



Date: October 27, 2009 for November 4th Agenda

To: LAFCO Commissioners

From: Executive Officer

Subject: Preliminary Discussion of Revisions to LAFCO's Policies Concerning Water Services

Summary: The Commission has listed a review of its water policies as a top priority item on its work program. The staff has prepared this report to begin the policy review process.

Recommendation: Receive report and give direction to staff regarding additional research or policy options to address prior to, or during, vetting of potential water policies with water agencies and other stakeholders.

On its work program, the Commission has set as a top priority the review of its water policies. To start the review process, the staff has prepared this memo

The Commission, in accordance with state law, has eight types of applications to consider and act upon concerning water agencies:

- 1) Sphere of Influence Amendment
- 2) Annexation
- 3) Detachment
- 4) District Formation
- 5) District Dissolution
- 6) Conversion to be a Subsidiary District of a City
- 7) District Consolidation
- 8) Extraterritorial Service Authorization (providing service outside a water agency's boundaries).
- 9) Areawide Approval of Service Area Outside Agency Boundaries.

The following table lists number of applications the Commission has reviewed in each category during the 28-year period since January 1, 1981.

Type	Number of Applications
1) Sphere of Influence Amendment	24
2) Annexation	46
3) Detachment	7
4) District Formation	1
5) District Dissolution	0
6) Conversion to be a Subsidiary District of a City	0
7) District Consolidation	1
8) Extraterritorial Service Authorization	27
9) Areawide Approval of Service Area Outside Agency Boundaries	2
TOTAL	108

CURRENT POLICIES

Policies in State LAFCO Law

Most of the State LAFCO law is process-oriented. The mission objectives for LAFCO in State law are:

- to encourage efficient service areas for services provided by cities, counties, and special districts;
- to guide urban development away from prime agricultural lands and open space resources; and
- to promote orderly growth and discourage urban sprawl.

One section of State LAFCO law is particularly pertinent to water issues is Government Code Section 56668, which lists the factors that a LAFCO must consider when reviewing a boundary change applications. One factor is:

(k) The timely availability of water supplies adequate for projected needs as specified in Section 65352.5.

Government Code Section 65352.5 (attached) requires a water department, water district, or other water supplier to provide specified water supply information to a city or county when a general plan or substantial general plan amendment is being drafted. The purpose of the law is to provide a standardized process for determining the adequacy of existing and planned future water supplies to meet existing and planned future demands on these water supplies.

The law further authorizes each of the 58 LAFCOs to adopt more specific local LAFCO policies to guide the decision-making process in each County. Santa Cruz LAFCO has adopted the following policies that have direct bearing on water issues:

Santa Cruz LAFCO Sphere of Influence Policies and Guidelines¹

Guideline III 9

When more than one agency could serve an area, the agencies' services capabilities, costs for providing services, and the desires of the affected community will be key factors in determining a sphere of influence.

¹ Santa Cruz LAFCO's Sphere of Influence Policies are available on its website at: <http://santacruzlafco.org/pages/spheresofinfluence.html> . The Commission utilizes these policies when adopting or amending a city's or district's sphere of influence.

Santa Cruz LAFCO Standards for Evaluating Proposals²

Standard 1.2.2

For proposals concerning water and sewer district annexations, need shall be established by lack of services to existing urban land uses, or a building permit application or allocation for a single-family dwelling or, for a larger project, by (a) a tentative or final land use entitlement (tentative subdivision map use permit, etc.) conditioned on obtaining water or sewer service and (b) a growth rate and pattern that the subject area will be developed within 5 years.

Standard 1.5.1

It is the general policy of the Commission to disapprove annexations to water and sewer agencies (including cities that provide either service) while there is a connection moratorium or other similar service limitation involving the subject water or sewer service. The Commission will consider exceptions to this general policy on a case-by-case basis. The Commission may approve an annexation that meets one or more of the following criteria:

- 1) To replace a private water source that has failed, such as a well that has gone dry. New service connections shall not be sized to accommodate more intensive development.
- 2) To replace a septic system that has failed. New service connections shall not be sized to accommodate more intensive development.
- 3) To implement a transfer of service between two existing agencies in a manner that is consistent with the adopted Spheres of Influence of those agencies.
- 4) To change a boundary, in a manner consistent with an adopted Sphere of Influence, so that an agency boundary does not divide a property that could only be conveyed under a single deed.

Between January 1, 1986 and the time the service limitation is totally lifted, the Commission shall limit the annexations so that the number of cumulative connections made under the above exemption criteria do not exceed 1% of the total agency's flow (as expressed in equivalent single family dwelling units) in service on January 1, 1986.

An additional criterion, not subject to the 1% cumulative impact limitation, is as follows:

- 5) To provide facilities or funding that will allow the agency to lift its service limitation

² Santa Cruz LAFCO's Standards for Evaluating Proposals are available on its website at: <http://santacruzlafco.org/pages/standards.html> . The Commission utilizes these policies when reviewing applications for annexations, detachments, district formation, and other changes of organization.

Standard 1.6.1

For proposals involving the extension of water, or general municipal services to proposal areas greater than 50 acres, the proponent shall either (a) plan staged growth beginning closest to an existing urban area or (b) demonstrate why such a plan does not promote urban sprawl and an inefficient pattern of services.

Standard 2.1.1

New or consolidated service shall be provided by one of the following agencies in the descending order of preference:

- annexation to an existing city,
- annexation to an existing district of which the Board of Supervisors is the governing body,
- annexation to an existing multi-purpose district,
- annexation to another existing district
- formation of a new county service area,
- incorporation of a new city,
- formation of a new multi-purpose district,
- formation of a new single-purpose district.

Policies and Regulations for Agencies to Provide Services to Private Parties Outside Agency Boundaries³

Section 5 Areawide Approvals

Before granting an areawide approval, the Commission shall determine that the city or district is able to provide the service in a manner that does not negatively affect the services that are provided within the agency's boundaries and sphere of influence, and in a manner that does not negatively affect the resources in the area. Also, before granting an areawide approval, the Commission shall determine that the approval is consistent with the requirements of law and LAFCO policies.

WATER AGENCIES SUBJECT TO LAFCO'S BOUNDARY REGULATION

The Countywide Service Review⁴, using data gathered in 2005, contains supply, demand, and infrastructure data for the nine water agencies subject to LAFCO's boundary and service area regulation. The following tables have been extracted from that report.

³ Santa Cruz LAFCO's Policies and Regulations for Agencies to Provide Services to Private Parties Outside Agency Boundaries are available on its website at:

<http://santacruzlafco.org/Library/Extraterritorial%20%20Policies%202008.pdf>

⁴ The Countywide Service Area is available on Santa Cruz LAFCO's website at:

<http://santacruzlafco.org/pages/reports/CSR%20Public%20Review%20Draft/02.Water.PublicRevwDraft.06-05.pdf>

Potable Supply and Demand Summary

(Acre-feet/Year)

Agency	Existing Supply	Existing Demand	Difference	Projected Supply 2020	Projected Demand 2020	Difference
City of Santa Cruz	13,328	13,328	0	15,826	15,826	0
City of Watsonville	7,635	7,077	558	9,326	8,881	445
Central Water District	636	625	11	736	703	33
Davenport County Sanitation District	56	56	0	NP	NP	
Lompico County Water District	88	88	0	90	90	0
Pajaro Valley Water Management Agency	NA	NA	NA	NA	NA	NA
San Lorenzo Valley Water District	2,125	1,820	305	2,210	1,915	295
Scotts Valley Water District	2,031	2,031	0	1,868	1,868	0
Soquel Creek Water District	5,786	5,786	0	4,800	5,430	(630)
TOTAL	31,685	30,811	874	34,856	34,713	143

Note: Watsonville's surplus is based upon pumping, treatment, and storage, not necessarily "safe yield" of the PV aquifer.

Domestic Water Infrastructure Summary

Agency	Total No. of Connections	No. of Wells	Treatment Capacity	No. of Pump Stations	Miles of Pipeline	No. of Interties
City of Santa Cruz	23,724	3	2 mgd	17	292	2
City of Watsonville	13,542	12	2.5 mgd	14	150	0
Central Water District	842	5	NA	4	15	2
Davenport County Sanitation District	114	0	.05 mgd	0	3.5	0
Lompico County Water District	498	4	0.4 mgd	4	24	0
Pajaro Valley Water Management Agency	NA	NA	NA	NA	NA	NA
San Lorenzo Valley Water District	5,805	6	1.8 mgd	24	125	2
Scotts Valley Water District	3,700	16	3.4 mgd	9	55	1
Soquel Creek Water District	13,570	16	7.6 mgd	11	138	4

COORDINATION BETWEEN WATER AGENCIES AND LAND USE PLANNING AGENCIES

There are a number of state statutory provisions that specify coordination between retail water providers and land use regulatory agencies. General Plan law⁵ requires a city or county, when preparing a general plan or a substantial general plan amendment, to refer its new plan to any public water system that serves the planning area. The public water system must provide the planning agency with specified information regarding the water supply.

⁵ Government Code Sections 65352 and 65352.5 (The later section is attached to this memo.)

The Urban Water Management Act⁶ requires water agencies that have 3,000 or more connections, or which supply more than 3,000 acre-feet per year, to prepare and adopt Urban Water Management Plans every five years. The planning horizon is 20 years. An Urban Water Management Plan contains information about past and projected water use, identifies conservation measures in use, evaluates additional water conservation and management measures that could be implemented, and sets a schedule for implementing the recommended actions.

Senate Bill 610 (Costa, 2001)⁷ requires the preparation of Water Supply Assessments for larger new developments, including those with 500 or more residential units; 500,000 or more square feet of retail development; and 250,000 or more square feet of office development. The assessment is prepared by the water agency. The assessment must determine whether projected water supplies will be sufficient to satisfy project demands in addition to planned future uses. If it concludes that existing supplies will be insufficient, the water agency must submit plans for acquiring additional water supplies. The Water Supply Assessment becomes part of the environmental impact report or other environmental review document prepared under the California Environmental Quality Act (see below).

Senate Bill 221 (Kuehl, 2001)⁸ requires a public water system to prepare a Water Supply Verification when a land use agency is approving large subdivisions. The water agency must show that there is a sufficient water supply to serve the new development.

The California Environmental Quality Act⁹ (CEQA) includes water supply availability and impacts on water resources as potential environmental impacts that must be evaluated; disclosed; and, where feasible, mitigated prior to a land use agency approving a development project or a water agency approving a water supply project. CEQA does allow the lead agency to proceed with a project that has unmitigated environmental impacts by making a statement of overriding determinations.

POTENTIAL POLICIES--CODIFICATION OF PAST PRACTICES

In the consideration of re-drafting water policies, staff has started with a potential block of policies that would supplement existing written policies by codifying the basis for its water decisions over the last 25+ years. The following policies (A-C) could be added to represent a codification of past practices:

⁶ Water Code Section 10610 et seq.

⁷ Water Code Sections 10910-10912

⁸ Government Code Section 66473.7

⁹ Public Resources Code Section 15000 et seq.

- A) Governance -It is preferable that the people who use water also participate in the governance of the system that provides the water. Therefore, in making decisions on spheres of influence and boundary changes, the Commission will favor water supply entities for which the users of the system participate in the governance of the system (such as cities, water districts, mutual water companies, and individually-owned wells) over investor-owned private water companies.
- B) Extraterritorial Service When Annexation is Practical--When the Commission authorizes the emergency provision of water or sanitary sewer services via extraterritorial service outside an agency's boundaries, and annexation is practical, the Commission will require annexation to be completed within two years.
- C) Reorganization Studies--The Commission will use Sphere of Influence adoptions and reviews, Municipal Service Reviews, and special studies to evaluate options for re-structuring the agency boundaries and/or the governance structure in a manner that would promote a more efficient provision of public services.

POTENTIAL POLICIES--NEW DIRECTIONS

If the Commission want to shift policies away from past practices, the following two policies (D-E) demonstrate directions in which to policy shift could go.

- D) Adequate, Reliable, and Sustainable Supply (SLO LAFCO Policy)--
In any proposal requiring water service, the Commission requires that the agency to which the annexation is proposed should demonstrate the availability of an adequate, reliable and sustainable supply of water. In cases where a phased development is proposed, the agency should demonstrate that adequate service capacity will be provided as needed for each phase. In cases where a proposed annexation will be served by an onsite water source, the proponent should demonstrate its adequacy (Government Code Section 56668 (k)).
- E) Best Practices--In reviewing any sphere of influence adoption or amendment, or any boundary change application, the Commission will favor an agency that is maximizing the application of best practices to conserve natural resources over an agency that has not fully-applied best practices.

Government Code 65352.5.
Coordination between Water Suppliers and Planning Agencies

(a) The Legislature finds and declares that it is vital that there be close coordination and consultation between California's water supply agencies and California's land use approval agencies to ensure that proper water supply planning occurs in order to accommodate projects that will result in increased demands on water supplies.

(b) It is, therefore, the intent of the Legislature to provide a standardized process for determining the adequacy of existing and planned future water supplies to meet existing and planned future demands on these water supplies.

(c) Upon receiving, pursuant to Section 65352, notification of a city's or a county's proposed action to adopt or substantially amend a general plan, a public water system, as defined in Section 116275 of the Health and Safety Code, with 3,000 or more service connections, shall provide the planning agency with the following information, as is appropriate and relevant:

- (1) The current version of its urban water management plan, adopted pursuant to Part 2.6 (commencing with Section 10610) of Division 6 of the Water Code.
- (2) The current version of its capital improvement program or plan, as reported pursuant to Section 31144.73 of the Water Code.
- (3) A description of the source or sources of the total water supply currently available to the water supplier by water right or contract, taking into account historical data concerning wet, normal, and dry runoff years.
- (4) A description of the quantity of surface water that was purveyed by the water supplier in each of the previous five years.
- (5) A description of the quantity of groundwater that was purveyed by the water supplier in each of the previous five years.
- (6) A description of all proposed additional sources of water supplies for the water supplier, including the estimated dates by which these additional sources should be available and the quantities of additional water supplies that are being proposed.
- (7) A description of the total number of customers currently served by the water supplier, as identified by the following categories and by the amount of water served to each category:
 - (A) Agricultural users.
 - (B) Commercial users.
 - (C) Industrial users.
 - (D) Residential users.
- (8) Quantification of the expected reduction in total water demand, identified by each customer category set forth in paragraph 7, associated with future implementation of water use reduction measures identified in the water supplier's urban water management plan.
- (9) Any additional information that is relevant to determining the adequacy of existing and planned future water supplies to meet existing and planned future demands on these water supplies.