the time which I had replayed by the CCC at it's March 11, 2020 meeting on it's 10th anniversary @ 8:25 @ <https://cal->

span.org/meeting/ccc_20200311

5. 4 final assorted CCC comments by me and others on CCC Monterey Bay regional related H2O issues from this period:

a) <http://lawandorderliberal.net> (LinkedIn) (2016) on Dr. Charles Lester Termination

b) My Initial of 3 CCC comments from 2011 meetings @ <https://www.youtube.com/watch?v=ija6HUdP-eY>

c) ... at this same meeting, Closing and Final remarks by Peter Douglas at his retirement that day @ https://www.youtube.com/watch?v=F_iHASYCFxg&t=31s

d) Followup to initial comment above after being cut off by Santa Cruz Supervisor/Commissioner Mark Stone @ <https://www.youtube.com/watch?v=ija6HUdP-eY> or <http://douglasdeitch.net> ...)

Respectfully,

DD

ED/MBC

<http://begentlewiththeearth.com> <http://begentlewiththeearth.net>
<http://begentlewiththeearth.org>

<http://ourinconvenienttruth.org> <http://ourinconvenienttruth.net>
<http://ourinconvenienttruth.org> ... etc.

----- Forwarded Message -----

Subject: Fwd: The #NBS FIXX for the Monterey Bay, (10% of Cali's \$50 bil ag): the 22,800 acre (\$2.28 billion @ \$100k/a) coastfront farmlands to wetlands... (wait for it!) "Dianne Feinstein Mojnterey Bay Estuarine Monument!"

Date: Tue, 13 Aug 2024 06:05:44 -0700

From: Douglas Deitch <ddeitch@got.net>

To: difffenbaugh@stanford.edu, Ddeitch

[<ddeitch@pogonip.org>](mailto:ddeitch@pogonip.org)

----- Forwarded Message -----

Subject: The #NBS FIXX for the Monterey Bay, (10% of Cali's \$50 bil ag): the 22,800 acre (\$2.28 billion @ \$100k/a) coastfront farmlands to wetlands... (wait for it!) "Dianne Feinstein Mojnterey Bay Estuarine Monument!"
Date: Mon, 12 Aug 2024 07:46:05 -0700
From: Douglas Deitch [<ddeitch@got.net>](mailto:ddeitch@got.net)
To: dhayes@law.stanford.edu

Good morning David,

... AND NOAH, et al!

Start here, please../

"The land trust will continue to rent the rest of the property to tenant farmers. But there are challenges. Coastal California farmland is expensive. And politics and land use rules vary around the country.

"There are lessons to be learned in this example," said Noah Diffenbaugh, a professor of Earth system science at Stanford University. "Can it be scaled? In many ways this is where the rubber meets the road in terms of responding and adapting to climate change."

Originally Published: August 12, 2024 at 6:00 a.m.

<https://www.mercurynews.com/2024/08/12/a-new-plan-aims-to-protect-californias-coast-against-rising-seas-and-it-doesnt-require-building-sea-walls/> , then

<https://www.santacruzsentinel.com/2009/01/04/douglas-deitch-pumping-must-stop-on-wetlands/> , <http://dougdeitch.com> (a fb page)

...

"After all, when our water supply and environment is finally completely played out by our local Berry/Water Ponzi Scheme that's running here, we won't be able to print up any more..." @ end & <http://begentlewiththeearth.org> and <http://douglasdeitch.com>

I just received an email about you two Noah and David and a lab and "Doerr Sustainability" etc. ?

I saw #NBS mentioned! ...

(<https://www.santacruzsentinel.com/2023/08/07/douglas-deitch-makes-another-run-for-2nd-district-board-of-supervisors-seat/>) ?

May I share with you two and Fio and Doerr Sustainability my over 30 year old plan for the entire Monterey Bay Region ... based on sustainably (<http://lomejorqueeldineronopuedecomprar.org>) ... living within our H2O and other blessings and means?

The #NBS FIXX for the Monterey Bay, (10% of Cali's \$50 bil of US total \$140bil ag): the 22,800 acre (\$2.28 billion @ \$100k/a) coastfront farmlands to wetlands... (wait for it!)

... "Dianne Feinstein Monterey Bay Estuarine National Monument"!

Please call anytime for a 10 minute rundown @ 831.476.7662?

It's my 50th reunion year at SLS and I'm still breathin' ...

Hope to hear from you before I'm not?

My coastfront #NBS 30 year old+ 43 acre farmlands to wetlands Pilot Project at Willoughby Ranch at Zmudowsky State Park (https://www.parks.ca.gov/?page_id=572) (INCLUDING 33kafyr of DPR recycled and repurposed from ag to urban H2O from already extant Castroville facility and regionally distributed ...

.... has already successfully proved this so called "Land Trust" "NEW"? #NBS approach since 1995 (@ http://dougforsupervisor.com/dougsoldwebsite/new_page_10.htm & <http://dougdeitch.com> fb page), except the big AG money's too good for the "Land Trust" to just simply also (AND MOST IMPORTANT PART!!!) turn OFF their pumps on another around 35 square miles/22,800 acres on the Monterey Bay Coast?

It would be so refreshing for us all!

I look forward to it!

Best/health/tikkun olam/peace,

Douglas Deitch

<http://douglasdeitch.democrat>

ED/Monterey Bay Conservancy

<http://makecaliforniagreatagain.democrat>

<http://sipodemos.democrat>

<http://fromthesierratothesea.com>

<http://fromthesierratothesea.us>

540 Hudson Lane, Aptos, 95003

(ps/just for fun check out ... <http://sanfranciscorealestate.com>

<http://pebblebeachrealestate.com> &
<https://www.youtube.com/watch?v=I5uloOJ5m1o> ?)

From: [Carolyn Emery](#)
To: [Connelly, Bill](#); [Wendy Root Askew](#); [Steve Sanchez \(LAFCO\)](#); [Derek McGregor](#); [Rodrigo Espinosa](#); [Gordon Mangel](#); [Gay Jones](#); [Josh Susman](#); [Kenneth Leary](#); [Kimberly Cox \(SB LAFCO\)](#); [mmohler@yville.com](#); [Tamara Wallace](#); [Yxstian Gutierrez](#); [Anita Paque](#)
Cc: [Joe Serrano](#); [Henriquez, Jose](#); [Adriana Romo \(LA LAFCO\)](#); [slucas@buttecounty.net](#); [Rene LaRoche](#)
Subject: Note from Board Member McGregor
Date: Tuesday, October 29, 2024 11:42:05 AM
Attachments: [image001.png](#)
[Lucas comments to Board Mtg 9-30-24.pdf](#)

*****CAUTION:** This is an EXTERNAL email. Exercise caution. DO NOT open attachments or click links from unknown senders or unexpected email.***

Sent on behalf of Derek J. McGregor, CALAFCO Board Member

Carolyn Emery
Executive Officer
cemery@ocla Alco.org
Office: 714.640.5100
Mobile: 714.380.0096



Fellow Board Colleagues,

During the October 18 board meeting in Yosemite, I highlighted some concerns and particularly referenced comments prepared by Mr. Steve Lucas, Executive Officer of CALAFCO and Butte LAFCO, for the board's special meeting this past September. While I assumed a written copy of the comments were made available to the Board and entered into the record, I was informed that they were presented orally, and, therefore, I am sending a copy on to the Board.

As a member of the CALAFCO Board since 2021, I encourage you to review the comments within the context of them being prepared through Mr. Lucas' professional insight and experience of over 30 years as a LAFCO practitioner and 12 years as CALAFCO staff. In general, the comments depict concerns with the substantial

alteration of the collaborative relationship between the Board/staff and its membership and conveys an even stronger alarm about the loss of fundamental collegiality that is much needed within the CALAFCO culture. I believe it is paramount that the Board and staff jointly give these comments along with others presented during the September 30 special meeting our deliberative attention at the next meeting on January 10, 2025. Additionally, the courtesy letter sent by San Diego LAFCO's Executive Officer to CALAFCO expressing similar concerns and advising that their Commission will be revisiting its membership status with the Association places more urgency on this matter.

The Board needs to restore and build trust and collaboration with our membership by proactively addressing these concerns. As mentioned during the last board meeting, I'm available to any board member to discuss thoughts that I have shared and those that have been shared with me over the past year and throughout my tenure as a board member.

Best Regards,
Derek J. McGregor, Board Member
CALAFCO Southern Region
Phone: (949) 230-2456
Email: dmcgregor@dmceng.com

Our offices are closed every other Friday. You may access the agency's annual calendar for office closures and other key events at www.oclafco.org.

This email and any files or attachments transmitted with it may contain privileged or otherwise confidential information. If you are not the intended recipient or believe that you may have received this communication in error, please advise the sender via reply email and immediately delete the email you received.



Santa Cruz Local Agency Formation Commission

Date: November 6, 2024
To: LAFCO Commissioners
From: Francisco Estrada, LAFCO Analyst
Subject: **Press Articles during the Months of September and October**

SUMMARY OF RECOMMENDATION

LAFCO staff monitors local newspapers, publications, and other media outlets for any news affecting local agencies or LAFCOs around the State. Articles are presented to the Commission on a periodic basis. This agenda item is for informational purposes only and does not require any action. Therefore, it is recommended that the Commission receive and file the Executive Officer's report.

EXECUTIVE OFFICER'S REPORT

The following is a summary of recent press articles. Full articles are attached.

Article #1: "Carmageddon: Little agreement from supes, LAFCO on civil grand jury's evaluation of roads". The article, dated September 30, details the Santa Cruz Board of Supervisors and LAFCO's response to the Civil Grand Jury report, "*Santa Cruz County Local Roads: A smooth path to paradise or a hell of a highway?*" The report assessed the state of the county's roads and offered recommendations to both agencies, who provided comments towards the civil grand jury's findings. Despite formal disagreements with the findings, the Board of Supervisors plan on considering a number of recommendations from the grand jury's report.

Article #2: "Candidates take center stage in San Lorenzo Valley Water District Board race". The article, dated October 17, provides an overview of the candidates campaigning to join the board of directors for the San Lorenzo Valley Water District (SLVWD). The article focuses on a forum held to discuss issues that are important to SLVWD residents, including rainfall management, district partnerships, making water more affordable for customers, understanding the impact of climate change on the District, and Measure U (a proposed rate increase).

Article #3: "San Lorenzo Valley Water District hires interim general manager". The article, dated October 18, informs the public that San Lorenzo Valley Water District has hired John Kunkel as interim general manager, replacing Brian Frus. Mr. Kunkel served as interim city manager for Huron in Fresno County and was a former police chief. It is a critical time for the District as it continues to recover from the 2020 CZU wildfire, deals with \$50 million in infrastructure damages, fills two open board seats, and awaits the election outcome for a proposed rate increase under Measure U.

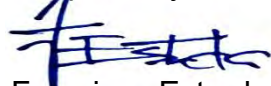
Article #4: “Belvedere to study annexation into Tiburon Fire Protection District”.

The article, dated October 23, discusses why the City of Belvedere is currently considering joining the Tiburon Fire Protection District (TFPD) as a cost-savings measure. Due to the rising cost of contracting for its fire protection services, the city council voted to launch a feasibility study that will focus on the benefits of potential annexation. Belvedere has also agreed to share the cost of the feasibility study with TFPD. Marin LAFCO will process the annexation if desired by the affected agencies.

Article #5: “Peninsula, Chester fire request annexation”. The article, dated October 24, details the present situation for the Chester Public Utilities District’s fire district, which ceased fire operations in February due to rising costs and has relied on the Peninsula Fire Protection District (PFPD) for services. This has become a burden on PFPD since it is not compensated for or provided with extra revenue to support its services and staffing in Chester. The situation has required officials to appeal for funding from the Board of Supervisors of Plumas County to begin the process of reorganizing the district. Plumas LAFCO will process the annexation if desired by the affected agencies.

Article #6: “LAFCO approves PMHD dissolution”. The article, dated October 25, details Imperial County LAFCO’s decision to dissolve the Pioneers Memorial Healthcare District (PMHD) and the community’s response to the action. During the regular meeting, 22 speakers requested the Commission delay its decision until a Superior Court judge had an opportunity to consider a lawsuit previously filed by PMHD and to also consider other factors. The dissolution is not expected to lead to Pioneers’ Hospital closing but local leaders made it clear that it will be under the leadership of a new board of directors.

Respectfully Submitted,



Francisco Estrada
LAFCO Analyst

Attachments:

1. “Carmageddon: Little agreement from supes, LAFCO on civil grand jury’s...”
2. “Candidates take center stage in San Lorenzo Valley Water District Board...”
3. “San Lorenzo Valley Water District hires interim general manager.”
4. “Belvedere to study annexation into Tiburon Fire Protection District.”
5. “Peninsula, Chester fire request annexation.”
6. “LAFCO approves PMHD dissolution.”

lookout.co

Carmageddon: Little agreement from supes, LAFCO on civil grand jury's evaluation of roads

Max Chun

7-9 minutes



The crumbling intersection at Corralitos and Hames roads in Corralitos.
Credit: Kevin Painchaud / Lookout Santa Cruz

Quick Take

Santa Cruz County supervisors are disagreeing with most of the findings of a civil grand jury report on the poor condition of county roads, but say they plan to implement some of the group's recommendations for better transparency and more robust funding of road repairs.



CARMAGEDDON
WEEKLY UPDATES ON NAVIGATING
SANTA CRUZ COUNTY ROADS

The Santa Cruz County civil grand jury released the county board of supervisors' and the Local Agency Formation Commission of Santa Cruz County's (LAFCO) responses to its evaluation of the county roads — and showed that the two groups largely disagreed with those findings.

LAFCOs are regional service planning agencies located in all of California's 58 counties. They have regulatory and planning powers as well as oversee government agencies and their service areas.

A civil grand jury report [from June](#) heavily criticized the current state of the county's roads — it said that 63% of county roads are in [poor to failed condition while budgets for repairs remain inadequate](#). The report — “Santa Cruz County Local Roads: A smooth path to paradise or a hell of a highway?” — said the county is in a cycle of prioritizing roads that are already in decent condition because the work for those is less expensive, while roads in worse condition fall further into disrepair.

The board of supervisors either “partially disagreed” or “disagreed” with all of the civil grand jury's findings. First, it partially disagreed with the civil grand jury's finding that underfunding of road and culvert maintenance has resulted in a backlog of deferred maintenance and hazardous travel conditions. The board of supervisors said that the county is “systematically underfunded compared to county peers and statewide county averages,” due to a number of state choices about property tax regulations and its decision to send online sales tax from local purchases to locations with warehouses.

Advertisement



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- DeerBrook Farms
- Dos Aguilas olive orchard
- Esperanza Community Farm
- Live Earth Farm
- Luz Del Valle Farm
- Mariquita Farm
- Pajaro Pastures Ranch
- Provedelli Farm
- Sea to Sky Farm
- Thomas Farm
- Whiskey Hill Farm

ALBA family farm day

The board also partially disagreed with the civil grand jury's finding that the county public works department prioritizes pavement preservation

over restoration because of a large funding deficit. The board said that public works uses industrywide accepted pavement management practices that allow “the most efficient use of scarce resources,” and that the board is regularly caught up on funding proposals.



Closed Paulsen Road in Watsonville. Credit: Kevin Painchaud / Lookout Santa Cruz

The supervisors pushed back on the civil grand jury’s finding that road maintenance strategies differ by supervisor district, and said that maintenance decisions are made independent of any political boundaries. They also “partially disagreed” with the finding that serious road failures caused by 2017 and 2023 storms were exacerbated by inadequate infrastructure maintenance. They said that while the board agrees that the condition of infrastructure did contribute to the resulting damage from storms, the report did not appropriately “attribute factors such as age and the increasing pressure of climate change-driven disasters on the county’s transportation network.”

The board partially disagreed with the notion that the county has not asked unincorporated voters to increase the funding to [Special Service District 9D](#), one of four districts that divide the entire unincorporated county into north, mid and south sections. These typically charge a special tax to the residents within the district boundaries to fund repairs in the corresponding section. The board also outright disagreed with the assertion that the county hasn’t performed resurfacing maintenance on

many smaller unincorporated local roads.

While the board plans to make a more serious effort to ask voters about their feelings on a proposed special tax increase, it said that the county has resurfaced about a sixth of its road network between 2018 and 2023, calling the civil grand jury's evaluation "entirely without merit." It also said that the county has spent \$350 million on roads in the past seven fiscal years, but faces serious challenges in improving pavement conditions, including difficult geography, roads that were originally not built for long-term use, and scarce funding.

The supervisors also said that while the board acknowledges that existing funds do not sufficiently maintain county roads to the extent they would like, public works secured more than \$30 million for a number of Santa Cruz County Regional Transportation Commission (RTC) projects and the [Soquel Drive Buffered Bike Lane and Congestion mitigation project](#). The board does not consider these substantial investments "minor."

LAFCO, on the other hand, "partially agreed" with the civil grand jury's evaluation that seeking and securing additional funding sources to repair the road network has only seen "minor progress."

A letter signed by LAFCO executive director Joe Serrano said that while the agency knows the county has sought out additional funding opportunities, "there is a lack of transparency on how these efforts are initiated, what funding sources are available, and why certain revenues are granted or denied."

Despite its formal disagreement with findings, the board of supervisors plans to implement a number of civil grand jury recommendations. Those include a public works report identifying culvert and drainage repair needs by June 2025, giving LAFCO spending details for each of the special service districts, and moving toward a tax increase to Special Service District 9D.

Latest news

Check out our Carmageddon road delay list [here](#). This week, pay particular attention to:

- The **on-ramp to southbound Highway 1 from Bay Avenue** in Capitola will be [closed for two months](#) to allow construction crews to adjust the

roadway elevation in line with the bus-on-shoulder lane. Drivers can take a detour north on Porter Street to Soquel Drive, then east to Park Avenue, where they can rejoin Highway 1. They may also head south on Bay Avenue to Park Avenue, and rejoin southbound Highway 1 there. The RTC expects the ramp to reopen on Nov. 29.

- Shoulder work will shut down alternating lanes at various sections of Highway 9 between 7 a.m. to 4 p.m. Monday through Wednesday. Those sections are **between upper Glen Arbor Road and Route 9, Main Street and Route 9, Fillmore Avenue and Route 9, and Hillside Avenue/Miles Street and Mill Street.**
- Through the end of 2024, various sections of **Soquel Drive between State Park Drive and Paul Sweet Road** could be reduced to one lane of traffic as the Soquel Drive Buffered Bike Lane and Congestion Mitigation Project moves forward. It includes new bicycle and pedestrian infrastructure, adaptive traffic signals and updated sidewalks and curbs. The sections of road will be intermittently closed as work continues at multiple sites. Specifically, look out for intermittent single lane closures between 8:30 a.m. and 4:30 p.m.

Have something to say? Lookout welcomes letters to the editor, within our policies, from readers. Guidelines [here](#).



Max Chun is the general-assignment correspondent at Lookout Santa Cruz. Max's position has pulled him in many different directions, seeing him cover development, COVID, the opioid crisis, labor, courts... [More by Max Chun](#)

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Candidates take center stage in San Lorenzo Valley Water District Board race - Press Banner | Scotts Valley, CA

Christina Wise

7–9 minutes

With the November election just weeks away, residents are facing an onslaught of information regarding candidates and ballot measures. Previously, the Press Banner focused on the [two county supervisor candidates for District 5](#), Christopher Bradford and Monica Martinez. This week we take a dive into the race for San Lorenzo Valley Water District's Board of Directors.

Current board members include Bob Fultz, Jeff Hill, Bryan Largay, Alina Layng and Mark Smolley. Of the five, Largay and Layng were appointed this year, and their terms end on Nov. 5, making them each incumbents that are running to retain their seats. There are two candidates who have joined the race in an effort to replace Largay and Layng—Bruce Holloway and Bill Smallman.

An Oct. 9 forum, hosted by the Valley Women's Club and moderated by the Santa Cruz County League of Women Voters at Highlands Park Senior and Community Center in Ben Lomond, was an opportunity for voters to hear from the candidates and learn more about Measure U, a proposal to limit the water district's billing increases until 2049.

The question posed by Measure U is whether or not the populace will vote to approve or deny repealing all fixed water charges adopted under District Resolution No. 2024—except the regular Service Charge and the Private Fire Service Charge—and limiting future increases to the regular Water Service Charge to 2% per calendar year until Jan. 1, 2049.

First, the candidates. Holloway, Largay, Layng and Smallman were in attendance and after delivering their opening statements, each was

asked the same set of questions (submitted by community members) and given 90 seconds to respond. For this event, the personality of each candidate was on display along with their experience and opinions on certain issues.

Some of the questions posed and the candidates' abbreviated answers follow.

Rainfall management

On the question of the district adapting to changing rainfall dynamics (shorter periods of heavy rainfall and longer drought events), Smallman suggested storing water to help recharge the groundwater basin, and said that his previous years of experience on water boards would make the process "easy."

Largay said there is a plethora of water sources available in the area (surface water like Fall Creek and groundwater like the Santa Margarita Basin) and alluded to managing those surface water sources during heavy rainfall years, especially when the groundwater basin is over-drafted.

Layng suggested a more creative approach to managing the issue, including more robust rainwater capture options, and prioritizing strengthening the district's infrastructure.

Holloway referred to the Loch Lomond Reservoir, stating that the district has water rights to 1/8 of its capacity, and suggested that the district devise a three-way agreement between Scotts Valley, Santa Cruz and SLVWD to allow the district to make money off the use of water by the other agencies.

District partnerships

When it comes to SLVWD collaborating with Big Basin Water and Scotts Valley Water District, Largay noted that the Big Basin Water (BBW) utility was burned during the CZU August Lightning Complex Fire in August 2020, and said SLVWD needed to work collaboratively with BBW to help them escape the current crisis their customers are in while ensuring that current SLVWD customers don't get saddled with those additional costs.

Layng said that her position on this topic has been misrepresented, and

she believes that no matter where the water comes from, the communities deserve safe, clean and potable water. She said there is no merger proposal on the table and that the Bracken Brae (BB) and Forest Springs (FS) neighborhoods are in dire need of assistance and are running out of water.

Holloway said the partnership he envisions with Scotts Valley Water District is with the City of Santa Cruz, and that he believes that the three local private water providers (BBW, BB and FS) will eventually merge with SLVWD.

Smallman was involved with the previous Lompico merger with SLVWD, and referred to Largay and Layng as “new school environmentalists” who didn’t have the scope of knowledge that he possesses. He stated that regulations were killing any positive actions within the district and that the conjunctive use plan is “a stupid idea.” (“Conjunctive” water use refers to the coordinated use of surface water and groundwater supplies to efficiently manage water consumption and natural storage through wet- and dry-climatic conditions.)

Affordable water

On the topic of making water more affordable for customers, Layng said that the current rate structure better supports low water usage households based on the tiered rates. She noted that customers who qualify for PG&E’s CARE or FERA programs will automatically qualify for SLVWD’s rate assistance support which offers \$20 off one’s monthly bill.

Holloway spoke after Layng and said he disagreed with her position, stating that the current rate plan costs low water users the most, the tiers are upside down and that those users pay more for fixed charges. Although water rates were lowered in the last restructuring, the fixed costs are still exorbitant and Holloway said Measure U is meant to address that inequity.

Smallman answered the question by referencing water mains that are housed above ground and are subject to vandalism, castigating Largay and Layng for their stance on environmental issues and announcing that there are other ways to address rate structures.

For Largay, he said that in order for water to be affordable, SLVWD needs

to invest in its infrastructure, noting that the most expensive part of running a water system is response to emergencies like the CZU Fire. Investing in the infrastructure, he said, would allow for “stable, steady prices.”

Climate change

Finally, on the question of how climate change is impacting the district, Layng said that droughts cause the district to rely on groundwater, leaving the potential to overdraft the system and causing it to collapse into itself. Pulling water opens the possibility of drawing contaminants into the system while capturing stream water can be ecologically damaging to local aquatic species.

For Holloway, he explained that the district needs to expand its conjunctive use agreements, specifically allowing Felton’s water to be used in Scotts Valley (SLVWD provides water to some Scotts Valley residents).

Smallman announced that he is a “self-educated scientist” and that there is no published theory on it. He said that NASA’s Dr. James Hansen, who testified to the U.S. Senate in June 1988 stating the greenhouse effect had been detected, thereby indicating that the climate was in fact changing, is a “quack.” He reverted to his argument that building more reservoirs is the answer to the issue, and ended his answer with, “Climate change is a hoax.”

Largay said that climate change in our area “is making things more expensive and less predictable.” He tied in the increased costs of fire insurance and the deleterious effects of landslides, road closures and slip outs, saying that due to the heavy burden being placed on communities as a result of climate change, “we need to stick together” by investing in our infrastructure and water district.

The 90-minute candidate forum wrapped up, and after 10 minutes, the Measure U forum began. Read about that here next week.

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San Lorenzo Valley Water District hires interim general manager

Lookout Santa Cruz

2–3 minutes

John Kunkel has been hired as interim general manager of the San Lorenzo Valley Water District, its board of directors announced Friday.

Kunkel was most recently interim city manager of Huron in Fresno County. He's a former police chief who has held city manager roles in several communities.

He will start work on Oct. 28 and serve as interim while the district continues to search for a permanent general manager.

The district is in the midst of a \$13 million water system upgrade it has dubbed "Safeguarding San Lorenzo Valley" and which includes "replacing undersized pipelines, hardening against wildfires, ensuring more reliable water infrastructure and adding fire hydrants to improve water supply resiliency and increase firefighting capabilities."

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The San Lorenzo Valley Water District serves more than 7,900 metered connections in Boulder Creek, Brookdale, Ben Lomond, Zayante, Quail Hollow, Scotts Valley, Whispering Pines, Manana Woods and Felton.

The district has been operating without a permanent general manager or finance director for more than a year, and a previous interim general manager's contract expired in August. The [five-member San Lorenzo Valley Water District board of directors](#) has had to take on some operational oversight that would typically be handled by a general manager.

It's a critical time for the district, which is still working on recovery from the 2020 CZU wildfire, and \$50 million in infrastructure damages it must figure out how to pay for.

In November, voters will [decide a contested election for two open seats](#) on the district's board. They'll also be asked to decide Measure U, a citizen-initiated ballot question that asks customers to overhaul the district's fee structure so that it leans more heavily on water rate increases instead of hikes to flat-rate charges to raise revenue for operations and maintenance.

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Belvedere to study annexation into Tiburon Fire Protection District

Naomi Friedland

~2 minutes

Belvedere will study whether it's more cost-effective for the city to officially join the Tiburon Fire Protection District rather than continue to contract for its services, which have become increasingly expensive over the past several years.

The City Council voted unanimously at its Oct. 14 meeting to launch a feasibility study, which will focus on the pros and cons of a potential annexation. Belvedere will split the \$40,000 cost with the fire district, which approved the cost-sharing agreement earlier this month. The agreement was also approved by the Marin County Local Agency Formation Commission, which oversees and shepherds district annexations and consolidations.

Belvedere plans to spend an additional \$10,000-\$20,000 to study other alternatives to its current contract model, such as building a fire house in Belvedere to be staffed either in-house or through a different fire agency.

Read the complete story in our [e-edition](#), or [SUBSCRIBE NOW](#) for home delivery and access to the digital replica.

Recent stories

plumassun.org

Peninsula, Chester fire request annexation | The Plumas Sun

Jane Braxton Little

7–9 minutes

Fire protection services in Chester and the adjacent area have reached such a critical stage that officials are appealing for help from the Plumas County Board of Supervisors and the Local Agency Formation Commission.

“It’s a horrible situation,” said Supervisor Kevin Goss.

The Chester Public Utilities District’s fire department ceased nearly all [operations](#) Feb. 29. Since then, it has relied on Peninsula Fire Protection District for round-the-clock fire and emergency medical services to Chester residents. Peninsula Fire, a neighboring district, has received no extra revenue to support its services and staffing a station in Chester.

That is a burden Peninsula Fire can no longer carry, said Adam Cox, general manager of the Chester PUD. Without funding to reimburse Peninsula Fire for its costs going forward, Peninsula Fire has said it will be forced to step back from the arrangement, leaving Chester with only one option: hiring Cal Fire at an even higher cost, he said.

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“The other option is draconian.”

Adam Cox, Chester Public Utilities District general manager

Cox and Peninsula Fire officials have petitioned Plumas County LAFCo, which approves local district annexations and consolidations, to dissolve the fire portion of the Chester PUD and annex it to the Peninsula district. They also asked the county supervisors for \$50,000 to cover the costs of the annexation.

“I understand it’s a heavy lift but the other option is draconian,” Adams told the board of supervisors Oct. 15.

LAFCo approval may be rescinded

LAFCo met Oct. 21 to consider the annexation process. The first step is to conduct a review of the services provided by the two fire districts.

The goal is to combine the districts to allow Peninsula Fire to collect taxes from Chester Fire district residents, said Goss, chair of the LAFCo board. If approved, Chester residents will continue paying the existing Chester Fire parcel tax of \$95 per year for approximately 30 more years, until the debts are paid off. In addition, beginning in 2025, Chester residents would also begin paying Peninsula Fire’s voter-approved parcel tax of \$440, said Cox. That fee is to pay for Peninsula’s costs of operating in Chester. The fire districts are not asking for funds to cover any of Peninsula’s operational costs, Cox said.

The LAFCo board’s Oct. 21 [agenda](#) included adopting the municipal service review required for annexation. The process is facing an ambitious timeline. It requires notification to Chester taxpayers by the end of December, Cox said. If all of the bureaucratic steps are not completed this calendar year, the Peninsular Fire district will have to wait 12 more months for reimbursement, Goss said.

That is the worst-case scenario and it could require fire protection services provided by Cal Fire, the state’s firefighting agency, said Cox.

Those costs would be “exorbitant” if Cal Fire sued to collect them, he added.

The already complex scenario was further complicated Oct. 21 by an error in the posting of the LAFCo [agenda](#). The time listed on the public announcement was 1 p.m. The board, however, met at 10 a.m., its usual meeting time. No one from either Chester or Peninsula fire district attended.

Posting an incorrect time denied the public the opportunity to participate in the LAFCo meeting and could be a violation of the Ralph M. Brown Act, California’s open meeting law. The LAFCo board may need to rescind its actions and hold another public hearing at another date, Goss said.

Both the Chester and Peninsula district boards will be holding public hearings on the proposed annexation. The Chester meeting is scheduled for Nov. 6 . The Peninsula board is scheduled to meet Nov. 8, Cox said.

Paying for annexation fees

Cox and Peninsula Fire Chief Robert Gray did attend the county board of supervisors’ meeting Oct. 15 to ask for \$50,000 in county funds to pay the costs of annexing the Chester fire district to Peninsula Fire.

The Chester fire district has accumulated what Cox called “a significant amount of debt.” It owes \$1.8 million to the CPUD sewer fund, and is carrying \$2.8 million in unfunded accrued liabilities to CalPERS, and approximately \$900,000 in unfunded liabilities, he told the supervisors.

It is now facing a “complete lack of funds,” Cox said. Three separate ballot measures in two different elections attempted to raise revenues to allow it to continue to finance fire and EMS services. All three failed: [one](#) Nov. 7, 2023 and the [other two](#) May 7.

The \$50,000 ask is an estimate. The costs of the proposed annexation could be reduced by LAFCo, Cox said, but he anticipates some charges for legal services, surveying, accounting and permitting.

The supervisors considered the request in a discussion that included criticism of the way the Chester PUD has handled its financial crisis.

“I understand the dilemma but it stems from mishandling,” said Supervisor Jeff Engel. “You are opening a precedent for other community services districts.”

“I don’t like spending the money but it’s in the county’s best interest to resolve this as soon as possible.”

Tom McGowan, Plumas County supervisor

Cox said he understood the precedent but added, “It would be a lot more expensive to have to hire Cal Fire when these fire districts go out of business.”

Supervisor Tom McGowan called the crisis “an exceptional situation.”

“We do need to move forward,” said McGowan, who represents the Chester/Almanor district. “I don’t like spending the money but it’s in the county’s best interest to resolve this as soon as possible.”

He strongly recommended giving any money approved to the Peninsula Fire district, not Chester.

Annexation on an aggressive timeline

The annexation process involves many steps that include contacting taxpayers and relevant agencies in the annexation area, said Debra Lucero, county administrative officer. The county has been working through a similar process following consolidation of several small fire districts to form the [Beckwourth Peak Fire Protection District](#), [approved](#) Nov. 7, 2023 by voters in eastern Plumas County. It’s a time-consuming procedure, Lucero said, and December 15 is the soonest she would expect to get letters back from all the agencies.

“We’re moving as fast as we can,” said Goss.

Deputy County Counsel Sara James suggested delaying action to Nov. 5,

the board's next meeting. The request for funds was vague, she said, and her office had had no input. Any vote would require a four-fifths majority, James said.

“It's a burden for all of us.”

Robert Gray, Peninsula Fire Protection District chief

Goss asked Cox if a three-week delay would be “a deal breaker.” “In my opinion, yes,” Cox replied.

Peninsular Fire Chief Robert Gray said all the districts in the Almanor area have been meeting since February to craft a solution to the crisis. “It's a burden for all of us,” he said. “We can't continue without some compensation. The problem is not going to go away.”

McGowan made a motion to approve up to \$50,000 in county general funds to cover the annexation process expenses. Supervisor Greg Hagwood provided the second. Approval required a four-fifths vote.

When the vote was called, Supervisor Engel voted no. Supervisor Dwight Ceresola said he “passed,” which caused the motion to fail. Ceresola said he would vote for the funds if the motion stipulated that the \$50,000 was a loan held in the Plumas County auditor's office. That motion passed 4-1, with Engel voting no.

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LAFCO approves PMHD dissolution

ARTURO BOJORQUEZ Editor

10–12 minutes

EL CENTRO – Imperial County Local Agency Formation Commission members voted Thursday 4-1 to dissolve Pioneers Memorial Healthcare District immediately.

After an hour of public comments, LAFCO Chairman Javier Moreno called members for motions regarding the issue.

District 5 Supervisor and LAFCO member John Hawk introduced a motion to delay the dissolution. However, no member seconded the motion.

Then, District 1 Supervisor Jesús Eduardo Escobar moved a motion to dissolve the district immediately. Imperial Mayor Robert Amparano seconded the motion.

Regardless of the outcome, right before the hearing was held at the El Centro City Council Chambers LAFCO counsel Steve Walker advised the public that the vote depended on the hearing held Thursday afternoon at the Imperial County Superior Court regarding a lawsuit filed by PMHD.

The council chambers were packed mostly by public officials and community members of Brawley, who opposed the law-mandated dissolution.

Walker said that by law LAFCO had until December 1 to dissolve the PMHD.

In total, 22 speakers took the podium asking LAFCO members to delay the decision until the court issues a ruling.

Others said the Imperial Valley Healthcare District – created by the enactment of AB 918 – has not held a meeting in the Northend.

Some others stated the dissolution should be approved by voters, while others assured the new district plans to take over PMHD funds.

District officials said during the meeting that PMHD – considered the only financially stable healthcare district in the Imperial Valley – has about \$40 million in funds.

Speakers also highlighted that previous studies that supported the dissolution and the creation of IVHD are incomplete.

Some expressed their fears that once PMHD is dissolved the continuation of services could get interrupted. PMHD is the only hospital with a maternal ward in the Valley.

“I’m here today to respectfully ask that LAFCO take no action today that would set in motion the dissolution of PHMD,” lifelong resident Joe Escalera said. “A superior court judge has stayed the dissolution until the court rules of that matter. This indicates that there is no urgent need for LAFCO to take action at this time.”

Escalera recalled that LAFCO previously tabled a decision regarding PMHD’s request to expand.

“At the very least, this president demonstrates that LAFCO must apply the same logic to the dissolution discussion, postponing any actions until the court ruling clarifies the validity of AB 918 and or Pioneer’s voters are given the opportunity to vote on dissolution,” Escalera added. “AB 918 was passed without adequate voter input. Existing state law emphasizes the importance of seeking and valuing voter input in such significant decisions. It should not be ignored here.”

Later during the meeting, LAFCO received a box containing three thousand letters of support from Northend residents of a petition protesting the dissolution and demanding a right to have their voices heard.

Former Brawley Mayor Sam Couchman said PMHD first opened on October 24, 1950.

“It’s October 24th right now and you’re discussing dissolving a hospital that’s been in place for 74 years,” Couchman said. “That’s interesting.”

The former mayor – who assured the Brawley hospital saved his life once – asked LAFCO to table the dissolution based on the previous LAFCO decision to table PMHD’s expansion until a court ruling clarifies the validity of AB 918.

“One cannot consider dissolving PMHD without acknowledging that the IVHD currently does not appear to be in a position, and I can’t speak for them, to guarantee continuity in the delivery of health care services in our community,” Couchman noted. “I would like to request that LAFCO proactively refer the IVHD resolution back to them and demand that the resolution be updated to include a transition plan outlining how PMHD is to be integrated into the IVHD along with presumably ECRMC to ensure a seamless transition for our health care here in the valley.”

Such a transition plan must include a detailed staffing plan to ensure that staff is taken care of in all of the local hospitals and their jobs are as secure as possible, the former mayor said.

“On a personal level, a political district should not be dissolved by a vote in Sacramento, but by a vote of the citizens of that district,” Couchman added. “I personally and many of the people here plan to resist this flagrantly unconstitutional action as long as it’s humanly possible.”

During the meeting, Chairman Moreno asked the public to avoid repeating the same arguments during their time at the podium to keep the hearing within a reasonable time.

Counsel Walker told Moreno the commission was able to continue hearing new evidence provided by the public as long as needed.

Former PMHD CEO and former PMHD CEO Christopher Bjornberg told LAFCO members that the dissolution will not lead to Pioneers’ Hospital

closing.

"If you chose to dissolve it today and that (was) possible, if there were no litigation going on right now, today would be no different than tomorrow," Bjornberg said. "The people would still show up, and the people would still come and take care of people. Nothing changes. The biggest change that happens is that there will be different leadership there."

"There will be a new board. That's the only difference," he added. "The hospital still remains operational. The hospital still stays open."

Bjornberg explained that IVHD has worked with the California Department of Public Health to make sure for a seamless transition.

The former PMHD CEO told LAFCO Pioneers' leadership fought to stop IVHD from producing a new study given the previous one was considered flawed while continuing to inhibit the ability for healthcare that everybody has deemed so precious and needs to be protected.

According to Bjornberg, PMHD also launched the effort to expand and dissolve Heffernan without a vote.

"The same thing that is happening right now in this moment is that's what their plan was from the beginning," Bjornberg said. "I do want to make sure that everybody knows and understands nothing changes for the hospital (and) nothing changes for the people working at the hospital."

PMHD Board President Catalina Alcantra-Santillan urged LAFCO to follow the dissolution process as set by state law and, if necessary, refer it to a future ballot for voter approval.

She pointed fingers at the many mistakes already made in the AB 918 legislative (and political) process so far.

"The founders of the hospital and the community in the hospital just wanna help the process," Alcantra-Santillan said. "They were willing to turn everything over to you. But let's work together on this process."

She also said PMHD would not have filed lawsuits if Pioneer's request to expand to the whole Valley was approved.

“You would have saved that money,” Alcantra-Santillan said. It didn’t happen that way.”

The PMDH board president said laws were made without the agency’s opinion.

“You’re affecting over a 150,000 population. And this is gonna be your legacy when you make that decision,” Alcantra-Santillan insisted. “We wanna make it correctly. We wanna help you make a smooth transition.”

After thanking speakers for providing their feedback, LAFCO member David Salgado said it is unfortunate that AB918 put everyone in this position.

“At this moment, 918 is the law,” Salgado mentioned. “I’m looking forward to further discussion here and I want to continue the dialogue and ensure that healthcare and access to healthcare, good quality healthcare in Imperial County is accessible.”

Salgado asked the audience to collectively move forward and engage regardless of the challenges to ensuring everybody has access to quality healthcare.

“Whether or not 918 is a good law, it is a law and it’s in place and so we have to move forward from that,” Salgado said. “There are dates within that law that we have to consider, and there are legal challenges that we have to consider. It’s a tough decision.”

“The decisions aren’t always the easiest and aren’t always the best, and I’m not going to say that they’re not or they are. Sometimes decisions are hard, but we have, we have a duty to do,” LAFCO member and Imperial Mayor Robert Amparano said. “We will do our best to uphold that.”

Supervisor Hawk said nobody questions the need for a healthcare district, adding his disappointment was in the way the bill was written.

“I’ve seen bad bills, and this one ranks among the highest,” Hawk said. “So many things were never even discussed.”

The LAFCO member and District 5 supervisor questioned the tax to fund

the new district and its cost, as well as the acquisition of El Centro Regional Medical Center.

“When you have bad law, you’re gonna have bad policy,” Hawk said. “So I think all of this got way ahead of itself.”

“It seems like we’re building on a cracked foundation,” Hawk continued. “I don’t know what’s gonna happen today, but I hope we learn from this.”

LAFCO member and District 1 Supervisor Jesús Eduardo Escobar – who said talks about a single healthcare district have been ongoing for three decades – told the audience he has driven many miles to take his children to San Diego for cancer treatment nonexistent in the Imperial Valley.

“I live through hell,” Escobar said. “And that is one of the major issues that the future of IVHD will give us – a future where we can have health care that is fair, that is equitable to the entire Imperial County.”

He also highlighted the county has busted its butts to make sure infrastructure is built for the Lithium Valley which also requires quality hospitals and healthcare facilities to attract investors.

“They won’t come if you don’t have it,” Escobar said. “I honestly don’t think we have it now.”

“As elected officials, we ask for an oath to the constitution. Within that oath, we make decisions based on your rights, the constitutional rights,” LAFCO Chairman Moreno said. “I represent Calexico (...) I vote for the whole county.”

Moreno considered LAFCO needed to vote on the dissolution to close a chapter and let the courts do their job.

“The governor wrote (and) approved that law,” he said. “We have a mandate (and) I have a mandate to vote on that.”