Public Review Draft

PROPOSED FELTON AMENDMENT TO SAN LORENZO VALLEY WATER DISTRICT SPHERE OF INFLUENCE and SERVICE REVIEW OF WATER SERVICES IN THE SAN LORENZO VALLEY

Santa Cruz
Local Agency Formation Commission

July 2003

Local Agency Formation Commission

Commissioners

Chairman Roger Anderson, Public Member
Vice Chairman James Rapoza, Special District Member
Tony Campos, County Member
Judy Doering-Nielsen, City Member
Don Ramos, Special District Member
Emily Reilly, City Member
Mardi Wormhoudt, County Member

Alternates

Jan Beautz, County Member
Cherie Bobbe, Public Member
Gwen Carroll, Special District Member
Stephanie Harlan, City Member

Staff

Patrick M. McCormick, Executive Officer
David Kendig, Legal Counsel
Debra Means, Commission Clerk

Graphics

Jim Werle, Geographic Information Services,
Santa Cruz County

TABLE OF CONTENTS

FIGURES AND TABLES

CHAPTER 1:

Summary of Application and Process

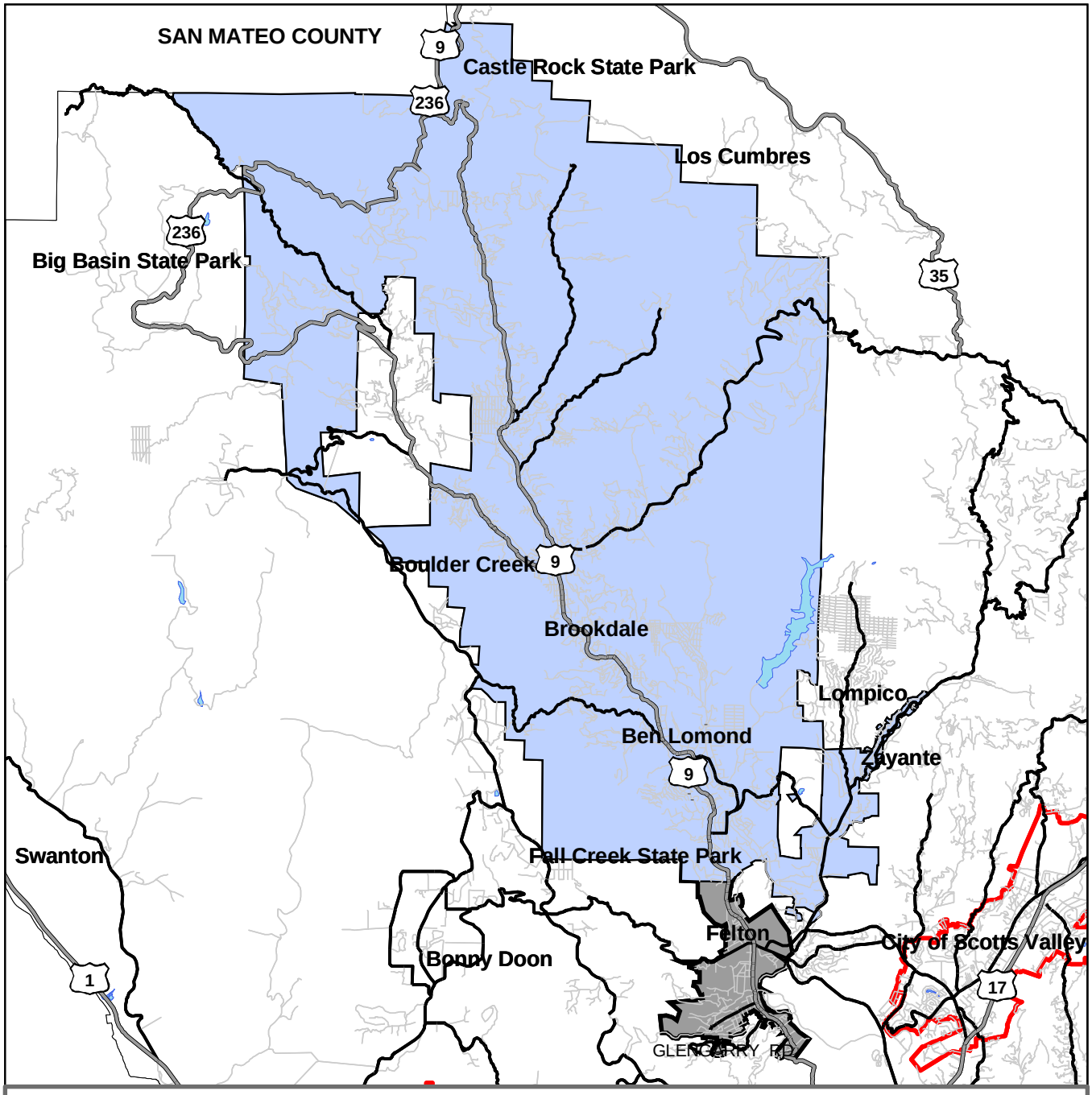
Application

State laws concerning boundary changes of cities and special districts are located in the Local Government Reorganization Act (Government Code Sections 56000-57550). The principal duties of the Local Agency Formation Commission (LAFCO) are:

- to perform Service Reviews to evaluate the efficiencies of local services and identify options to improve the service delivery system (Government Code Section 56430),
- to adopt and update a Sphere of Influence, or probable service area, for each city and special district, (Government Code Section 56425), and;
- to approve or deny applications for city and district boundary changes that are initiated by property owners, registered voters, and public agencies (Government Code Section 56375).

In accordance with state law, the San Lorenzo Valley Water District (SLVWD) has applied to LAFCO for an amendment of the District's Sphere of Influence to include the current service area of the Felton unit of the California-American Water Company (Cal-Am). The proposal is titled "Felton Amendment to the San Lorenzo Valley Water District Sphere of Influence," and is tracked as LAFCO Application No. 890.

The application was filed in March of 2003 following concerns expressed by some customers of Cal-Am that control of the water system has been transferred to an international corporation and that Cal-Am has filed an application with the California Public Utilities Commission (CPUC) for significant increases in water rates. If this application is approved by LAFCO, the Felton Sphere of Influence Amendment would allow for a subsequent application to LAFCO to annex the Felton area to the San Lorenzo Valley Water District.



SLVWD Sphere
and
Proposed Amendment

Legend

SLV Water District Sphere of Influence

Proposed Ammendment

N
W E
S

0 0.5 1 2
Miles

64-03 July 2003
Prepared by the County of Santa Cruz GIS Staff

An annexation application could be filed by petition from the registered voters in Felton, by petition of the property owners in Felton, by resolution of the Board of Directors of the San Lorenzo Valley Water District, or by resolution of the County Board of Supervisors. If authorized by LAFCO, the annexation would be completed without an election if there were less than 25% protest of either the Felton property owners or voters, or following an affirmative vote of the Felton voters if a 25% protest occurred.

Application No. 890 is only for a Sphere of Influence Amendment; it does not include an annexation. The inclusion of Felton in the district's Sphere of Influence will not change the status of Cal-Am as the water company licensed by the California Public Utilities Commission to serve Felton.

Within Santa Cruz County there are both investor-owned companies and mutual water companies whose service areas fall within either the boundaries or spheres of water districts. Examples include:

- Mar Vista Water Company (Soquel Creek Water District)
- Greenbelt Water Company (Soquel Creek Water District)

The inclusion of investor-owned and mutual water companies within district spheres and boundaries does not impinge on their standing to continue to operate. The companies maintain their status to operate, and the district cannot use its public agency status to force customers to change over to service from the public agency.

SLVWD has indicated that the purpose of the sphere amendment is to facilitate SLVWD into becoming the community water service operator in Felton. The application cites the benefits of a governmental agency owning and operating the system, and the potential for lower water rates than would be charged by an investor-owned company.

As private property, the Felton water system could be acquired for public agency ownership and operation either through a voluntary sale by Cal-Am, or by an eminent domain action. In an eminent domain action, a public agency may acquire private property for public use by filing suit in Superior Court. The purpose of the court proceeding is to determine if the acquisition is in the public interest and to set the fair market value of the property.

In Santa Cruz County, such a case occurred in 1998 whereby the Summit West County Service Area filed an eminent domain action to acquire the water production and distribution facilities of the Mt. Charlie Water Company. The 159 customers of the water company had been experiencing quality and quantity problems and did not have confidence that the company could resolve the problems. That acquisition was completed in 1999 through an agreement between the parties to settle the eminent domain lawsuit.

Service Review and Sphere of Influence Amendment

In order for LAFCO to consider the Felton Amendment to the San Lorenzo Valley Water District's Sphere of Influence, State law requires that LAFCO conduct a Service Review and prepare a Sphere of Influence study to provide background information and the basis for its determinations and actions. The Service Review takes a broad perspective and evaluates one or more services in a geographic area, and the Sphere of Influence focuses on a particular public agency and its probable service area as set by LAFCO. State law specifies that the conclusions of the Service Review and Sphere of Influence Study shall be written determinations with respect to the following topics:

Service Review (Government Code Section 56340)

1. Infrastructure needs and deficiencies.
2. Growth and population projections for the affected area.
3. Financing constraints and opportunities.
4. Cost avoidance opportunities.
5. Opportunities for rate restructuring.
6. Opportunities for shared facilities.
7. Government structure options, including advantages and disadvantages of consolidation or reorganization of service providers.
8. Evaluation of management efficiencies.
9. Local accountability and governance.

Sphere of Influence Study (Government Code Section 56425 (e))

A. The present and planned land uses in the area, including agricultural and open spaces.
B. The present and probable need for public facilities and services in the area.
C. The present capacity of public facilities and adequacy of public services that the agency provides or its authorized to provide. (Pat-check matrix of services and functions—list?)
D. The existence of any social or economic communities of interest in the area if the commission determines that they are relevant to the agency.

Topics covered in Service Reviews and Spheres of Influence Studies overlap. For instance, 1 on the first list (Infra-structure needs and deficiencies) is similar to parts of C (capacity of public facilities) and B on the second list (probable need for public facilities). Similarly, 2 and A concern planned growth.

This report will serve as both a Service Review of water services in the San Lorenzo Valley and a Sphere of Influence Study for the San Lorenzo Valley Water District. In order to clearly present the information and avoid duplications, this report is structured by subject area (adequacy of facilities, growth projections, etc.). Draft determinations are numbered consecutively throughout the report. Appendix C shows the cross references between the determinations and the code sections.

Relationship to Countywide Service Review

State law requiring Service Reviews became effective on January 1, 2001 and set a deadline of January 1, 2006 for the LAFCO in each county to complete Service Reviews for all services and all geographic areas. Santa Cruz LAFCO has decided to prepare a Countywide Service Review that will analyze all city and district services throughout the county as part of a single study. LAFCO has prepared a Request for Proposals and has solicited interest from potential consultants through a Request for Qualifications. LAFCO has budgeted for the Countywide Service Review and intends to proceed with consultant selection and the review later in fiscal year 2003-2004.

The Countywide Service Review will evaluate advantages and disadvantages of the consolidation and reorganization of various service providers. As decided during that service review process, reorganization options may address one or more the following types of governmental service reorganization:

- Regional consolidation of providers of a single type of service (e.g. fire agencies throughout the County)
- Geographic consolidation of various service providers in one geographic area (e.g. fire, recreation, and water agencies in the San Lorenzo Valley)
- Exchanges of service areas between existing agencies (e.g. sewer and septic tank maintenance agencies to match city and county urban growth boundaries).

In addressing all local governmental services throughout the County, the Countywide Services Review will include a review of the water providers in San Lorenzo Valley. The current Service Review being conducted in response to the Felton Amendment to the San Lorenzo Valley Sphere of Influence (LAFCO Application No. 890), will therefore focus on the comparison of the two water providers (San Lorenzo Valley Water District, and the Felton Unit of California-American Water Company) to evaluate the advantages and disadvantages of the combining the two water systems under the management of the San Lorenzo Valley Water District. LAFCO's study of regional consolidations and other "big picture" alternatives for providing public services will be conducted as part of the Countywide Service Review, which is on-course to be completed well before the January 1, 2006 deadline set in State law.

CHAPTER 2:

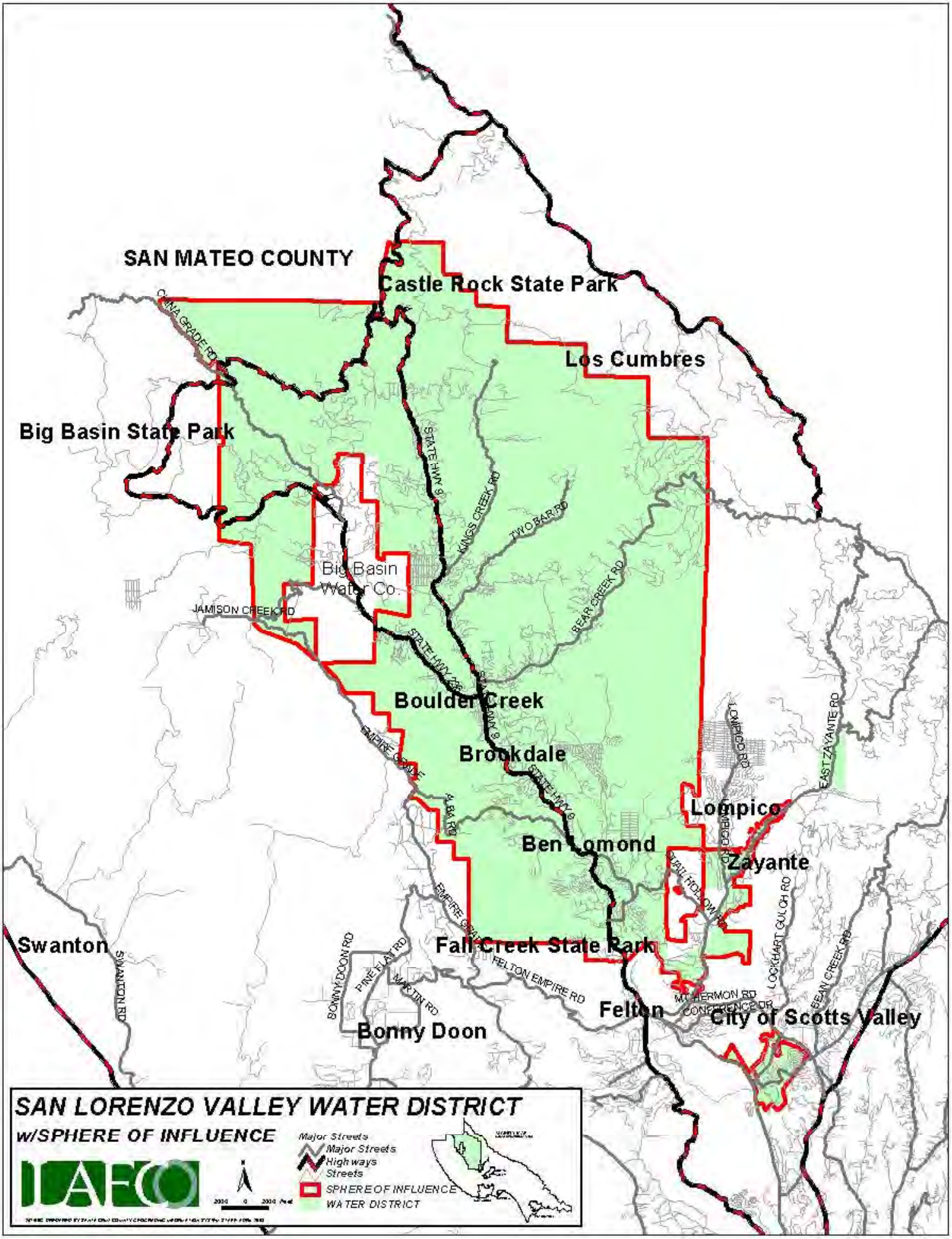
SAN LORENZO VALLEY WATER DISTRICT

History

The San Lorenzo Valley's interest in a safe water supply dates back to its earliest settlement and the development of its logging industry, and later the summer recreation business. The origins of the San Lorenzo Valley Water District (SLVWD) began with heated discussions over water supply and water rights in the early 1930's, when there was great concern over plans to divert the San Lorenzo River water to Santa Clara County for "a dude ranch, golf links and sub-division" on 10,000 acres of land off Skyline Boulevard near the Saratoga Summit. (Santa Cruz Sentinel 2/6/1931). The City of Santa Cruz, the San Lorenzo Valley Chamber of Commerce and more than 50 Valley residents protested the proposal before the State Division of Water Resources who were convening in San Francisco. "The principle involved is the permissibility of diverting one watershed to another," according to the Santa Cruz City Attorney. (Santa Cruz Sentinel 6/9/1931). The request for rights to 400 acre feet of water annually was eventually denied and organizing for purposes of assuring adequate water had begun in the San Lorenzo Valley.

Following on the heels of this event, there was also public concern that the private water company, the Public Utilities Corporation of California, which owned a series of small water systems serving populated areas, could not meet water demand during a vacation season on weekends. (Santa Cruz Sentinel 9/11/1931). This concern persisted through the 1930's and an inadequate water supply was considered to be an obstacle to real estate development as well as a safety hazard in terms of fire protection. In August, 1939, an effort to form an expansive water district, including the unincorporated areas of Felton, Scotts Valley, Ben Lomond, and Boulder Creek failed. On April 3, 1941, the SLVWD was created through a 2/3 voter approval, 262 to 182, but the District's territory was limited to Boulder Creek, Brookdale and Ben Lomond.

On June 10, 1941 five persons were elected to a Board of Directors, with Earl Lyon of Ben Lomond serving as the District's first chairman. He continued to serve the District for almost 20 years. In March, 1945, a $300,000 bond was defeated to build reservoirs for water storage purposes. Similarly, in 1946, a $500,000 bond was also defeated.


SAN MATEO COUNTY
Castle Rock State Park
Los Cumbres
Big Basin State Park
Big Basin Water Co
Boulder Creek
Brookdale
Lompico
Ben Lomond
Zayante
Fall Creek State Park
Swanton
Felton
Bonny Doon
City of Scotts Valley
CANA GRADE RD
STATE HWY 9
KINGS CREEK RD
TWO BAR RD
BEAR CREEK RD
JAMISON CREEK RD
STATE HWY 236
EMPIRE GRADE
BALL RD
LOMPICO RD
EAST ZAYANTE RD
QUAIL HOLLOW RD
LOCKHART GULCH RD
BEAN CREEK RD
FELTON EMPIRE RD
MT HERMON RD
CONFERENCE DR
SWANTON RD
BONNY DOON RD
PINE FLAT RD
MARTIN RD
SAN LORENZO VALLEY WATER DISTRICT
w/SPHERE OF INFLUENCE
Major Streets
Major Streets
Highways
Streets
SPHERE OF INFLUENCE
WATER DISTRICT

Again, in February, 1955, an $800,000 bond to buy Citizen's Utility Company was defeated. Finally in August, 1957, voters approved a $950,000 bond to participate in the Newell Creek project, which was to become Loch Lomond Reservoir, with the City of Santa Cruz serving as the Lead Agency. By 1962, the District had customers in the Ben Lomond/Redwood Park area, parts of Zayante, Glen Arbor and the Pasatiempo Pines Subdivision in the Scotts Valley area. Additional areas in the vicinity of Pasatiempo Pines were subsequently annexed, including the Hidden Glen Subdivision.

Finally, in 1965, the voters of the District passed two revenue bonds totaling close to $1.5 million to purchase Citizen's Utility Company's holdings in Boulder Creek, Ben Lomond and Felton, However, the Felton acquisition was not realized. Since 1965, SLVWD has had an active annexation history. This activity, coupled with its capital improvement program, has resulted in a District now spanning more than 30,000 acres (56 square miles) and serving half of the San Lorenzo Valley residents. SLVWD also owns land throughout the District for watershed protection purposes.

Source: Sphere of Influence Study for the San Lorenzo Valley County Water District, prepared by Community Planning Consultants, February, 1985

TABLE 1:
WATER HISTORY OF SAN LORENZO VALLEY
(Pertinent to LAFCO NO. 890
Felton Amendment to San Lorenzo Valley Water District
Sphere of Influence)

DATE	
1889	Felton Water Company and its predecessors supply water in Felton, other water companies provide service elsewhere in San Lorenzo Valley
1939	Effort to form a water district including Felton, Scotts Valley, Ben Lomond, and Boulder Creek fails
1941	San Lorenzo Valley Water District formed in Boulder Creek, Brookdale, and Ben Lomond
1945	Voters of San Lorenzo Valley Water District defeat a $300,000 bond to build reservoirs for water storage
1955	Voters of San Lorenzo Valley Water District defeat a $500,000 bond for water improvements
1957	Voters of the San Lorenzo Valley Water District approve a $950,000 bond to participate with the City of Santa Cruz in building Loch Lomond Reservoir
1962	Citizens Utilities of California acquires Felton Water Company
1965	Voters of San Lorenzo Valley Water District pass two revenue bonds of $1.5 million to purchase Citizens Utilities Company systems in Boulder Creek, Ben Lomond, and Felton. SLVWD acquires through condemnation all operating units of Citizens Utilities in the San Lorenzo Valley except the Felton unit
5/16/2000	Citizens Utilities and California-American Water Company file an application (No. 00-05-015) with the PUC for Cal-Am to purchase all of Citizens Water Utility assets, including the Felton unit
9/20/2001	PUC authorizes sale of Citizens' water assets to Cal-Am
12/19/2001	RWE Aktiengesellschaft and California-American Water Company file a Notice of Intent (No. 01-12-027) for RWE to acquire California-American Water Company and other holdings of its parent company, American Water Works Company
1/15/2002	California-American Water Company purchases the water systems of Citizens Utilities, including the Felton unit
1/28/2002	RWE and Cal-Am file an application (No. 02-01-036) with the PUC for RWE to acquire Cal-Am and other holdings of American Water Works Co.
9/18/2002	California-American Water Company files application with PUC (No. U 210 W) to increase its rates its Felton District to realize increased revenues of $410,200 in 2003, $101,200 in 2004, and $31,000 in 2005
12/19/2002	PUC approves sale of Cal-Am and other holdings of American Water Works Co. to RWE
1/10/2003	RWE completes purchase of Cal-Am and other holdings of American Water Works Co.

Sources: Application for Authority to Increase Rates for Service—Felton District, September 18, 2002, page 2-1

California Public Utilities Commission Order Authorizing Acquisition (of Citizens by Cal-Am), September 20, 2001, page 1.

Joint Opening Post Hearing Brief of Applicants (RWE and Cal-Am), September 6, 2002, page 2.

California Public Utilities Commission Conditionally Approving Application (for RWE to acquire Cal-Am and rest of American Water Works Co.

Joint Applicants' Opposition to Applications for Rehearing of Decision 02-12-068 (authorizing RWE purchase), February 6, 2003, page 2.

Sphere of Influence Study for the Scotts Valley Water District, San Lorenzo Valley Water District, Lompico County Water District; Community Planning Consultants, February, 1986, page 26.

TABLE 2: ACTIONS re: SLVWD SINCE ADOPTION OF SPHERE OF INFLUENCE

RES. NO.	TITLE	ACTION	ACTION DATE	COMMENTS/AREA	ACRES
647-B	Original SLVWD Sphere of Influence Adoption	Approved	10/16/85	Conditional Review of Main Extensions in Mountainous Areas	
705	Hihn Rd./Kim Way Annexation	Approved	3/5/86	Ben Lomond	5
717	Whispering Pines Dr. Detachment	Approved	4/2/86	Scotts Valley	1.6
739	East Zayante Rd. Annexation	Approved	6/6/90	Zayante	4.17
763	Hihn Rd. Annexation	Withdrawn		Ben Lomond	
781	Zayante School Rd. Annexation/Sphere Amendment	Withdrawn		Zayante	
792	Valley Gardens Sphere Amendment	Approved	5/5/93	SVWD & SLVWD	7
792-A	Valley Gardens Reorganization	Approved	5/5/93	Scotts Valley	7
793	West Zayante Rd. Annexation	Approved	5/5/93	Zayante	14
798	West Zayante Rd. El Alamein Annexation	Approved	4/14/94	Zayante	7
801	Adopting Rules & Regulations re: Functions & Services of Special Districts	Approved	4/14/94	All County Functions & Services	N/A
	North Highway 9 Main Extension	Received MOU	5/12/94	Main Extension in Mountainous Residential Area	
	Bailey Extraterritorial Service	Approved	6/9/94	Zayante: House with Failed Well	
801-D	Amending Rules Res. No. 801	Approved	1/4/95	Functions & Services	N/A
804	East Zayante Rd. Annexation	Approved	12/7/94	Zayante	3
814-A	East Creek Rd. Sphere Amendment	Approved	8/2/95	Zayante	3
814-B	East Creek Rd. Annexation	Approved	8/2/95	Zayante	3
835	Crow Extraterritorial Service from SLVWD	Approved	12/2/96	Zayante	
861	West Zayante/Broberg Annexation to SLVWD	Approved	4/7/99	Zayante	1
867	West Zayante/Beverly Sphere Amendment	Approved Revised Area	12/1/99	Zayante	8
867-A	West Zayante/Beverly Annexation	Approved Revised Area	12/1/99	Zayante	8
	2001 Water Report	Reviewed	5/2/01	Between SLVWD & Santa Cruz County	
875	Trout Farm Annextion to SLVWD	Approved	11/1/01	Zayante	5
887	El Alamein Annexation to SLVWD	Approved Revised Area	8/7/02	Zayante	16

SAN LORENZO VALLEY WATER DISTRICT

Water Resources

The San Lorenzo Valley Water District (SLVWD) was formed in 1941, pursuant to Chapter 592, Statutes of 1913. It operates as a county water district under Sections 33000 – 33900 of the Water Code. The district has approximately 5,800 service connections, and it estimates that it provides water to approximately 17,900 people. SLVWD's boundaries encompass a 58 square mile area which includes the unincorporated towns of Boulder Creek, Brookdale, Ben Lomond, Zayante and a portion of the City of Scotts Valley.

SLVWD owns, operates, and maintains two independent and separate water systems. The Northern System supplies water service to the unincorporated area of San Lorenzo Valley north of Felton, including Zayante. The Southern System provides water service to the northwesterly portion of the City of Scotts Valley and the surrounding unincorporated area along Lockewood Lane and Hidden Glen Drive. Each system is supplied by independent sources.

Water supply for the SLVWD's Northern System is generated from four surface tributaries of the San Lorenzo River: Foreman Creek, Peavine Creek, Clear Creek, and Harmon Creek. Since 1984, total water production from all supply sources in the Northern System has ranged from 1,335 to 1,661 acre-feet per year (AFY). Average annual production is 1,435 AFY. Historically SLVWD has obtained 35% to 82% of the Northern System's total water production from surface sources. This range in surface water production is directly related to variances in annual precipitation and other climatic conditions. Since, 1986 total connections in the Northern System have increased from approximately 4,840 to 5,200 connections, an average growth rate of approximately 0.5% per year.

The Quail Hollow Wellfield extracts its supply from a subunit of the Santa Margarita Sandstone Aquifer. The Olympia Wellfield has been judged to extract supply from underlying Lompico Sandstone Aquifer. Safe or perennial yield has historically been defined as the amount of water that can be diverted or withdrawn on an annual basis without producing an undesired result.

The estimated safe yield for the Northern System ranges from 1,400 to 2,400 AFY. This safe yield estimate is based upon the following configuration:

TABLE 3:
SLVWD GROUNDWATER SOURCES

GROUNDWATER SOURCES	**ACRE FEET PER YEAR (AFY)**
Quail Hollow Wellfield	200 – 500
Olympia Wellfield	500 – 600
Subtotal Groundwater	700 – 1,100
Surface Water Resources	700 – 1,300
Chapter 2 TOTAL	**1,400 – 2,400 AFY**

Sources: Review and Assessment of District Wells by William Ellis, 1992
Estimated Discharge of Surface Water Sources by Nicholas Johnson, 1999

Water supply for the Southern System is generated from two groundwater wells, The Pasatiempo Wellfield extracts its supply from the Lompico Sandstone Aquifer and is the sole supply source for the Southern System. Since 1984, total water production in the Southern System has ranged from 106 to 429 AFY.

Water demand from the Southern System progressively increased until about 1995 but has been essentially stable since then. This increase in water demand was directly related to the construction of new single family residential homes. Between 1986 and 1995, the total connections increased from approximately 445 to 538 connections, growing approximately 21%. Since 1995, the rate of new connections has significantly diminished. In July 2003, the Southern System had 547 connections. The average annual production since 1995 is approximately 400 AFY.

The Pasatiempo subunit, supplied by the Lompico Sandstone Aquifer, provides water to SLVWD, Hanson Aggregates and Mount Hermon Association. The average annual extraction by the three users is estimated to exceed recharge rates by approximately 500 to 600 AFY. Measured changes in groundwater level hydrographs have indicated a diminishment in the rate of groundwater level decline. The Southern System is still judged to be an area in need of a long-term sustainable water supply. SLVWD has been working with other surrounding private users and public agencies to address the existing imbalance of groundwater recharge and pumpage.

Source: Pasatiempo Subunit-Lompico Sandstone Aquifer Preliminary Quantitative Assessment by William Ellis, 1995

Water Quality

The water quality in the SLVWD systems meets all state and federal standards for public health protection. Appendix A presents water quality data.

Connections

The SLVWD number of customers has increased 5.8% during the 1993-2002 time period. Approximately 190 connections occurred in the Northern System in 1995 after the District took over service from three mutual water companies in North Boulder Creek.

TABLE 4:
SLVWD
WATER SERVICE CONNECTIONS

	NORTHERN DISTRIBUTION SYSTEM SUBTOTAL	SOUTHERN DISTRIBUTION SYSTEM SUBTOTAL	SYSTEM WIDE TOTALS
YEAR			
1993	4947	527	5474
1994	4961	535	5496
1995	5159	537	5696
1996	5164	540	5704
1997	5170	544	5714
1998	5182	547	5729
1999	5184	551	5735
2000	5215	552	5767
2001	5225	549	5774
2002	5240	553	5793

Staffing

SLVWD has a staff of 21 divided into departments of administration (2 full time equivalent positions), finance (4), engineering (1), operations (8.8), treatment (3.2), watershed (1), and wastewater (0.1). The district operates a watershed management program to protect the quality of the San Lorenzo River and its tributaries throughout its watershed. The district contracts for legal, audit, laboratory, hydrology, and some engineering services.

CHAPTER 3:

CALIFORNIA-AMERICAN WATER COMPANY
FELTON UNIT

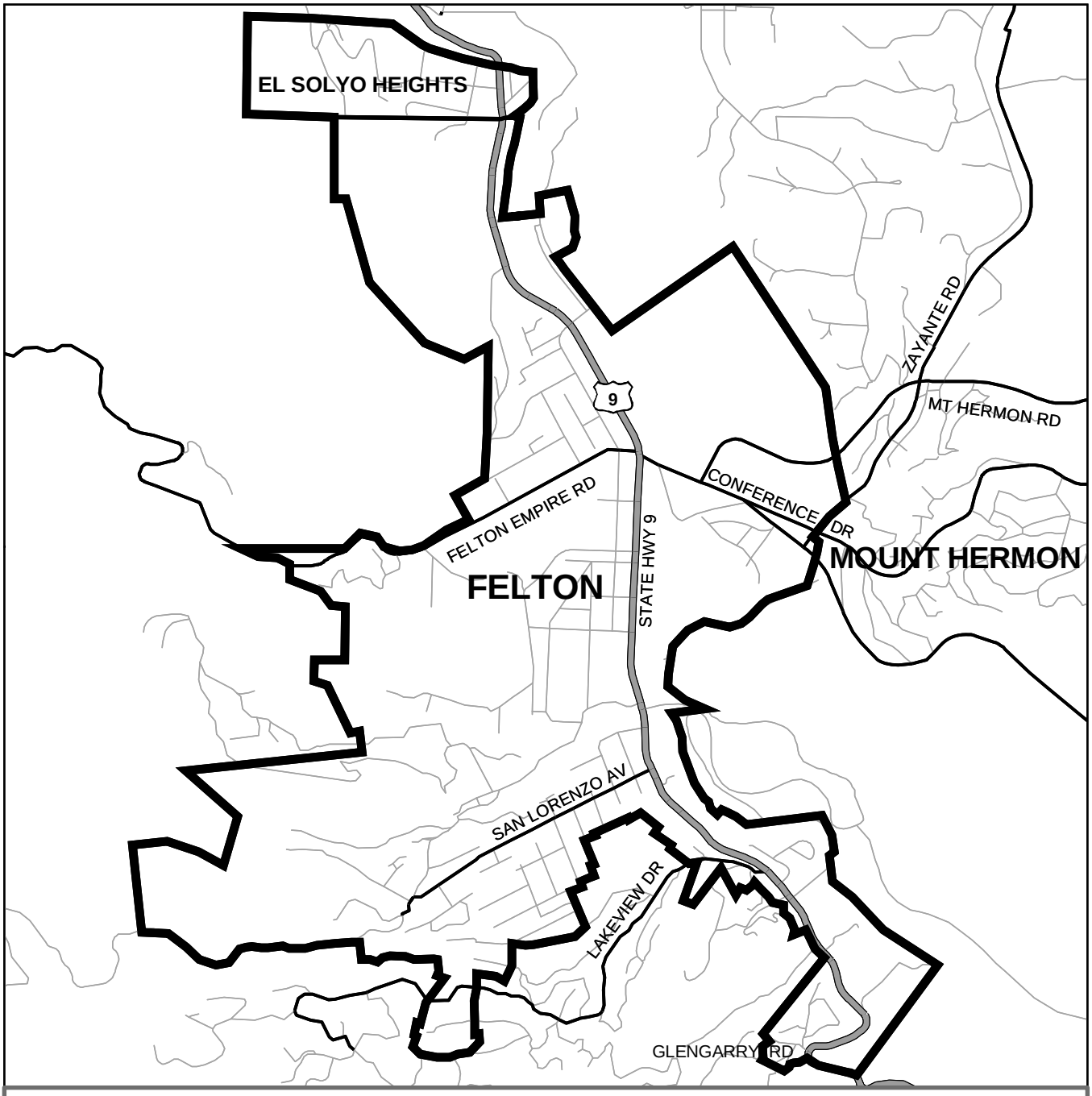
History

The current operator of the water system in Felton is the California-American Water Company (Cal-Am). Cal-Am is an investor-owned company with its service area boundary and water rates regulated by the California Public Utilities Commission (PUC).

Since 1889, private water companies have provided water service in Felton. In 1962, the stock of the Felton Water Company was acquired by Citizens Utilities of California (Citizens). Citizens operated the Felton system until January 2002, when all its assets were purchased by Cal-Am. On January 10, 2003, all of the stock of Cal-Am's parent company (American Water Works Company) was sold to RWE Aktiengesellschaft (RWE).

RWE, based in Essen, Germany, is the third largest water business company in the world. Through its UK-based subsidiary, Thames Water Plc, it provides water and wastewater services to approximately 43 million people throughout the world. Following this corporate reorganization, Cal-Am will continue to be the operating water utility in Felton and the California Public Utilities Commission will continue to regulate its service area boundary and water rates.

Source: PUC Opinion Conditionally Approving Application (for RWE to Purchase American Water Works), December 19, 2002, pages 2-4, 41.



Felton Unit
California-American Water Company

N
W E
S

Legend

Cal-Am Service Area, June 2003

0 500 1,000 2,000
Feet

157-03 June 2003
Prepared by the County of Santa Cruz GIS Staff

Service Area

Cal-Am operates the Felton water system with collection, treatment, distribution, billing, and customer service for 1306 (2001) connections. The service area (see Figure 2) contains approximately 2 square miles (1270 acres) including:

- Central business district along Highway 9 south of Felton-Empire Road
- Central residential areas north, south, and west of the central business district
- San Lorenzo Valley High School and adjacent elementary and middle schools
- El Solyo Heights residential area north of the schools
- Felton Fair Shopping Center
- Felton Covered Bridge County Park
- Felton Grove residential area east of San Lorenzo River
- Residential areas along Highway 9 south of town as far as Glengarry Road.

The Cal-Am service area does not include:

- The state parks (Fall Creek to the northwest of town and Henry Cowell Redwoods to the southeast
- The Mt. Hermon community east of Felton along Conference Drive
- The Forest Lakes neighborhood south of town, accessed off Highway 9 via Lakeview Drive
- Higher elevation mountain residential properties up Felton-Empire Road and other roads.

Water Sources and Consumption

The major sources of water for the Cal-Am system are springs and creeks west of the town. The State Water Resources Control Board has granted Cal-Am water rights to those four sources. Surface water is treated at Cal-Am's water treatment plant in Felton. The 1.0 million gallons per day treatment plant was placed in service in 1997 and is designed to meet the standards of the Safe Water Drinking Act and other public drinking water regulations. The treatment plant was financed by loans totaling $4.4 million from the California Department

of Water Resources and is being paid off by surcharges on the customers' bi-monthly bills.

Source: Application for Authority to Increase Rates for Service—Felton District (U-210-W) September 18, 2002; pages 3-1, 3-2, 7-2

Water Quality

The water quality in the Felton unit of Cal-Am meets all state and federal standards for public health protection. Appendix A compares mandatory requirements and secondary goals for Felton, SLVWD surface water, and SLV groundwater.

Water Quantity

In 2001, Cal-Am produced and sold water in the following quantities:

TABLE 5:
CAL-AM WATER USAGE

	WATER USE (CCF)	**WATER USE (ACRE-FEET)**	**CUSTOMERS**	**AVERAGE USE per CUSTOMER (CCF)**
Residential	117,605	270	1,138	103
Commercial	50,161	115	167	300
Public Authority	15,074	35	6	2,512
Industrial	0	0	0	0
Irrigation	1,056	2	2	528
Other	(190)	(0.4)		
Sub-Total Sold	183,706	422	1,313	140
Unaccounted for	35,200	81		
TOTAL Produced	218,906	503		

(**CCF** = 100 cubic feet of water = 1 billing unit)

Source: Application for Authority to Increase Rates for Service—Felton District, In the Matter of the Application of the California-American Water Company (U-210-W) for an order authorizing it to increase its rates for water use in its Felton District, September 18, 2002, Exhibit B

Connections

TABLE 6:
CAL-AM CUSTOMERS by TYPE

TYPE	# OF CUSTOMERS
Residential	1,131
Commercial	168
Public Authority	6
Industrial	0
Irrigation	1
SUB-TOTAL METERED	**1306**
Private Fire Service	9
TOTAL	**1,315**

(as of 12/31/01)

The number of connections has remained virtually unchanged since 1987. This is due to the slow rate of change of the land uses within the community.

Source: Application for Authority to Increase Rates for Service—Felton District, California-American Water District (U 210 W), September 18, 2002, pages 2-3 to 3-2, and Table 5-1.

Staffing

In Felton, Cal-Am maintains a staff of four—an operations supervisor and three distribution employees. Administrative duties occur in the Monterey office of Cal-Am, with other support functions being provided by other Cal-Am and parent company offices.

Source: Application for Authority to Increase Rates for Service—Felton District, U-210-W, September 18, 2002; Exhibit B, page 3-1.

Finances

As part of its application to increase rates in its Felton unit, Cal-Am presented a pro forma budget for 2003 as shown in the following table. The first column of numbers shows Cal-Am's summary that was submitted in September 2002 with its application.

As part of the rate making process, Cal-Am has responded to a report by the CPUC's Office of Ratepayer Advocates, and has revised its summary of earnings as shown in the second column of numbers. The rate making process is continuing at the CPUC; therefore, these numbers could change again. Nevertheless, it provides a summary of the revenues and expenses of the Felton water system as operated by the California-American Water Company.

TABLE 7:
CAL-AM, FELTON DISTRICT
PRO FORMA SUMMARY OF REVENUES & EXPENSES 2003
(without rate adjustment)

ITEM	PROPOSED 9/02	POSITION 4/03
Operating Revenues	$728,900	$736,100
Operating Expenses		
Operation & Maintenance	160,000	153,600
Administrative & General	75,000	55,900
Payroll	227,900	228,500
General Office Prorated Expense	95,400	91,300
Depreciation & Amortization	130,700	122,900
Acquisition Premium	72,400	55,800
Taxes Other than Income	83,800	68,100
State Corporate Franchise Tax	-19,600	-12,300
Federal Income Tax	-68,100	-34,300
Adjustments	247,600	
Total Operating Expenses	1,005,100	729,500
Net Operating Revenue	-276,200	6,600

Source: Application for Authority to Increase Rates of Service—Felton District (Cal-Am Water Company (U 210 W); September 18, 2002; Exhibit B, page 7-2

CHAPTER 4:

PRESENT AND PLANNED LAND USES

Population and Housing Units

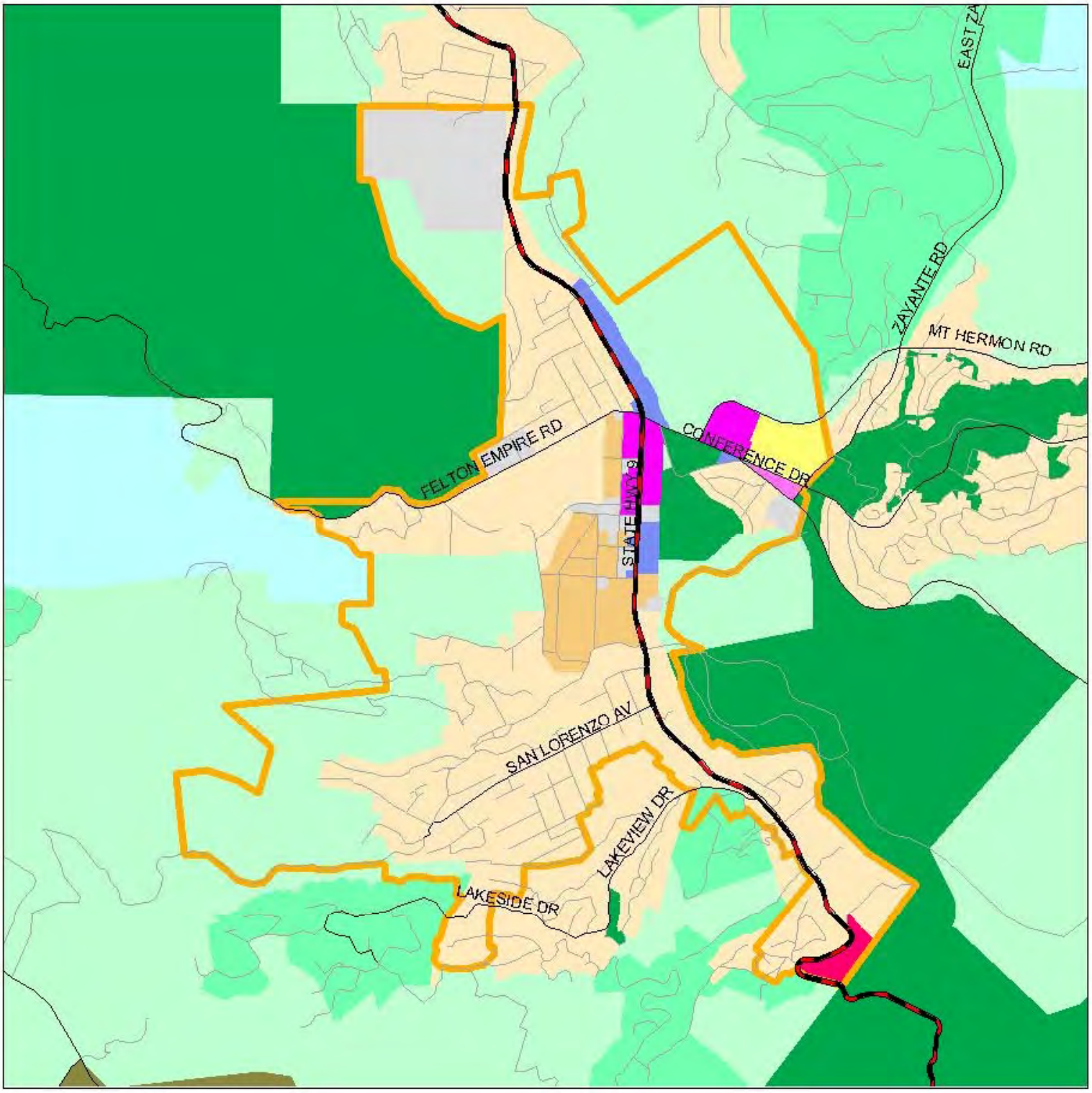
In general, both the San Lorenzo Valley and the community of Felton are stable mountain towns with little growth potential under the County General Plan.

As shown in the following table, Census 2000 lists the population and housing units in the San Lorenzo Valley Water District Sphere of Influence and Cal-Am's Felton unit (the proposed sphere of influence amendment).

TABLE 8:
POPULATION & HOUSING UNITS

	Population	**Housing Units**
SLVWD North System in SLV	16,505	6,634
SLVWD South System in Scotts Valley	1,418	553
Cal-Am Felton	3,348	1,322
TOTAL	**21,271**	**8,509**

Source: U.S. Census Bureau, Census 2000, compiled by Santa Cruz LAFCO at the level of accuracy of Block Groups. South system estimates based upon number of connections and people per housing unit average.



Proposed Sphere Amendment

General Plan Land Use

Legend

Major Streets and Highways
- Major Streets
- Highways
- Streets

Proposed Sphere Amendment

- Mountain Residential
- Rural Residential
- Suburban Residential
- Residential - Urban Very Low Density
- Residential - Urban Low Density
- Neighborhood Commercial
- Community Commercial
- Office Commercial
- Service Commercial
- Parks and Recreation
- Resource Conservation
- Public Facilites

N

0 Feet

Prepared by the County of Santa Cruz GIS Staff

Felton

The proposed sphere amendment area in Felton contains 1,150 acres (1.8 square miles) in uses as shown in the following table.

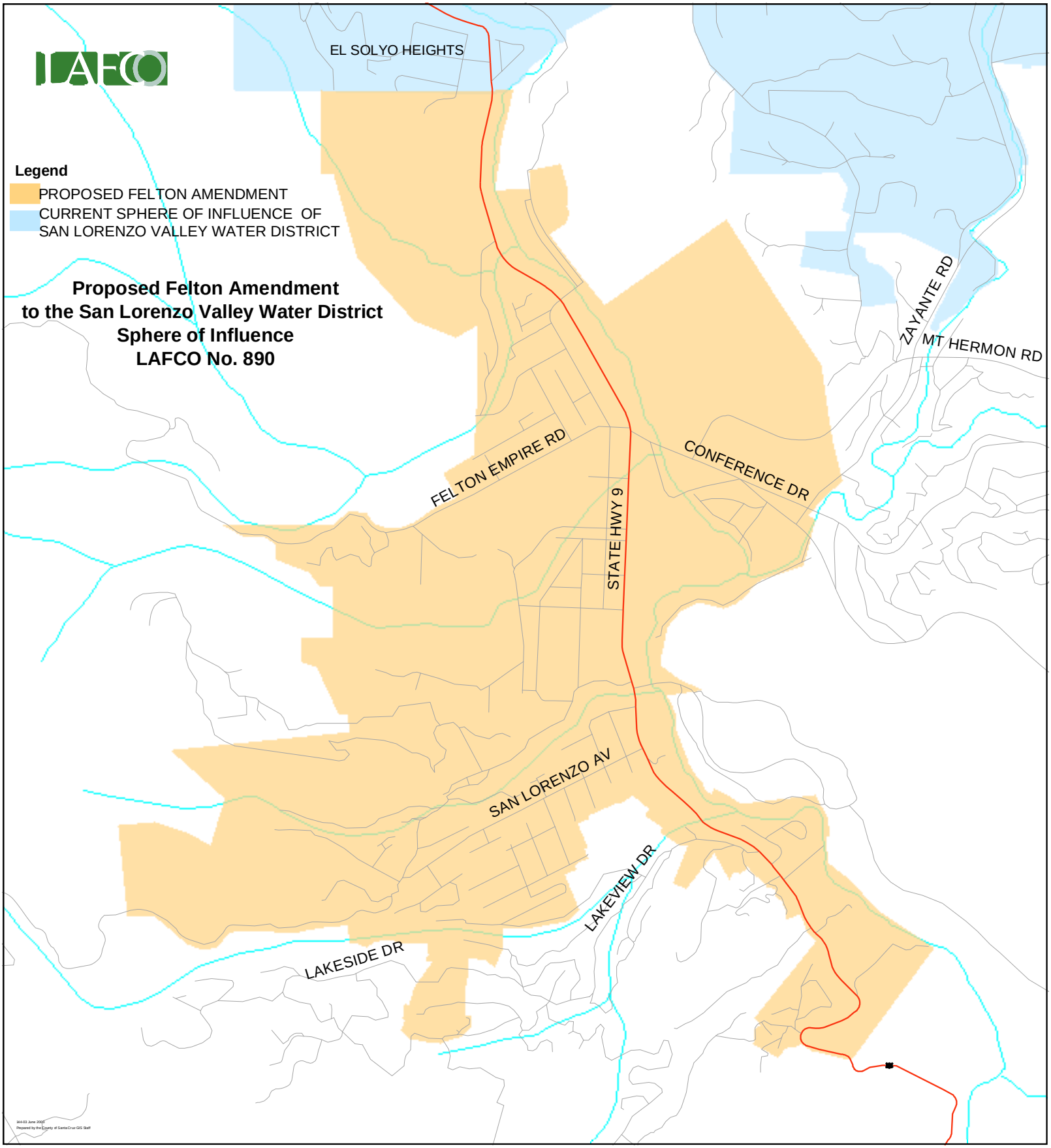
TABLE 9:
LAND USES IN FELTON

LAND USE	PARCELS	ACRES	% BY PARCELS	% BY ACRE
Residential	1,122	532	75	46
Vacant	187	371	13	32
Government and Utilities	80	121	10	11
Commercial	77	52	1	5
Culture and Recreation	19	21	1	2
Timber Preserve	1	46	0.1	4
Agricultural	2	6	0.1	0.1
Manufacturing	1	1	0.1	0.1
TOTALS	1,489	1,150	100	100

Source: Santa Cruz LAFCO; Initial Environmental Study; June 20, 2003

The General Plan (as shown in Figure 4, General Plan for Felton) and the Felton Community Plan envision community improvements, but only a limited amount of new growth. LAFCO staff estimates the build out potential of the vacant and underutilized parcels in Felton to generate the water demand equivalent to 100 single-family dwellings. This may seem to be a low number given the 371 vacant acres in the community. Felton has no sanitary sewer system, and the county's septic system regulations are the limiting factor on many vacant parcels. General Plan designations (such as mountain residential, and parks and recreation) also limit the development potential on some properties.

The community is not likely to approach general plan build out anytime soon. In 2001, Cal-Am had 16 more metered users than it had in 1980—an increase of less than 1 connection per year.


LAFCO
EL SOLYO HEIGHTS
Legend
PROPOSED FELTON AMENDMENT
CURRENT SPHERE OF INFLUENCE OF
SAN LORENZO VALLEY WATER DISTRICT
Proposed Felton Amendment
to the San Lorenzo Valley Water District
Sphere of Influence
LAFCO No. 890
ZAYANTE RD
MT HERMON RD
FELTON EMPIRE RD
CONFERENCE DR
STATE HWY 9
SAN LORENZO AV
LAKEVIEW DR
LAKESIDE DR

There are two agricultural parcels and one timber production parcel within the current service area of Cal-Am and the proposed Felton Amendment to the SLVWD Sphere.

TABLE 10:
AGRICULTURAL & TIMBER PARCELS IN FELTON AMENDMENT

PARCEL NUMBER	LOCATION	ACRES	USE	ZONING
065-051-14	Empire Grade	4.5	Winery	Suburban Residential
065-051-15	Empire Grade	1.5	Winery	Suburban Residential
071-515-26	Fall Creek Road	46	Timber, Residence	Timber Production

Sphere of Influence Boundary Alternatives

To solicit public comments on the proposed SLVWD Sphere of Influence boundaries in Felton, LAFCO staff published the proposed map on the LAFCO website (www.santacruzlafco.org) and solicited public comment directly through LAFCO's public notices and indirectly through a newspaper story published by the Valley Press. Public comments have identified one potential situation where the proposed map failed to include properties within Cal-Am's current service area. The property owner of two parcels in Krazy Acres indicates that he has been receiving water from Cal-Am and its predecessors since the 1960's. The County's Assessor's records indicate that the house on parcel 064-021-15 was constructed in 1963 and is on a public water system.

The parcel information is:

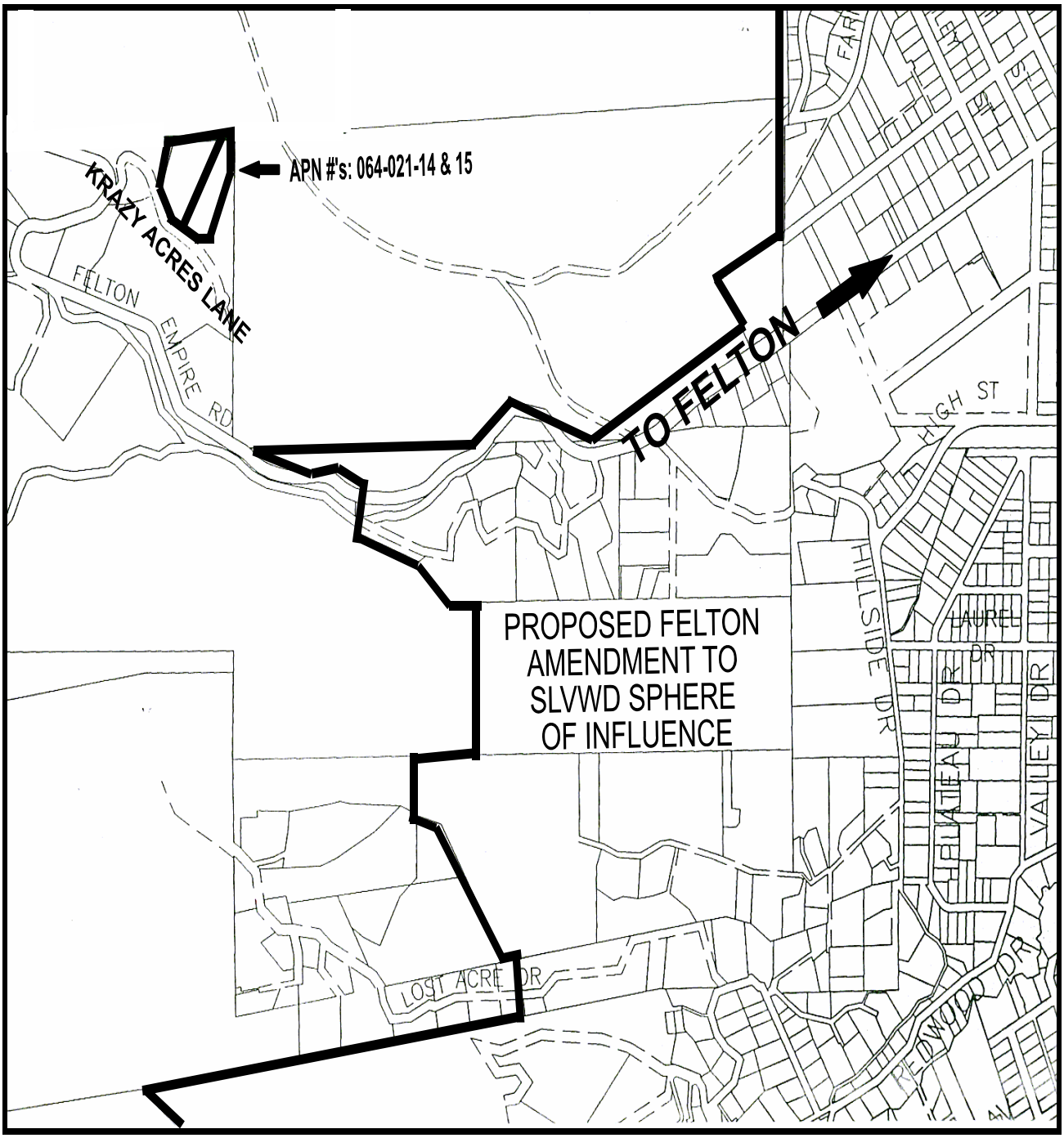
TABLE 11:
KRAZY ACRES PARCEL INFORMATION

PARCEL NUMBER	OWNER	ACREAGE	USE	ZONING
064-021-14	Renard	2.2	Vacant	Residential Agricultural
064-021-15	Renard	1.5	House	Residential Agricultural

FIGURE 6

FELTON AMENDMENT
TO SAN LORENZO VALLEY WATER DISTRICT
SPHERE OF INFLUENCE

KRAZY ACRES



Determinations

1) The San Lorenzo Valley Water District contains an estimated population of 17,900 (2000 Census) and the proposed Felton Amendment to the SLVWD contains an estimated population of 3,350. The County General Plan calls for the San Lorenzo Valley communities to maintain their character as mountain towns, and the plan designates limited opportunities for new development mostly as infill and reuse within the "urbanized" town centers. In Felton, the general plan build out would generate new development with a water demand equivalent to 100 single-family dwellings. Since 1980 the Felton water system has been expanding at a rate of less than one connection per year. While the future rate of change is unknown, it is likely that Felton will continue to grow a slow rate during the next 20 years.

2) Within the proposed Felton Amendment to the SLVWD Sphere of Influence, there are two agricultural parcels consisting of 6 acres of vineyards in which the vines have been torn out and not replanted. There is one 46-acre parcel in a timber production zone. These parcels are currently within the service area of Cal-Am and are either connected to the Cal-Am mains or proximate to the mains and would benefit from service from the Felton system. Given the County's land use policies and the State's Timber Production Zone Regulations, it is unlikely that the timber parcel will be rezoned in the foreseeable future.

CHAPTER 5:

PRESENT AND PROBABLE CAPACITY

San Lorenzo Valley Water District

In 2002, the San Lorenzo Valley Water District produced 2,119 acre-feet of water and sold 1,814 acre-feet. The difference of 305 acre-feet (14%) represents water losses in the system. Figure 7, SLVWD Annual Water Production, shows the 10-year trends for production of its three source types:

- northern system surface water
- northern system ground water
- southern system ground water.

FIGURE 7:
SLVWD ANNUAL WATER PRODUCTION

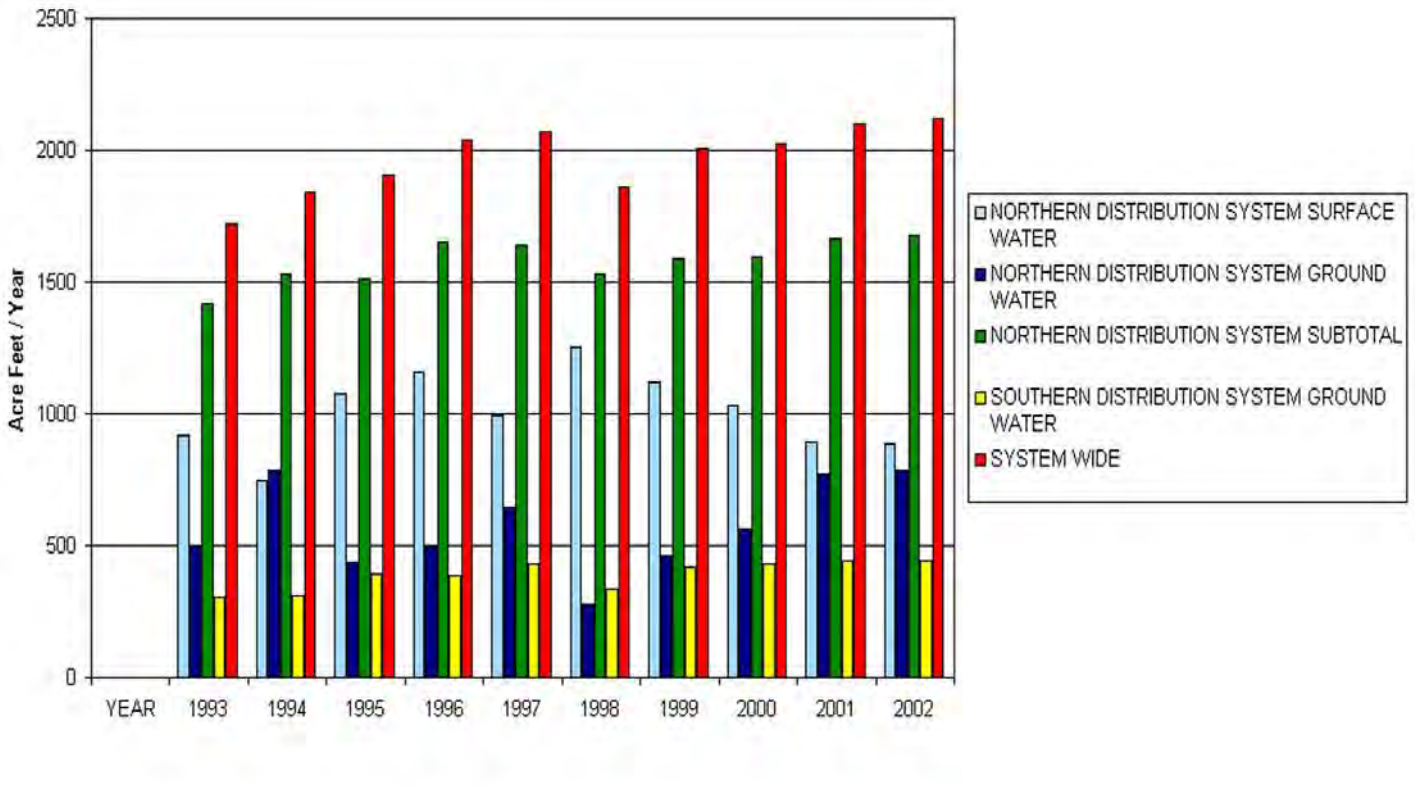


Table 12 SLVWD Water Consumption 1993-2002 shows the ten-year trend of residential and commercial users in the northern (Boulder Creek, Ben Lomond, Zayante) and southern (Scotts Valley) systems.

TABLE 12:
SLVWD WATER CONSUMPTION 1993-2002

	NORTHERN DISTRIBUTION SYSTEM RESIDENTIAL	NORTHERN DISTRIBUTION SYSTEM COMMERCIAL	NORTHERN DISTRIBUTION SYSTEM SUBTOTAL	SOUTHERN DISTRIBUTION SYSTEM RESIDENTAIL	SOUTHERN DISTRIBUTION SYSTEM COMMERCIAL	SOUTHERN DISTRIBUTION SYSTEM SUBTOTAL	SYSTEM WIDE RESIDENTIAL TOTALS	SYSTEM WIDE COMMERCIAL TOTALS	SYSTEM WIDE TOTALS
YEAR	RESIDENTIAL	COMMERCIAL	SUBTOTAL	RESIDENTIAL	COMMERCIAL	SUBTOTAL	RESIDENTIAL	COMMERCIAL	SUBTOTAL
1993	1039	148	1187	282	0	282	1321	148	1469
1994	1126	154	1280	282	0	282	1408	154	1562
1995	1048	225	1273	357	0	357	1405	225	1630
1996	1180	196	1376	349	0	349	1529	196	1725
1997	1264	188	1452	389	0	389	1653	188	1841
1998	1178	150	1328	308	0	308	1486	150	1636
1999	1223	180	1403	365	0	365	1588	180	1768
2000	1236	171	1407	373	0	373	1609	171	1780
2001	1258	187	1445	378	0	378	1636	187	1823
2002	1269	174	1443	371	0	371	1640	174	1814

The LAFCO 2001 Water Report estimated that new development in the northern system would only generate 30 acre-feet of additional water demand at general plan buildout. This would be 1.8 % above the amount produced in 2002. This small amount of projected demand seems low. In its next Water Report, LAFCO should work with SLVWD and the County to either validate this projected demand number or revise it.

The District has a variety of groundwater supply sources serving its northern system, and an adequate amount of treatment and storage capacity. The amount of surface water used in the northern system in 2002 (889 acre feet) was the second lowest amount during the last ten-year period and more than 10% below the average for that period. 2002 was an "average" rainfall year. Through existing capacity and planned system improvements, the District has capacity for the moderate amount of new demand that is likely to occur in the northern system.

In the last ten years, the connections and water consumption have increased at a greater rate in the southern system than in the district as a whole. The reasons include a 32% increase in new connections in the southern system, larger homes and yards, and a drier climate. The southern system is served solely by wells in the Pasatiempo sub-unit of the Lompico Formation, which SVLWD shares with the Scotts Valley

Water District and many private well owners. The aquifer is being overdrafted by an estimated 170 acre feet per year and well levels are dropping. As discussed in the next chapter, the district has included several projects in its Capital Improvement Program to do its share, in cooperation with other users, to reduce the level of pumping.

The key project for SLVWD is a transmission main between the northern and southern systems. This connection main would allow the district to use some of its northern system production capacity to reduce pumping in the southern system. Fortunately, the service area of the southern system is virtually built out; so, the District does not expect the demand to increase significantly. The District has adequate financial resources to continue with its Capital Improvement Program and do its share to reduce pumping in the Pasatiempo Sub-Unit.

Source: Pasatiempo Subunit—Lompico Sandstone Aquifer, Preliminary Quantitative Assessment, 1995

Cal-Am

The Cal-Am system in Felton relies on a creek diversion, two springs, and a standby well. The surface water treatment plant ran at no more than 70% capacity on its busiest day in 2002.

TABLE 13:
CAL-AM WATER CONSUMPTION
1996-2001

YEAR	RESIDENTIAL	COMMERCIAL	PUBLIC AUTHORITY	INDUSTRIAL	IRRIGATION	TOTAL
1996	272	106	29	0	6	412
1997	292	114	44	0	5	456
1998	254	104	25	0	3	385
1999	270	112	27	0	3	411
2000	270	118	35	0	3	424
2001	270	115	35	0	2	422

(Acre-Feet)

Cal-Am has a loss rate of 16% similar to the SLVWD rate.

The Felton system has no capacity issues now or in the foreseeable future.

Source: Cal-Am's 2002 Small Water System Annual Report to the Drinking Water Program; April 4, 2003. Cal-Am's Application for Authority to Increase Rates for Service, Felton District; Exhibit B; September 18, 2002. Table 5-4.

Determinations

3) * In 2001 Cal-Am customers consumed 422 acre-feet of water, and SLVWD customers consumed 1,823 acre-feet of water. Both utilities experience a rate of water loss between the sources and the customers of approximately 15%. Both utilities have adequate systemwide water supplies, treatment, and storage to meet the current and projected demands.

4) The SLVWD has a capacity problem in its southern unit (Pasatiempo Pines neighborhood of Scotts Valley) where the aquifer is being overdrafted by an estimated 170 acre-feet per year. The district pumped 444 acre-feet out of the aquifer in 2002. The district shares the aquifer with other users and is preparing to take actions that would reduce its pumping. The district is acting responsibly and it should follow through with the projects in its Capital Improvements Program that will result in it reducing its pumping in Scotts Valley.

* Determinations in this report are numbered consecutively from 1 to 24.

CHAPTER 6:

INFRASTRUCTURE NEEDS

San Lorenzo Valley Water District
Capital Improvement Program

The San Lorenzo Valley Water District (SLVWD) has a capital improvement program by which it identifies and prioritizes needed capital improvements into (A) highest priority, (B) second priority, and (C) third priority. Their current 53 projects fall into the following categories:

TABLE 14:
SLVWD's CAPITAL IMPROVEMENT PROGRAM

Category A	18 Projects	$ 2,000,000
Category B	20 Projects	$ 6,946,000
Category C	15 Projects	$ 2,402,000
TOTAL	53 Projects	$11,348,000

CODE	TITLE	ESTIMATED COST	COMPLETED
A-1	Fern Avenue Distribution System (replace with 2,200 feet of 6" main)	190,000	Completed 2000
A-2	Spring Creek Road River Crossing (replace with 300 feet of 6" main)	85,000	Completed 2001
A-3	Eckley Booster Pump Station (replace existing booster pump)	45,000	
A-4	Blackstone Booster Pump Station (replace existing booster pump)	40,000	
A-5	Ralston Booster Pump Station (replace existing booster pump)	45,000	Completed 2003
A-6	Bear Creek Estates Water Storage Tank (replace interior and exterior coatings)	55,000	
A-7	Fairview Booster Pump Station (replace existing booster pump station)	115,000	
A-8	Quail 5 Booster Pump Station (replace existing booster pump station)	115,000	In Progress Est. 2003
A-9	Quail Groundwater Well (replace existing well)	175,000	
A-10	Quail Hollow Distribution System (replace with 3,000 feet of 10" main)	340,000	Completed 2002
A-11	Ragain Water Storage Tank (replace with 1,000 gallon storage tank)	10,000	Completed 2003
A-12	Pasatiempo Well Treatment Project (install new 2,500 feet of 8" pipeline)	165,000	

(Table continued)

CODE	TITLE	ESTIMATED COST	COMPLETED
A-13	Whittier Distribution System ((replace with 2,400 feet of 6" main)	210,000	
A-14	El Solyo Avenue Distribution System (replace with 900 feet of 6" main)	80,000	
A-15	North Street River Crossing (replace with 1,800 feet of 6" main)	155,000	Completed 2001
A-16	Irwin Booster Pump Station (upgrade electrical and control systems)	40,000	In Progress Est. 2003
A-17	Bear Creek Estates River Crossing (replace with 75 feet of 6" main)	40,000	Completed 2001
A-18	Nina Booster Pump Station (replace existing pump station)	95,000	Completed 2001
B-1	Riverside Grove Water Storage Tank (replace interior and exterior coastings)	120,000	
B-2	Riverside Grove Booster Pump Station (rehabilitate existing pump station)	38,000	
B-3	Blue Ridge Booster Pump Station (install computer controls)	25,000	
B-4	Kings Creek Road Distribution System (replace with 3,200 feet of 8" main)	320,000	Budget 2003/2004
B-5	Wildwood Distribution System (replace with 4,500 feet on 6" main)	435,000	Completed 2002
B-6	Buena Vista Distribution System (replace with 1200 feet of 6" main)	105,000	
B-7	Old Bear Creek Distribution System (replace with 2400 feet of 8" main)	210,000	
B-8	Bear Creek Road Distribution System (connect 45 houses and 10 laterals to existing main, abandon 4500 feet of main)	205,000	In Progress Est. 2003
B-9	Huckleberry Booster Pump Station (install computer controls)	25,000	
B-10	Bear Creek Estates Booster Pump Station (rehabilitate existing booster pump)	23,000	
B-11	Brookdale Water Storage Tank (replace interior and exterior coatings)	180,000	
B-12	Twin Bridges Distribution System (replace with 2300 feet of 8" main)	285,000	Completed 2002
B-13	Probation Water Storage Tank (replace with 500,000 gallon tank)	450,000	
B-14	Olympia Water Treatment Plant (construct replacement water treatment plant to improve treatment for secondary standards)	1,200,000	
B-15	North System-South System Intertie (install 5000 feet of new main to connect north and south systems)	990,000	

(Table continued)

CODE	TITLE	ESTIMATED COST	COMPLETED
B-16	Supplemental Water Source-South System (utilize Loch Lomond or City of Santa Cruz water)	985,000	
B-17	Lyon Zone Distribution System (replace with 3000 feet of 10" main)	480,000	
B-18	Riverside Avenue Distribution System (replace with 3500 feet of 6" main)	300,000	
B-19	Administrative Building Remodel (13060 Highway 9)	450,000	
B-20	Olympia Booster Pump Station (replace existing pump station)	120,000	Completed 2003
C-1	Blue Ridge Distribution System (replace with 2000 feet of 6" main)	172,000	
C-2	Firehouse Booster Pump Station (replace existing pump)	15,000	
C-3	Two Bar Road Distribution System (replace with 3000 feet of 8" main)	300,000	
C-4	Riverview Drive Distribution System (replace with 1200 feet of 6" main)	125,000	
C-5	Juanita Woods Distribution System (replace with 2400 feet of 6" main)	230,000	
C-6	Highway 9/Highlands Distribution System (replace with 2200 feet of 6" main)	250,000	Completed 2002
C-7	West Park Avenue Distribution System (replace with 2200 feet of 6" main)	190,000	
C-8	Railroad Avenue Distribution System (replace with 2100 feet of 6" main)	180,000	
C-9	Lorenzo Avenue Distribution System (replace with 2200 feet of 6" main)	189,000	
C-10	Kipling Avenue Distribution System (replace with 800 feet of 6" main)	70,000	
C-11	Love Creek Road Distribution System (replace with 2000 of 6" main)	175,000	
C-12	Hermosa Avenue Distribution System (replace with 800 feet of 6" main)	70,000	
C-13	Larita/Eleana Distribution System (replace with 2300 feet of 6" main)	200,000	
C-14	Sunnycroft Road Distribution System (replace with 1000 feet of 6" main)	87,500	
C-15	Brackney Road Distribution System (replace with 1700 feet of 6 " main)	147,500	Completed 2002

California-American Water Company
Capital Improvement Program

TABLE 15:
CAL-AM's CAPITAL IMPROVEMENT PROGRAM

DESCRIPTION OF PROJECT	REASON FOR PROJECT	TOTAL AMOUNT
1) Replace Bull Run / Bennett Springs Transmission Main	Main Replacement	$250,000
2) Small Main Replacement Program	System Reliability	$475,000
3) Install Main in Highway 9 from Graham Hill to San Lorenzo Way	System Reliability	$300,000
4) Treatment Plant Improvements	Increase Efficiency	$125,000
5) Distribution Monitoring Systems Improvements	Enhance System Control/Security	$300,000

Cal-Am has a $1.45 million Capital Improvement Program.

Determinations

5) The principal water infrastructure need in Felton and the rest of the San Lorenzo Valley is replacement of aging mains, booster pumps, and storage tanks. Both utilities have adopted capital improvement programs, and are funding them at a reasonable pace. Cal-Am estimates that its total program will cost $1.5 million, and the SLVWD estimates that its program will cost $11.3 million.

6) The aquifer that SLVWD shares with other users in Scotts Valley is being overdrafted, and the SLVWD has included $2.0 million of projects connection main and water source) that will allow it to reduce pumping of the overdrafted aquifer.

CHAPTER 7:

FINANCING OPPORTUNITIES AND CONSTRAINTS

San Lorenzo Valley Water District

The San Lorenzo Valley Water District prepares budgets annually, and contacts with a Santa Cruz accounting firm for independent audits.

TABLE 16:
SLVWD ADOPTED BUDGET

$	1999-2000	2000-2001	2001-2002	2002-2003
Personnel	1,334,000	1,388,000	1,510,000	1,557,000
Materials & Services	658,000	737,000	772,000	835,000
Debt Service	787,000	745,000	753,000	746,000
Capital Outlay	1,382,000	1,946,000	2,449,000	1,384,000
Total Expenditures	4,174,000	4,806,000	5,485,000	4,523,000
Total Revenue	4,202,000	4,899,000	6,894,000	6,212,000
Net Income	28,000	93,000	1,410,000	1,689,000

(Rounded to Nearest $1,000)

Source: SLVWD Budgets

TABLE 17:
COMBINED STATEMENTS, ALL PROPRIETARY FUNDS

$	June 30, 2000	June 30, 2001	June 30, 2002
Operating Income	3,380,400	3,347,000	3,378,000
Operating Expenses	2,669,000	2,824,000	3,136,000
Net Operating Income	712,000	523,000	242,000
Non-Operating Income	8,000	11,029,000	902,000
Net Income	719,000	11,222,000	1,144,000
Retained Earnings at End of Year	10,171,000	21,723,000	22,867,000
End of Year Assets	22,258,000	33,436,000	34,147,000

Source: Independent Auditor's Report June 30 2000, 2001, and 2002 Berger/Lewis Accountancy Corporation

The significant increase in non-operating income in 2001 is due to the sale of the 1,340-acre Waterman Gap property to Sempervirens Fund Inc. for $10,900,000.

On June 30, 2002, the district had $10,139,949 of restricted and unrestricted funds on deposit with the State Local Agency Investment

Fund (LAIF). The district also had a note from the Sempervirens Fund paying 8.0% with a balance of $ 5,290,000. The note is secured by a deed of trust on the Waterman Gap property.

The district's most recent audit (June 2002) shows long-term debt of approximately $7.8 million with scheduled annual maturities in the next five years in the range of $323,000 to $379,000.

The district had a property tax rate in 1978 when Proposition 13 passed; therefore, the district receives a portion of the County property taxes. In fiscal year 2001-2002, the district realized $317,998 in property taxes.

Cal-Am

As a small operating unit of the California-American Water Company, the Felton unit does not have a set of books that allow a direct comparison with SLVWD. The expenses of the two utilities are compared in Chapter 8.

Determinations

7) The San Lorenzo Valley Water District prepares annual budgets and contracts for yearly independent audits. The budget documents are clearly formatted so that the public can understand the costs of operating the district.

8) The San Lorenzo Valley Water District had approximately $1.4 million budgeted for capital outlay in fiscal year 2002-2003. The district has adequate income and assets to sustain this same annual level of capital improvements, thereby improving its capital plant and the reliability of the system.

9) Over the last three audit years (June 1999- June 2002), the San Lorenzo Valley Water District has realized positive net operating incomes, and has sold the Waterman Gap property, thereby converting a surplus land asset to a significant fiscal asset.

CHAPTER 8:

COST AVOIDANCE OPPORTUNITIES AND MANAGEMENT EFFICIENCIES

Expense Comparison

Both the California-American Water Company and the San Lorenzo Valley Water District provide similar levels of water service to their customers. Cal-Am has four on-site staff members in Felton with administrative, laboratory, and customer support personnel in Cal-Am and parent company offices in Monterey, Sacramento, Chula Vista, the Midwest, and New Jersey. SLVWD has an onsite staff of 21 and contracts for laboratory, audit, legal, and some engineering services.

TABLE 18:
SLVWD EXPENSES

SLVWD 1999-2003 EXPENSES	1999-2000 AUDIT	2000-2001 AUDIT	2001-2002 AUDIT	2002-2003 BUDGET	EXPENSES PER CONNECTION 2003
	$	$	$	$	$
Salaries & Benefits	1,251,338	1,364,241	1,532,405	1,557,135	
Materials & Services	701,049	738,667	842,623	835,050	
OPERATIONS SUB-TOTAL	1,951,932	2,102,908	2,375,028	2,392,135	413
Acquisition Premium	0	0	0	0	
Taxes Other than Income	0	0	0	0	
State Corporate Franchise Tax	0	0	0	0	
Federal Income Tax	0	0	0	0	
Adjustments	0	0	0	0	
Depreciation & Amortization	716,838	721,002	761,292	783,400	
Debt Service	882,090	713,515	756,183	746,190	
Capital Outlay	713,987	1,139,818	2,563,711	1,384,200	
TOTAL EXPENSES	4,264,847	4,677,243	6,456,214	5,305,925	916
Number of Connections	5,735	5,767	5,774	5,793	
Total Expenses Per Connection	744	810	1,118	916	

In 2003, operations costs (salaries, benefits, materials, and services) per connection in the two systems were quite similar. The capital improvement programs involve a similar per connection effort with both utilities working to upgrade old mains and expand computer control systems. Some of the less tangible costs vary in part due to the differences in structure of a company and a water district. Cal-Am's expenses are somewhat of a moving target as a result of the pending PUC rate application. The numbers presented in the table below show Cal-Am's pro forma expenses for 2003 (estimated expenses) at two points in the PUC record.

TABLE 19:
CAL-AM EXPENSES
(without rate adjustment)

CAL-AM FELTON UNIT PRO FORMA EXPENSES 2003	**CAL-AM PROPOSED IN 9/02 RATE APPLICATION**	**CAL-AM POSITION ON 4/03 DURING PUC PROCESS**	**EXPENSES PER CONNECTION 2003 ***
	$	**$**	**$**
Operation & Maintenance	160,000	153,600	
Administrative & General	75,000	55,900	
Payroll	227,900	228,500	
General Office Prorated Expense	95,400	91,300	
OPERATIONS SUB-TOTAL	558,300	529,300	427/404
Acquisition Premium	72,400	55,800	
Taxes Other than Income	83,800	68,100	
State Corporate Franchise Tax	(19,600)	(12,300)	
Federal Income Tax	(68,100)	(34,300)	
Adjustments	247,600	0	
Depreciation & Amortization	130,700	122,900	
Debt Service on Treatment Plant	186,700	186,700	
Capital Outlay	1,103,700	322,000	
TOTAL EXPENSES	2,295,500	1,238,200	1754/946
Number of Connections	1309	1309	
Total Expenses Per Connection	$1754	$946	

Based upon September 2002 rate application.
Based upon intermediate (April 2003) filing in PUC process.

Potential Efficiency

If the Felton and SLV systems were operated by a single utility, many expenses, such as the costs to run two water treatment plants would continue. The manager of the San Lorenzo Valley Water District believes that combining the two systems under SLVWD management would result in some operational savings. These could come from the district integrating the Felton field staff and absorbing the administrative functions of the Felton system at a cost to the district that is less than Cal-Am's current $529,300 in operations costs.

Determinations

10) The San Lorenzo Valley Water District and the Felton unit of the California-American Water Company have similar per-connection operating costs (approximately $410 annually in 2003). The SLVWD has a lower total per-connection total expense (operating and non-operating costs) than Cal-Am, but the difference may either be significant or insignificant depending upon the results of the pending rate application before the Public Utilities Commission.

11) The SLVWD is a local agency capable of entering joint power agreements. Management by such an agency could be more conducive to advancing initiatives for regional water and groundwater management projects in the San Lorenzo Valley and Scotts Valley regions.

12) It is possible that future operating costs of the Felton system could be reduced if the San Lorenzo Valley Water District operated the Felton system. The Commission will evaluate these opportunities in greater detail as part of reviewing any future application to annex Felton to the SLVWD.

Sources: San Lorenzo Valley Water District, Financial Statements and Supplementary Information for June 30, 2000 and 1999; June 30, 2001 and 2000; June 30, 2002 and 2001; San Lorenzo Valley Water District, 2002/2003 Annual Budget; Application for authority to Increase rates for Service, Felton District (Cal-Am), September 18, 2002, Comparison Exhibit, CPUC Application No. 02-09-032, 004/21/03.

CHAPTER 9:

RATES & RATE RESTRUCTURING

San Lorenzo Valley

In the SLVWD, a standard residential or small commercial (5/8" or 3/4" meter) customer pays a bi-monthly readiness to serve charge of $31.30. To that, bi-monthly usage rates are added.

TABLE 20:
BI-MONTHLY USAGE RATES FOR SLVWD

First 10 units	$1.75/unit
11-40 units	$2.30/unit
41-100 units	$2.75/unit
101-200 units	$3.00/unit
Over 200 units	$3.25/unit

(1 unit = 100 cubic feet of water = approximately 748 gallons)

Felton

In the Cal-Am service area, a standard residential or small commercial customer (5/8" meter) pays a bi-monthly readiness to serve charge of $ 32.80. To that, bi-monthly usage rates of $2.925 / unit are added. A conservation discount is given on the bill to any customer who uses less than 15 units of water in a bi-monthly billing cycle.

TABLE 21:
CAL-AM's WATER CONSERVATION DISCOUNT

0-5 units	20%
5-10 units	15%
11-15 units	10%

Each standard user pays a surcharge of $23.00 bi-monthly to pay back a state Safe Drinking Water Bond Act loan that was used to construct the water treatment plant in 1996.

Cal-Am's application for a rate increase, if granted by the PUC, would result in the following rates:

TABLE 22:
CAL-AM
BI-MONTHLY RATES FOR
STANDARD RESIDENTIAL CUSTOMERS

$	**PRESENT**	**2003 WITHOUT WRAM**	**2003 WITH WRAM**	**2004 WITHOUT WRAM**	**2004 WITH WRAM**	**2005 WITHOUT WRAM**	**2005 WITH WRAM**
Charge	$32.80	$43.14	$29.14	$48.40	$30.66	$53.74	$32.20
Usage (per unit)	2.925	4.2706	3.3482	4.5587	3.4586	4.8534	
Surcharge State Loan	23.00	23.00	23.00	23.00	23.00	23.00	23.00

WRAM: Cal-Am is proposing a water revenue adjustment mechanism whereby Felton would be consolidated with Cal-Am's Monterey unit using Monterey's rates. Cal-Am would recover the undercharges with interest through an increase in 2006-2008 rates. The intent of a WRAM is to even out large bill increases when small operating units experience irregular and significant costs.

Sources: Application for Authority to Increase Rates for Service, Felton District; California-American Water District; September 18, 2002, Exhibit B

Water Utilities Comparison

TABLE 23:
MONTHLY BILL COMPARISON
OF SEVEN WATER UTILITIES IN SANTA CRUZ COUNTY
Average 10 units per month (123 gallons/connection/day)
Residential or small commercial users, 5/8" meter
Bi-monthly bill, July 2003

	SLV 2003	Scotts Valley WD	Lompico WD	Soquel Creek	Central WD	City of Santa Cruz	Cal-Am 2003	Cal-Am 2003 WITH WRAM*	Cal-Am 2003 NO WRAM
Monthly Charge	31.30	30.50	45.88	24.50	20.00	18.00	32.80	29.14	43.14
Usage	40.50	42.85	110.53	42.40	24.04	27.80	58.50	66.96	85.41
Sub-Total	71.80	73.35	156.41	66.90	44.04	45.80	91.30	96.10	128.55
Loan Surcharge	0.00	0.00	0.00	0.00	0.00	0.00	23.00	23.00	23.00
Utility Tax	0.00	0.00	0.00	0.00	0.00	3.21	0.00	0.00	0.00
TOTAL	71.80	84.50	156.41	66.90	44.04	49.01	114.30	119.10	151.55

(*Water Revenue Adjustment Mechanism as explained earlier in this chapter)

Sources: Public Agency Rate Schedules, and Application for Authority to Increase Rates for Service, September 18,2002

Determinations

13) The current water rates of the Cal-Am are significantly higher than the rates of the San Lorenzo Valley Water District. For example, a residential or small commercial customer using 20 units of water bi-monthly currently pays $114.30 to Cal-Am and $71.80 to SLVWD. The Cal-Am rate is $19.50 (27%) higher than the SLVWD bill if the state Safe Drinking Water Loan payments are excluded from the calculation, and $42.20 (59%) more if the loan payments are included.

14) The rates paid by typical Cal-Am customers exceed rates in five out of the six public water agencies in northern and central Santa Cruz County. Cal-Am's rates are 36% higher than the unweighted average of the seven utilities (six public agencies and Cal-Am).

15) Cal-Am has a rate application increase pending at the California Public Utilities Commission. The proposed rates for a customer using 20 units bi-monthly would increase immediately by $4.80 (4%) with further increases in 2004 and 2005. If the Water Rate Adjustment Mechanism in the proposal in not approved, the bill for a 20-unit customer would increase $37.25 (33%) bi-monthly in 2003 with further increases in 2004 and 2005. The proposed Water Rate Adjustment Mechanism allows the company to recover its undercollections (the difference between the $4.80 and $37.25 in this example) from all the customers in the billing unit during the next rate period (2006-8).

16) There are rate risks for the Felton water customers whether they stay with Cal-Am or transfer to SLVWD. The Felton and San Lorenzo Valley both have modern treatment plants, adequate water sources, and are growing slowly. The Cal-Am rate application proposes to consolidate Felton with the company's Monterey Peninsula system for rate unification. The Monterey Peninsula is in need of a major new water source to replace surface water diversions from the Carmel River; and new sources, such as the desalination plant under consideration at Moss Landing, may have large capital and operating costs. The PUC ratemaking process allows companies to increase their rates to be compensated for an acquisition premium that they pay above the book value of a company when that company is acquired. Consequently, it appears the risk of large future rate increases for the Felton customers would be lower if the Felton and San Lorenzo systems were operated by the SLVWD.

CHAPTER 10:

SHARED FACILITIES

Cal-Am and SLVWD have similar facilities:

- Watershed lands
- Surface and well sources
- Surface water treatment plants
- Reservoirs and storage tanks
- Booster Pumps
- Distribution systems with some mains in need of replacement and upgrading
- Administrative offices
- Corporation yards.

If the Sphere Amendment led to the consolidated management of the two systems, SLVWD would operate the Felton system substantially as Cal-Am operates it today. The surface water treatment plant would be needed to supply Felton.

The consolidation has a potential benefit to both systems. In the past, the SLVWD and Cal-Am systems were interconnected along Highway 9 north of El Solyo Heights Drive. This interconnection was removed to accommodate a roadway realignment. The two systems could easily be interconnected at this same location. In addition, SLVWD has plans in its Capital Improvement Program for a connection main between its northern and southern systems. If the alignment came down Zayante Road to Graham Hill Road, the Felton system has a main at that corner where the two systems could also be interconnected.

While neither Felton nor SLVWD has a significant amount of surplus water, interconnecting the systems would increase the reliability of each system by allowing transfers of water if a major component becomes inoperative due to an emergency or is taken out of service for maintenance.

Sources: SLVWD CIP

Determination

17) Consolidation of the SLVWD and Cal-Am systems would allow for some operational flexibility for both systems if the systems were connected.

CHAPTER 11:

GOVERNMENT STRUCTURE

Options

The current application would expand the San Lorenzo Valley Water District's Sphere of Influence in order to facilitate the district taking over the Felton water system currently operated by the California-American Water District. No other governmental re-structuring options have been proposed by the customers, the affected utilities, or the local governments with jurisdiction in the San Lorenzo Valley. LAFCO is planning to conduct a Countywide Services Review in 2003-04 to examine feasible local government re-structuring options for the whole county, including the San Lorenzo Valley. Nevertheless, the following table summarizes the advantages of the proposal and several alternative governmental structures by which other public agencies could provide water service in Felton.

TABLE 24:
GOVERNMENTAL STRUCTURE OPTIONS

AGENCY	**WATER OPERATIONS EXPERIENCE**	**OPERATIONS PROXIMITY TO FELTON**	**COMMUNITY OF INTEREST WITH FELTON**	**LOCAL CONTROL**
Annex to San Lorenzo Valley Water District	Yes	Yes	Yes	Yes
Felton Fire Protection District converts to a Public Utilities District and begins water service	No	Yes	Yes	Yes
Annex to Scotts Valley Water District	Yes	No	No	Yes
Annex to Lompico Water District	Yes	No	No	Yes
County operates through County Service Area or Zone	Yes	Yes	No	No
Form a new water district in Felton	No	No	Yes	Yes

Determination

18) Of the local governmental options for providing water service to Felton, the best option is annexation to the San Lorenzo Valley Water District. This alternative is the only alternative that meets all the following criteria:

a. The agency has experience in operating and managing a water system.
b. The agency currently operates in or near Felton.
c. The agency shares a strong community of interest with Felton.
d. The agency would give Felton customers significant amount of local control in the governance of the water system.

CHAPTER 12:

LOCAL ACCOUNTABILITY, GOVERNANCE, AND COMMUNITIES OF INTEREST

San Lorenzo Valley Water District

The San Lorenzo Valley Water District is governed by a five-person Board of Directors, who serve staggered four-year terms and are elected by the registered voters residing within the Dstrict. The current board members are:

TABLE 25:
SLVWD BOARD MEMBERS

DIRECTOR	TITLE	TERM ENDS
James Rapoza	President	December 2006
David Ross	Vice-President	December 2004
Larry Prather	Director	December 2006
James Nelson	Director	December 2004
Terry Vierra	Director	December 2006

The board holds its regular meetings on the first and third Thursdays of each month, at 7:30 p.m. in the district's Operations Building at 13057 Highway 9, Boulder Creek.

The district's administrative office and mailing address is:
13060 Highway 9
Boulder Creek CA. 95006.

The district maintains a web site: www.slvwd.com upon which it posts meeting agendas, water quality data, board member and staff contact information, and customer service information.

In the last four elections for the District board, there have been more candidates than board positions to fill:

TABLE 26:
SLVWD CANDIDATE POSITIONS

DATE	CANDIDATES	POSITIONS TO FILL
November 1996	6	3
November 1998	5	3
November 2000	3	2
November 2002	5	3

Sources: San Lorenzo Valley Water District, Financial Statements and Supplementary Information, June 30, 2002 and Internet sites www.slvwd.com and www.votescount.com

California-American Water Company

The community water system in Felton is currently owned by California-American Water Company (Cal-Am), an investor-owned utility. In 2001, Cal-Am bought the Felton system (1,300 connections) from Citizens Water Company, which had provided service to Felton since 1962. Cal-Am provides water to over 500,000 people (170,000 connections) in the following California communities:

Coastal Division
- Monterey Peninsula
- Felton
- East Palo Alto (San Mateo County) (pat-check)

Northern Division
- Sacramento
- Larkfield (Sonoma County)

Southern Division
- Duarte (Los Angeles County)
- Baldwin Hills (Los Angeles County)
- San Marino (Los Angeles County)
- Thousand Oaks (Ventura County)
- Coronado/ Imperial Beach (San Diego County)

Cal-Am employs a manager/operator and three additional service employees in Felton. Many of the administrative duties for the Felton unit occur out of Cal-Am's Monterey Office, which is supervised by a Vice-President of the company.

Cal-Am's Internet site, www.calamwater.com, includes emergency and routine contacts, customer service information, and an annual corporate report.

As a public utility provider, Cal-Am tests its water and submits water quality reports to the State Department of Health Services, Drinking

Water Division. The California Public Utilities Commission regulates the service area boundaries of the various Cal-Am units, and the CPUC rules on rate increase applications. These regulatory bodies provide an additional opportunity of public accountability over the company's operation of the Felton water system.

Source: Internet site www.calamwater.com

Communities of Interest

Felton has a strong identity as a mountain community, but it also shares many interests with the other communities of the San Lorenzo Valley: Ben Lomond, Zayante, Lompico, Brookdale, and Boulder Creek.

Felton has some services and organizations that only serve Felton:

- Felton Unit of Cal-Am Water
- Felton Fire Protection District

Felton shares many services and organizations with the other communities of the San Lorenzo Valley:

- San Lorenzo Valley Unified School District
- Weekly and Monthly Newspapers (Valley Press and Valley Post)
- Charity (Valley Churches United)
- Commerce (San Lorenzo Valley Chamber of Commerce)
- Social, Political, and Community Interest (Valley Women's Club, SLV Property Owners Association)

Determinations

19) Felton receives local public services though a combination of Felton-only agencies (fire), San Lorenzo Valley agencies (schools), and Countywide agencies (sheriff's patrol, road maintenance, planning).

20) Water service could be feasibly organized as either a Felton-only provider (as it receives now from Cal-Am) or through a larger community (such as by annexation to the San Lorenzo Valley Water District).

21) Communities of interest do matter in any future reorganization of the water services in the San Lorenzo Valley.

22) If Felton water service is reorganized into a larger community of interest, the most logical community to share service with is the San Lorenzo Valley. Scotts Valley is 2 miles east, but the two communities have discontiguous water systems and dissimilar socio-economic groups.

23) The difference in local accountability is significant between a governmental agency that has a locally elected board and water company that is a subsidiary of an international corporation. In the case of the Cal-Am Water Company, a customer's complaint goes through a regional manager who is responsible to corporate management. In the case of the San Lorenzo Valley Water District, a customer's complaint goes through a district manager who is responsible to a locally elected board. The SLVWD board members themselves live in the district and are customers of the districts. Meetings of the governing SLVWD board are conducted in the San Lorenzo Valley, and are open for attendance and comments by the public pursuant to the Brown Act. Meetings of Cal-Am's governing board are not subject to the public meeting requirements of the Brown Act, nor are they routinely convened in the San Lorenzo Valley. If the SLVWD became the operating utility in Felton, the resulting local ownership and management of the Felton system could help resolve a recurring concern of some local residents about distant control of Felton's water resources.

24) The Felton unit of Cal-Am represents approximately 0.8% of the Cal-Am customer base and a substantially smaller percentage of the customer base of its parent corporation RWE. If Felton were served by the SLVWD, the Felton unit would represent 18% of the district's customer base; and, therefore, Felton customers would benefit from greater local accountability and more influence in the operations of the water system.

CHAPTER 13:

ENVIRONMENTAL REVIEW

The Felton Amendment-San Lorenzo Valley Water Service Review is subject to environmental review under the California Environmental Quality Act. LAFCO staff has solicited comments from public agencies such as the County of Santa Cruz and the State Department of Health Services, has prepared an initial study evaluating potential environmental issues resulting from the sphere amendment and service review, and has concluded that there is no potential impact. Therefore, staff has prepared a negative declaration and has distributed a notice of intent to adopt a negative declaration. A 45-day review period ends at 4:00 p.m. on August 6, 2003. Before acting on either the service review or the sphere amendment, the Commission should consider the documents prepared by staff along with any comments received during the public comment period. Environmental review documents can be found in Appendix B.

Sources: Initial Study, Negative Declaration, and Notice of Intent to Adopt a Negative Declaration for LAFCO No. 890.

APPENDIX A WATER QUALITY ANALYSIS FELTON and SLVWD NORTH

SUBSTANCES	YEAR SAMPLED	MAXIMUM CONTAINMENT LEVEL(MCL)	PUBLIC HEALTH GOAL (PHG)	AVERAGE AMOUNT DETECTED	RANGE LOW-HIGH	VIOLATION	SOURCE
Regulated Substances (ppb)							
Chromium							
Felton CalAm	2001	50	100	ND (not detected)	ND - 10	No	Steel & pulp mill discharge, chromium plating, natural deposit erosion
SLVWD surface water	2001	50					
SLVWD groundwater	2001	50	100	0.62	ND - 3.0		Steel & pulp mill discharge, chromium plating, natural deposit erosion
Gross Alpha Activity (pCi/L)							
Felton CalAm	2001	15	0	ND	ND - 1.67	No	Erosion of natural deposits
SLVWD surface water	1999	15	N/A	<1	<1 - 1.4	No	Erosion of natural deposits
SLVWD groundwater	1999	15	N/A	1.4	<1 - 2.6	No	Erosion of natural deposits
Nitrate (ppm)							
Felton CalAm	2001	45	45	ND	ND - 2	No	Runoff & leaching from fertilizer, septic tank leaching, sewage, erosion of natural deposits
SLVWD surface water	2001	45	45	1.2	<1 - 2.1	No	Runoff & leaching from fertilizer, septic tank leaching, sewage, erosion of natural deposits
SLVWD groundwater	2001	45	45	3	<1 - 8.8	No	Runoff & leaching from fertilizer, septic tank leaching, sewage, erosion of natural deposits
Total Coliforms							
Felton CalAm	2001	No more than 1 positive monthly sample	0	0	0 - 1	No	Naturally present in the environment
SLVWD surface water	2001	5% of samples positive in any 1 month	0	4.00%	0 - 4%		Naturally present in the environment
SLVWD groundwater							

	YEAR SAMPLED	MAXIMUM CONTAINMENT LEVEL(MCL)	PUBLIC HEALTH GOAL (PHG)	AVERAGE AMOUNT DETECTED	RANGE LOW-HIGH	VIOLATION	SOURCE
Turbidity (NTU)							
Felton CalAm	2001	TT (treatment technique)	N/A	0.023	ND - 0.023	No	Soil runoff
SLVWD surface water	2001	<=.2 NTU in 95% samples ea. mo. Never to exceed 5 NTU	N/A	<=.2 NTU in 99.5% samples in 1 month	Highest single measurement = .5 NTU		Soil runoff
SLVWD groundwater							
Secondary Substances							
Sulfate (ppm)							
Felton CalAm	2001	500	NS	10	9 - 10	No	Runoff/leaching from natural deposits; industrial wastes
SLVWD surface water	2001	250	N/A	6.3	5.6 - 7.4		Runoff/leaching from natural deposits
SLVWD groundwater	2001	250	N/A	115	8.4 - 130		Runoff/leaching from natural deposits
Copper (ppm)							
	Year Sampled	**Action Level**	**PHG**	**Amt. Detected (90th percentile**	**Homes Above Action Level**	**Violation**	
Felton CalAm: Tap water samples were collected for lead & copper analysis from 20 homes in the CalAm service area	1999	1.3	0.17	0.3	0	No	Internal corrosion of household plumbing; natural deposit erosion; leaching from wood preservatives
	Year Sampled	**Action Level**	**PHG/MCLG**	**SLVWD**	**Range of Dection**		
SLVWD surface water	1999	1300	170	530	3.7 - 680		Internal corrosion of household plumbing; natural deposit erosion; leaching from wood preservatives
SLVWD groundwater							

Lead

	Year Sampled	Action Level	PHG	Amt. Detected (90th percentile	Homes Above Action Level	Violation	Source
Felton CalAm (ppm): Tap water samples were collected for lead & copper analysis from 20 homes in the CalAm service area	1999	15	2	8.5	0	No	Internal corrosion of household plumbing; industrial manufacturer discharges; natural deposit erosion
	Year Sampled	**Action Level**	**PHG/MCLG**	**SLVWD**	**Range of Dection**	**Violation**	**Source**
SLVWD surface water (ppb) 90th percentile	1999	15	2	90th percentile = 3.9: # of sites above Action Level = 0	ND - 9.2		Internal corrosion of household plumbing; industrial manufacturer discharges; natural deposit erosion
SLVWD groundwater							
Additional Constituents	**Year Sampled**	**Action Level**	**PHG/MCLG**	**Average Amt. Detected**	**Range Low-High**		
Sodium (ppm)							
Felton CalAm	2001	N/A	N/A	8	6 - 9		
SLVWD surface water	2001	N/A	N/A	9.3	8.1 - 10		
SLVWD groundwater	2001	N/A	N/A	11	8.7 - 14		
Total Hardness as CaCO3 (ppm)							
Felton CalAm	2001	N/A	N/A	213	100 - 280		
SLVWD surface water	2001	N/A	N/A	69	61 - 78		
SLVWD groundwater	2001	N/A	N/A	221	44 - 500		

APPENDIX B

SANTA CRUZ LAFCO
Environmental Initial Study
State Clearinghouse Number 200304218

1. Project title: Felton Amendment to the San Lorenzo Valley Water District Sphere of Influence LAFCO No. 890 (includes Service Review of San Lorenzo Valley Water Services)

2. Lead agency name and address:
   Santa Cruz Local Agency Formation Commission
   701 Ocean Street, Room 318-D
   Santa Cruz, CA 95060

3. Contact person: Patrick McCormick, (831) 454-2055, pat@santacruzlafco.org

4. Project location: Felton. See attached map (Attachment 1)

5. Project sponsor's name and address:
   San Lorenzo Valley Water District
   Attention: James A. Mueller, District Manager
   13060 Highway 9
   Boulder Creek, CA 95006

6. General plan, zoning and vacant lands.

Land Use	**Parcels**	**Acres**	**% by Parcels**	**% by Acre**
Residential	1122	532	75	46
Vacant	187	371	13	32
Government and Utilities	80	121	10	11
Commercial	77	52	1	5
Culture and Recreation	19	21	1	2
Timber Preserve	1	46	0.1	4
Agricultural	2	6	0.1	0.1
Manufacturing	1	1	0.1	0.1
TOTALS	1489	1150	100	100

The table above summarizes the County General designations for the proposed Sphere of Influence amendment, which is intended to match the current Felton service area of the California-American Water Company. A Vacant Parcel Analysis (Attachment 2) identifies a buildout potential of approximately equivalent to approximately 100 single-family residences. The growth rate towards buildout is quite slow. This translates to a growth in water demand of

7-9% over the current usage of 700 acre-feet per year from 1400 connections. The water system already has adequate sources and treatment capacity to accommodate buildout under the general plan. There are no building constraints in Felton due the water system.

7. Description of project: (Describe the whole action involved, including but not limited of later phases of the project, and any secondary, support, or off-site features necessary for its implementation.)

The purpose of the proposal is to amend the Sphere of Influence of the San Lorenzo Valley Water District so that the water district will be able to expand its service area, by future annexation or service contract, to serve the area of Felton currently served by California-American Water Company, but not beyond that area.

LAFCO's review of the application to amend the SLVWD Sphere of Influence includes a Service Review (Government Code Section 56430) of the water service agencies in the San Lorenzo Valley.

As shown on the map, the site includes approximately 1,150 acres. There are approximately 1490 parcels within the area proposed for sphere amendment. 75% of the parcels are developed in urban, suburban, rural, and mountain residential uses. 13 % of the parcels are vacant. 5 % are developed for commercial purposes, 5% are used for governmental and utility purposes, and the remaining 2% of the parcels are used for recreation, agriculture, and timber production.

Water service in the subject area is currently provided to approximately 1,350 customers by the California-American Water Company, a private utility whose service area and water rates are controlled by the California Public Utilities Commission. The water company has spring and surface water sources in Felton, and a modern treatment plant near downtown Felton.

If adopted following a public hearing at LAFCO, the Felton Amendment to the SLVWD Sphere of Influence would facilitate, but not require, a future annexation of Felton to the San Lorenzo Valley Water District. State law (Government Code Section 56375.5) requires that any annexation proceeding that LAFCO authorizes must be consistent with a Sphere of Influence adopted by LAFCO. Currently, no annexation application for this purpose is on file with LAFCO, but state law allows for an application to be filed by property owners, registered voters, a water district, or the County Board of Supervisors at any time. If LAFCO subsequently authorizes annexation proceedings, LAFCO would notice the affected property owners and registered voters and would be the filing office for their protests to the annexation. 25% protest by either the property owners or registered voters would then require an election. If an election is required on the question of annexation, the result is determined by a majority of voting registered voters.

8. Other public agencies whose approval is required (e.g., permits, financing approval, or participation agreement.)

Only LAFCO has the authority to approve a Service Review or to amend a district's Sphere of Influence. No other agency's approval is required. As explained in the discussion of item #7, amending a sphere of influence does not expand the boundaries or service area of the district.

Any subsequent actions to extend the service area of the SLVWD into Felton may occur by annexation or contract. The extension, or a related financing mechanism, may involve the San Lorenzo Valley Water District, the County of Santa Cruz, the Santa Cruz County Flood Control and Water Conservation District, or sub-units of these agencies.

9. Early Consultation with Public Agencies

As specified by State EIR Guidelines Section 15063(g), LAFCO staff consulted in April and May 2003 with responsible, trustee, and other public agencies that may have an interest in this project or the public resources within Felton. On April 22, 2003, the LAFCO staff sent a letter to 26 agencies (including the Regional and State Clearinghouses) (Attachment 3) to solicit from these agencies their opinions as to what issues LAFCO should analyze in its review of the SLVWD's proposal to expand their Sphere of Influence to include the Felton Service Area of the California-American Water Company. LAFCO received the following four responses:

a) Monterey Bay Unified Air Pollution Control District
Janet Brennan, April 29, 2003
This letter conveys a position of "no comment."
Attachment 4

b) State of California, Governor's Office of Planning and Research, State Clearinghouse
Philip Crimmins, April 30, 2003
This letter demonstrates that the State Clearinghouse forwarded LAFCO's Request for Early Consultation to a variety of State Agencies.
Attachment 5

c) Association of Monterey Bay Area Governments
Regional Clearinghouse
Nicolas Papdakis, May 15, 2003
This letter indicates that AMBAG received and circulated LAFCO's request of consultation, and states that AMBAG has received no comments.
Attachment 6

d) State of California, Health and Human Services Agency, Department of Health Services
Drinking Water Fields Operations Branch, Monterey District Office
Betsy S. Lichti, P.E., May 22, 2003
This office enforces the state drinking water laws and standards. Ms. Lichti's letter made two comments regarding the operational issues if the responsibility for operating the Felton water system is transferred.

1) The Department will require the SLVWD to either interconnect the Felton system with the SLVWD system, or to demonstrate that it has the technical, managerial, and financial capacity to operate the Felton system as a separate unit.

2) The Department recommends that any interconnection occur through a looped system. Attachment 7

Analysis of Comments Received

The only comments of substance were from the Department of Health Services (letter d, Attachment 8). LAFCO shares the department's interest that the SLVWD demonstrate the technical, managerial, and financial capacity to operate the Felton system. LAFCO's service review and sphere amendment report will evaluate the district's capacity to operate the system. The district currently serves approximately 6000 connections in two separate systems (the North system in Boulder Creek, Brookdale, Ben Lomond, and Zayante and the South system in the Pasatiempo Pines community of Scotts Valley). While important to LAFCO's ultimate decision on the Sphere Amendment application, the operational components do not raise any environmental issues that should be analyzed in an environmental impact report because:

- Both the San Lorenzo Valley Water District and the Felton Unit of the California-American Water Company are being operated in manners that satisfactorily meet the drinking water standards enforced by Department of Health Services. Sources: June 17, 2003 telephone conversation between Betsy Lichti, (DHS) and Patrick McCormick (LAFCO), and DHS reports on SLVWD and Cal-Am Felton.
- The Cal-Am Felton has approximately one-quarter the customers as the SLVWD. The surface water treatment plants of both systems are adequate and similar in design. Therefore, the SLVWD has the expertise and is not likely to be stressed to operate the Felton plant. The SLVWD does not anticipate any operational changes to the Felton plant that would change the environmental outputs of the plant (air pollutants from energy and vehicle usage, water pollution risks from the transport and handling of treatment chemicals, etc.). Source: May 20, 2003 conversation between J. Mueller (SLVWD) and Patrick McCormick (LAFCO).

ENVIRONMENTAL FACTORS POTENTIALLY AFFECTED:

The environmental factors checked below would be potentially affected by this project, involving at least one impact that is a "Potentially Significant Impact" as indicated by the checklist on the following pages.

___ Aesthetics	___ Agricultural Resources	___ Air Quality
___ Biological Resources	___ Cultural Resources	___ Geology/Soils
___Hazards & Hazardous Materials	___ Hydrology/Water Quality	___ Land Use/ Planning
___ Mineral Resources	___ Noise	___ Population/ Housing
___ Public Services	___ Recreation	___ Transportation / Traffic
___ Utilities/Service Systems	___ Mandatory Findings of Significance	

DETERMINATION: (To be completed by the Lead Agency)
On the basis of this initial evaluation:

_X_ I find that the proposed project COULD NOT have a significant effect on the environment, and a NEGATIVE DECLARATION will be prepared.

___ I find that although the proposed project could have a significant effect on the environment, there will not be a significant effect in this case because revisions in the project have been made by or agreed to by the project proponent. A MITIGATED NEGATIVE DECLARATION will be prepared.

___ I find that the proposed project MAY have a significant effect on the environment, and an ENVIRONMENTAL IMPACT REPORT is required.

___ I find that the proposed project MAY have a "potentially significant impact" or "potentially significant unless mitigated" impact on the environment, but at least one effect 1) has been adequately analyzed in an earlier document pursuant to applicable legal standards, and 2) has been addressed by mitigation measures based on the earlier analysis as described on attached sheets. An ENVIRONMENTAL IMPACT REPORT is required, but it must analyze only the effects that remain to be addressed.

___ I find that although the proposed project could have a significant effect on the environment, because all potentially significant effects (a) have been analyzed adequately in an earlier EIR or NEGATIVE DECLARATION pursuant to applicable standards, and (b) have been avoided or mitigated pursuant to that earlier EIR or NEGATIVE DECLARATION, including revisions or mitigation measures that are imposed upon the proposed project, nothing further is required.

_____ June 20, 2003
Signature *Date*

Patrick M. McCormick, Executive Officer *Santa Cruz Local Agency Formation Commission*

CHECKLIST OF POTENTIAL ENVIRONMENTAL IMPACTS

Issues:

I. AESTHETICS — Would the project:	Potentially Significant Impact	Less Than Significant With Mitigation Incorporation	Less Than Significant Impact	No Impact
a) Have a substantial adverse effect on a scenic vista?				X
b) Substantially damage scenic resources, including, but not limited to, trees, rock outcroppings, and historic buildings within a state scenic highway?				X
c) Substantially degrade the existing visual character or quality of the site and its surroundings?				X
d) Create a new source of substantial light or glare which would adversely affect day or nighttime views in the area?				X

Discussion: There would be no change in character in the existing community.
Source: Chapter 5 of County General Plan, County Scenic Resource Map--Layer 54

II. AGRICULTURAL RESOURCES: In determining whether impacts to agricultural resources are significant environmental effects, lead agencies may refer to the California Agricultural Land Evaluation and Site Assessment Model (1997) prepared by the California Dept. Of Conservation as an optional model to use in assessing impacts on agriculture and farmland. Would the project:				
a) Convert Prime Farmland, Unique Farmland, or Farmland of Statewide Importance (Farmland), as shown on the maps prepared pursuant to the Farmland Mapping and monitoring Program of the California Resources Agency, to non-agricultural use?				X
b) Conflict with existing zoning for agricultural use, or a Williamson Act contract?				X
c) Involve other changes in the existing environment which, due to their location or nature, could result in conversion of farmland, to non-agricultural use?				X

Discussion: The State Department of Conservation maps approximately 7 acres of farmland within the current Felton service area of the California-American Water Company. This land is

located on the south side of Empire Grade and is used to grow wine grapes. On the west side of Fall Creek Road near the high school, there is a Timber Production Zone parcel served by the Cal-Am water system. This serves an existing house, which is permitted on a TPZ parcel. A change in the managing entity of the water supplier is not anticipated to result in any regulatory or operational issues at the vineyard that will cause secondary environmental impacts. Source: California Department of Conservation, Important Farmland Map, 1998. County Zoning Map.

III. AIR QUALITY - Where available, the significance criteria established by the applicable air quality management or air pollution control district may be relied upon to make the following determinations. Would the project:	Potentially Significant Impact	Less Than Significant With Mitigation Incorporation	Less Than Significant Impact	No Impact
a) Conflict with or obstruct implementation of the applicable air quality plan?				X
b) Violate any air quality standard or contribute substantially to an existing or projected air quality violation?				X
c) Result in a cumulatively considerable net increase of any criteria pollutant for which the project region is non-attainment under an applicable federal or state ambient air quality standard (including releasing emissions which exceed quantitative thresholds for ozone precursors)?				X
d) Expose sensitive receptors to substantial pollutant concentrations/				X
e) Create objectionable odors affecting a substantial number of people?				X

Discussion: The rate and location of future development would not be affected by the sphere amendment; therefore, air quality would not be affected. Regional air quality data and goals are presented in the Air Quality Management Plan.
Sources: Chapter 5 of County General Plan, MBUAPCD Air Quality Management Plan.

IV. BIOLOGICAL RESOURCES: Would the project:	Potentially Significant Impact	Less Than Significant With Mitigation Incorporation	Less Than Significant Impact	No Impact
a) Have a substantial adverse effect, either directly or through habitat modifications, on any species identified as a candidate, sensitive, or special status species in local or regional plans, policies, or regulations, or by the California Department of Fish and Game or U.S. Fish and Wildlife Service?				X
b) Have a substantial adverse effect on any riparian habitat or other sensitive natural community identified in local or regional plans, policies, regulations or by the California Department of Fish and Game or U.S. Fish and Wildlife Service?				X
c) Have a substantial adverse effect on federally protected wetlands as defined by Section 404 of the Clean Water Act (including, but not limited to, marsh, vernal pool, coastal, etc.) Through direct removal, filling, hydrological interruption, or other means?				X
d) Interfere substantially with the movement of any native resident or migratory fish or wildlife species or with established native resident or migratory wildlife corridors, or impede the use of native wildlife nursery sites?				X
e) Conflict with any local policies or ordinances protecting biological resources, such as a tree preservation policy or ordinance?				X
f) Conflict with the provisions of an adopted Habitat Conservation Plan, Natural Community Conservation Plan, or other approved local, regional, or state habitat conservation plan?				X

Discussion: The biotic resources in Felton are concentrated along riparian areas of the San Lorenzo River and its tributary creeks, and in the forested mountain areas outside the town center. A change in the operator of the community water system is not likely to generate secondary biotic impacts because the system would be operated in substantially the same way that the system is currently being operated.

Sources: County General Plan, Biotic Resource Map--Layer 58, and conversation with Jim Mueller, May 20, 2003.

V. CULTURAL RESOURCES -- Would the project:	Potentially Significant Impact	Less Than Significant With Mitigation Incorporation	Less Than Significant Impact	No Impact
a) Cause a substantial adverse change in the significance of a historical resource as defined in §15064.5?				X
b) Cause a substantial adverse change in the significance of an archaeological resource pursuant to §15064.5?				X
c) Directly or indirectly destroy a unique paleontological resource or site or unique geologic feature?				X
d) Disturb any human remains, including those interred outside of formal cemeteries?				X

Discussion: The County's resource mapping identifies parts of this area as having a high sensitivity for archeological resources. Sensitive areas are located in flat and gently sloping lands located close to rivers and major streams. The County's regulations will require any future development to attempt to identify and avoid disturbing archeological resources. The County will review any future development applications and require additional information to review proposals on sites with probable or know archeologic resources.

Sources: County General Plan, Archeological Sensitivity Constraint Map--Layer 57, and County Code Sections 16.14, 16.42, and 16.44 (archeological regulations).

VI. GEOLOGY AND SOILS — Would the project:	Potentially Significant Impact	Less Than Significant With Mitigation Incorporation	Less Than Significant Impact	No Impact
a) Expose people or structures to potential substantial adverse effects, including the risk of loss, injury, or death involving:				
i. Rupture of a known earthquake fault, as delineated on the most recent Alquist-Priolo Earthquake Fault Zoning Map issued by the State Geologist for the area or based on other substantial evidence of a known fault? Refer to Division of Mines and Geology Special Publication 42.				X
ii. Strong seismic ground shaking?				X
iii. Seismic-related ground failure, including liquefaction?				X
iv. Landslides?				X
b) Result in substantial soil erosion or the loss of topsoil?				X
c) Be located on a geologic unit or soil that is unstable, or that would become unstable as a result of the project, and potentially result in on- or off-site landslide, lateral spreading, subsidence, liquefaction or collapse?				X
d) Be located on expansive soil, as defined in Table 18-1-B of the uniform Building Code (1994), creating substantial risks to life or property?				X
e) Have soils incapable of adequately supporting the use of septic tanks or alternative wastewater disposal systems where sewers are not available for the disposal of wastewater?				X

Discussion: The main geologic constraints in Felton are landslides on hillsides. The County zones known hazard area with a GH combining district. A few properties within the service area of the Felton Water system are zoned GH. Any subsequent development applications have to prove that a structure can safely be constructed. This regulation will not change with any change in management of the water system.

Sources: County General Plan, Fault and Geohazard Constraint Maps--Layers 39 and 84

VII. HAZARDS AND HAZARDOUS MATERIALS-- Would the project:	Potentially Significant Impact	Less Than Significant With Mitigation Incorporation	Less Than Significant Impact	No Impact
a) Create a significant hazard to the public or the environment through the routine transport, use, or disposal of hazardous materials?				X
b) Create a significant hazard to the public or the environment through reasonably foreseeable upset and accident conditions involving the release of hazardous materials into the environment?				X
c) Emit hazardous emissions or handle hazardous or acutely hazardous materials, substances, or waste within one-quarter mile of an existing or proposed school?				X
d) Be located on a site which is included on a list of hazardous materials sites compiled pursuant to Government Code Section 65962.5 and, as a result, would it create a significant hazard to the public or the environment?				X
e) For a project located within an airport land use plan or, where such a plan has not been adopted, within two miles of a public airport or public use airport, would the project result in a safety hazard for people residing or working in the project area?				X
f) For a project within the vicinity of a private airstrip, would the project result in a safety hazard for people residing or working in the project area?				X
g) Impair implementation of or physically interfere with an adopted emergency response plan or emergency evacuation plan?				X
h) Expose people or structures to a significant risk of loss, injury or death involving wildland fires, including where wildlands are adjacent to urbanized areas or where residences are intermixed with wildlands?				X

Discussion: The water treatment plant in Felton uses chemicals to treat the water to meet Drinking Water Standards. The State Department of Health Services reports no hazardous material problems associates with the operation of the plant. If operating responsibility transferred to the San Lorenzo Valley Water District, the district has experience in operating a similar plant in Boulder Creek, and it anticipates that it would continue to run the Felton plant in a similar manner as Cal-Am is currently operating the plant.

Sources: County General Plan, High Wildland Fire Hazard and Airport Clear Zone Constraint Maps--Layers 49 and 50. Conversations with Jim Mueller, SLVWD (May 20, 2003) And Betsy Lichti, California Department of Health Services (June 17, 2003).

VIII. HYDROLOGY AND WATER QUALITY Would the project:	Potentially Significant Impact	Less Than Significant With Mitigation Incorporation	Less Than Significant Impact	No Impact
a) Violate any water quality standards or waste discharge requirements?				X
b) Substantially deplete groundwater supplies or interfere substantially with groundwater recharge such that there would be a net deficit in aquifer volume or a lowering of the local groundwater table level (e.g., the production rate of pre-existing nearby wells would drop to a level which would not support existing land uses or planned uses for which permits have been granted)?				X
c) Substantially alter the existing drainage pattern of the site or area, including through the alteration of the course of a stream or river, in a manner which would result in substantial erosion or siltation on- or off-site?				X
d) Substantially alter the existing drainage pattern of the site or area, including through the alteration of the course of a stream or river, or substantially increase the rate or amount of surface runoff in a manner which would result in flooding on- or off-site?				X
e) Create or contribute runoff water which would exceed the capacity of existing or planned stormwater drainage systems or provide substantial additional sources of polluted runoff?				X
f) Otherwise substantially degrade water quality?				X
g) Place housing within a 100-year flood hazard area as mapped on a federal Flood Hazard Boundary or Flood Insurance Rate Map or other flood hazard delineation map?				X
h) Place within a 100-year flood hazard area structures which would impede or redirect flood flows?				X
i) Expose people or structures to a significant risk of loss, injury or death involving flooding, including flooding as a result of the failure of a levee or dam?				X
j) Inundation by seiche, tsumani, or mudflow?				X

Discussion: The County's land use regulations would not change as a result of a change in the operating entity of the Felton water system. The water supply is not a constraint to development. Some of the water collection facilities are constructed within the 100-year flood plains of creeks. If operations transferred to the San Lorenzo Valley Water District, the district does not anticipate needing to construct any new facilities within a the flood plain. Both the California-American Water Company and the San Lorenzo Valley Water District have good records in meeting drinking water quality standards.

Both the Felton unit of the California-American Water District and the north unit (Boulder Creek, Brookdale, Ben Lomond, and Zayante) of the San Lorenzo Valley Water District have adequate water supplies and treatment facilities for their current users and for the planned "buildout" conditions under the County General Plan. LAFCO's 2001 Water Report (http://santacruzlafco.org/pages/reports/waterpolicies2001.pdf) surveyed the major water purveyors in the county and found as follows:

Al l numbers are in acre-feet per year.

	Current Use	Safe Yield	Buildout
SLVWD North	1661	1400-2400	1690
SLVWD, Pasatiempo Pines	600	430	600
Cal-Am Felton	700	900	800

The Vacant Parcels Analysis done as part of this initial study estimates that buildout in Felton would utilize approximately 65 acre-feet per year more than current use. The low end of safe yield for the SLVWD North system occurs during droughts when its surface water sources are diminished. During droughts, conservation practices reduce demand and the district shifts some pumping to its groundwater sources. When the drought ends, the district relies more on surface water, which allows the water levels in its aquifers to recover.

The SLVWD shares a groundwater aquifer with other public agencies and private users. The Scotts Valley Water District is shifting a portion of its pumping away form this aquifer, and has developed (with the City of Scotts Valley) the first recycling in Santa Cruz County of municipal waste water for irrigation purposes. It is also cooperating in a joint effort to find one or more locations for aquifer recharge. The SLVWD is studying the feasibility of connecting its southern system with its northern system on Zayante Road. This would allow the district to transfer surface water to the Pasatiempo Pines unit in order to rest its Pasatiempo Pines wells for part of each year and reduce its amount of water usage from the aquifer. These issues with the Pasatiempo Pines unit are independent of whether the SLVWD ends up annexing and operating the Felton water system. The Felton system does not seem to offer significant water supplies or a shorter, less costly route for the SLVWD to connect it northern system with its Pasatiempo Pines system.

If the SLVWD were to expand its Sphere of Influence to include Felton and to ultimately take over operation of the Felton system, there would be no significant growth-inducing impacts on the environment. There are no building moratoria in the SLVWD North unit, the SLVWD Pasatiempo Pines unit, nor the Felton system (Cal-Am Water). The communities are either not

growing or growing slowly. The General Plan buildout projections for the communities project only modest additional water demand, and the SLVWD and the Felton systems have adequate supplies for buildout.

Sources: Chapter 6 of County General Plan, and Floodplain Constraint Map--Layer 46. LAFCO 2001 Water Report. Conversations with Jim Mueller, SLVWD (May 20, 2003) and Betsy Lichti, California Department of Health Services (June 17, 2003).

IX. LAND USE PLANNING — Would the project:	Potentially Significant Impact	Less Than Significant With Mitigation Incorporation	Less Than Significant Impact	No Impact
a) Physically divide an established community?				X
b) Conflict with any applicable land use plan, policy, or regulation of an agency with jurisdiction over the project (including, but not limited to the general plan, specific plan, local coastal program, or zoning ordinance) adopted for the purpose of avoiding or mitigating an environmental effect?				X
c) Conflict with any applicable habitat conservation plan or natural community conservation plan?				X

Discussion: Unlike many other areas of the County, water supplies in the San Lorenzo Valley are adequate and have not constrained planning decisions.
Source: County General Plan. Conversation with Mark Deming, County Planning Department (June 18, 2003).

X. MINERAL RESOURCES — Would the project:				
a) Result in the loss of availability of a known mineral resource that would be of value to the region and the residents of the state?				X
b) Result in the loss of availability of a locally-important mineral resource recovery site delineated on a local general plan, specific plan or other land use plan?				X

Discussion: There are no mineral resources within the Felton service area of California-American Water Company. The Felton Quarry is located outside the service area southwest of Felton.
Source: County Mineral Resources Constraint Map--Layer 56

XI. NOISE — Would the project:	Potentially Significant Impact	Less Than Significant With Mitigation	Less Than Significant Impact	No Impact

		Incorporation		
a) Exposure of persons to or generation of noise levels in excess of standards established in the local general plan or noise ordinance, or applicable standards of other agencies?				X
b) Exposure of persons to or generation of excessive groundborne vibration or groundborne noise levels?				X
c) A substantial permanent increase in ambient noise levels in the project vicinity above levels existing without the project?				X
d) A substantial temporary or periodic increase in ambient noise levels in the project vicinity above levels existing without the project?				X
e) For a project located within an airport land use plan or, where such a plan has not been adopted, within two miles of a public airport or public use airport, would the project expose people residing or working in the project area to excessive noise levels?				X
f) For a project within the vicinity of a private airstrip, would the project expose people residing or working in the project area to excessive noise levels?				X

Discussion: There are no known impacts from the water district sphere expansion because the water system would be operated in a manner similar to the current operations.
Source: Chapter 6 of County General Plan

XII POPULATION AND HOUSING — Would the project:				
a) Induce substantial population growth in an area, either directly (for example, by proposing new homes and businesses) or indirectly (for example, through extension of roads or other infrastructure)?				X
b) Displace substantial numbers of existing housing, necessitating the construction of replacement housing elsewhere?				X
c) Displace substantial numbers of people, necessitating the construction of replacement housing elsewhere?				X

Discussion: The Vacant Lands Analysis done as part of this Initial Study indicates a potential for approximately 100 additional dwelling units within Cal-Am's existing water service area (the proposed SLVWD Sphere of Influence expansion area). Since the Felton water system would be adequate to accommodate this growth under either operator (Cal-Am or SLVWD), the Sphere

Amendment does not induce population growth and subsequent environmental impacts). Also, see discussion above concerning Hydrology (VIII).

Source: County General Plan. Vacant Lands Analysis, LAFCO 2003.

XIII. PUBLIC SERVICES	Potentially Significant Impact	Less Than Significant With Mitigation Incorporation	Less Than Significant Impact	No Impact
a) Would the project result in substantial adverse physical impacts associated with the provision of new or physically altered governmental facilities, need for new or physically altered governmental facilities, the construction of which could cause significant environmental impacts, in order to maintain acceptable service ratios, response times or other performance objectives for any of the public services.				
Fire Protection?				X
Police Protection?				X
Schools?				X
Parks?				X
Other public facilities?				X

Discussion: See discussion of water issues in Section VIII above.

Source: No agencies identified a potential service impact during early consultation.

XIV. RECREATION —				
a) Would the project increase the use of existing neighborhood and regional parks or other recreational facilities such that substantial physical deterioration of the facility would occur or be accelerated?				X
b) Does the project include recreational facilities or require the construction or expansion of recreational facilities which might have an adverse effect on the environment?				X

Discussion: The County policies require “bedroom taxes” upon the construction of additions to existing houses to fund the County’s park development program.

Source: Chapter 7 of County General Plan

XV. TRANSPORTATION/TRAFFIC — Would the project:	Potentially Significant Impact	Less Than Significant With Mitigation Incorporation	Less Than Significant Impact	No Impact
a) Cause an increase in traffic which is substantial in relation to the existing traffic load and capacity of the street system (i.e., result in a substantial increase in either the number of vehicle trips, the volume to capacity ratio on roads, or congestion at intersections)?				X
b) Exceed either individually or cumulatively, a level of service standard established by the county congestion management agency for designated roads or highways?				X
c) Result in a change in air traffic patterns, including either an increase in traffic levels or a change in location that results in substantial safety risks?"				X
d) Substantially increase hazards due to a design feature (e.g., sharp curves or dangerous intersections) or incompatible uses (e.g., farm equipment)?				X
e) Result in inadequate emergency access?				X
f) Result in inadequate parking capacity?				X
g) Conflict with adopted policies, plans, or programs supporting alternative transportation (e.g., bus turnouts, bicycle racks)?				X

Discussion: The sphere expansion will not increase the number of houses and other traffic generating uses in the area. See discussion of growth inducement and cumulative effects in Section VIII, Hydrology above.
Source: Conversation with Mark Deming, County Planning Department (June 18, 2003).

XVI. UTILITIES AND SERVICE SYSTEMS -- Would the project:	Potentially Significant Impact	Less Than Significant With Mitigation	Less Than Significant	No Impact

		Incorporation	Impact	
a) Exceed wastewater treatment requirements of the applicable Regional Water Quality Control Board?				X
b) Require or result in the construction of new water or wastewater treatment facilities or expansion of existing facilities, the construction of which could cause significant environmental effects?				X
c) Require or result in the construction of new storm water drainage facilities or expansion of existing facilities, the construction of which could cause significant environmental effects?				X
d) Have sufficient water supplies available to serve the project from existing entitlements and resources, or are new or expanded entitlements needed?				X
e) Result in a determination by the wastewater treatment provider which serves or may serve the project that it has adequate capacity to serve the project's projected demand in addition to the provider's existing commitments?				X
f) Be served by a landfill with sufficient permitted capacity to accommodate the project's solid waste disposal needs?				X
g) Comply with federal, state, and local statutes and regulations related to solid waste?				X

Discussion:. See discussion of water supply issue in Section VIII above and XVII below.

XVII. MANDATORY FINDINGS OF SIGNIFICANCE	Potentially Significant Impact	Less Than Significant With Mitigation	Less Than Significant	No Impact

		Incorporation	Impact	
a) Does the project have the potential to degrade the quality of the environment, substantially reduce the habitat of a fish or wildlife species, cause a fish or wildlife population to drop below self-sustaining levels, threaten to eliminate a plant or animal community, reduce the number or restrict the range of a rare or endangered plant or animal or eliminate important examples of the major periods of California history or prehistory?				X
b) Does the project have impacts that are individually limited, but cumulatively considerable? ("Cumulatively considerable" means that the incremental effects of a project are considerable when viewed in connection with the effects of past projects, the effects of other current projects, and the effects of probable future projects)?				X
c) Does the project have environmental effects which will cause substantial adverse effects on human beings, either directly or indirectly?				X

Discussion: The sphere amendment of this area to the water district will not cause a significant change in the amount of water used in Felton or the remainder of the San Lorenzo Valley because:

1) The Santa Cruz County General Plan controls the land uses and limit the amount of future development.

2) There are no service moratoria in either the Felton unit of California-American Water Company nor the San Lorenzo Valley Water District. Each operator has sufficient water for current demand and future build-out as projected by the County General Plan.

3) The Felton water system, whether operated by California-American Water Company, the San Lorenzo Valley Water District, or another operator, has a self-sufficient supply, but does not have significant additional sources that could facilitate growth in Felton or elsewhere.

4) Consolidating the operations of the Felton and SLVWD systems would not result in significant changes in the water sources used to provide water, in the operations of either system, or in the projected availability of water for future development consistent with the County General Plan.

APPENDIX B

SANTA CRUZ LOCAL AGENCY FORMATION COMMISSION
NOTICE OF INTENT TO ADOPT A NEGATIVE DECLARATION
LAFCO NO. 890

Project: Conduct Service Review and Amend the Sphere of Influence of the San Lorenzo Valley Water District to include the current Felton service area of the California-American Water Company.

Location: Approximately 1.8 square mile of Felton extending from the San Lorenzo Valley High School on the north to the intersection of Highway 9 and Glengarry Road on the south.

Review Period:
June 20, 2003 to August 6, 2003

The Santa Cruz Local Agency Formation Commission (LAFCO) has prepared an initial study pursuant to the California Environmental Quality Act, and has concluded that there are no potential significant impacts associated with this project. The Initial Study and Negative Declaration are available for public review at the LAFCO office; 701 Ocean Street, Room 318-D; Santa Cruz, CA 95060. These documents are also available for review on LAFCO's web site: www.santacruzlafco.org. From the home page, follow the links to "Felton Water."

Comments on the Negative Declaration should be submitted in writing to the LAFCO Executive Officer at the same address during the review period, which ends at 4:00 p.m. on August 6, 2003.

Patrick M. McCormick
Executive Officer
June 20, 2003

APPENDIX B

NEGATIVE DECLARATION
LAFCO NO. 890

NOTICE IS HEREBY GIVEN that the Santa Cruz Local Agency Formation Commission (LAFCO) proposes to adopt a negative declaration for the following project:

PROJECT DESRIPTION AND TITLE: LAFCO No. 890, Felton Amendment to the San Lorenzo Valley Water District Sphere of Influence (includes Service Review of San Lorenzo Valley Water Services)

PROPOSAL: The purpose of the proposal is to amend the Sphere of Influence of the San Lorenzo Valley Water District so that the water district will be able to expand its service area, by future annexation or service contract, to serve the area of Felton currently served by California-American Water Company, but not beyond that area.

LAFCO's review of the application to amend the SLVWD Sphere of Influence includes a Service Review (Government Code Section 56430) of the water service agencies in the San Lorenzo Valley.

LOCATION: Felton. See attached map (Attachment 1)

FINDINGS:

An initial study of this proposed project has been undertaken in accordance with State EIR Guidelines and LAFCO Environmental Guidelines. The initial study indicates that the proposed project would not have a significant effect on the environment for the following reasons:

1) The Santa Cruz County General Plan controls the land uses and limit the amount of future development.

2) There are no service moratoria in either the Felton unit of California-American Water Company nor the San Lorenzo Valley Water District. Each operator has sufficient water for current demand and future build-out as projected by the County General Plan.

3) The Felton water system, whether operated by California-American Water Company, the San Lorenzo Valley Water District, or another operator, has a self-sufficient supply, but does not have significant additional sources that could facilitate growth in Felton or elsewhere.

4) Consolidating the operations of the Felton and SLVWD systems would not result in significant changes in the water sources used to provide water, in the operations of either system, or in the projected availability of water for future development consistent with the County General Plan.

MITIGATION MEASURES
None

Date of Preparation: June 20, 2003 signed: Patrick M. McCormick

Commission Action Date: _____

Date filed with the Clerk of the Board
following LAFCO action: _____

A copy of the initial study and the proposed negative declaration may be obtained from the LAFCO office at Room 318-D, 701 Ocean Street, Santa Cruz; or from the LAFCO web site: www.santacruzlafco.org.

Any comments or appeals must be received in the LAFCO office no later than 4:00 p.m. on August 6, 2003.

cc: California-American Water Company
San Lorenzo Valley Water District

APPENDIX B

SANTA CRUZ LOCAL AGENCY FORMATION COMMISSION
NOTICE OF INTENT TO ADOPT A NEGATIVE DECLARATION
LAFCO NO. 890

Project: Conduct Service Review and Amend the Sphere of Influence of the San Lorenzo Valley Water District to include the current Felton service area of the California-American Water Company.

Location: Approximately 1.8 square mile of Felton extending from the San Lorenzo Valley High School on the north to the intersection of Highway 9 and Glengarry Road on the south.

Review Period:
June 20, 2003 to August 6, 2003

The Santa Cruz Local Agency Formation Commission (LAFCO) has prepared an initial study pursuant to the California Environmental Quality Act, and has concluded that there are no potential significant impacts associated with this project. The Initial Study and Negative Declaration are available for public review at the LAFCO office; 701 Ocean Street, Room 318-D; Santa Cruz, CA 95060. These documents are also available for review on LAFCO's web site: www.santacruzlafco.org. From the home page, follow the links to "Felton Water."

Comments on the Negative Declaration should be submitted in writing to the LAFCO Executive Officer at the same address during the review period, which ends at 4:00 p.m. on August 6, 2003.

Patrick M. McCormick
Executive Officer
June 20, 2003

Cross References Between Study Determinations
and Government Code Sections

		Determinations																									
Code Section	**Sub-Section**	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26
Gov. Code 56430 Service Review																											
	General	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26
	1 Infrastructure			X	X	X	X																			X	X
	2 Population	X	X																								
	3 Financing							X	X	X																	
	4 Cost										X	X	X														
	5 Rates													X	X	X	X										
	6 Shared Facilities																	X									
	7 Gov. Structure																		X								
	8 Management										X	X															
	9 Local Accountability																			X	X	X	X	X	X		
Gov. Code 56425 Sphere of Influence		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26
	1 Land Use	X	X																								
	2 Facility Need					X	X																				
	3 Facility Capacity			X	X																						
	4 Community of Interest																					X	X				

BIBLIOGRAPHY

California-American Water Company; 2002 Small Water System Annual Report to the Drinking Water Program; April 4, 2003

California Public Utilities Commission, applications and orders:

- California Public Utilities Commission Order Authorizing Acquisition (of Citizens by Cal-Am); September 20, 2001
- Joint Opening Post Hearing Brief of Applicants (RWE and Cal-Am), September 6, 2002
- Application for Authority to Increase Rates for Service—Felton District, In the Matter of the Application of the California-American Water Company (U-210-W) for an order authorizing it to increase its rates for water use in its Felton District; September 18, 2002; CPUC Application No. 02-09-032
- PUC Opinion Conditionally Approving Application (for RWE to Purchase American Water Works); December 19, 2002
- Joint Applicants' Opposition to Applications for Rehearing of Decision 02-12-068 (authorizing RWE purchase); February 6, 2003

Internet sites www.slvwd.com ,www.votescount.com, www.calamwater.com, www.ci.santa-cruz.ca.us

LAFCO Municipal Service Guidelines, Governor's Office of Planning and Research; July 8, 2003

Pasatiempo Subunit-Lompico Sandstone Aquifer Preliminary Quantitative Assessment by William Ellis, 1995

Refocusing on the Commission's Acquisition Policy Regarding Water and Wastewater Utilities, Florida Public Service Commission, February 2001

Review and Assessment of District Wells by William Ellis, 1992
Estimated Discharge of Surface Water Sources by Nicholas Johnson, 1999

San Lorenzo Valley Water District Budgets 2000-01, 2001-02, 2002-2003

San Lorenzo Valley Water District Capital Improvement Program, 1997

San Lorenzo Valley Water District, Financial Statements and Supplementary Information for June 30, 2000 and 1999; June 30, 2001 and 2000; June 30, 2002 and 2001; Berger/Lewis Accountancy Corporation

Santa Cruz Sentinel, various dates

Sphere of Influence Study for the San Lorenzo Valley County Water District, prepared by Community Planning Consultants, February 1985

Sphere of Influence Study for the Scotts Valley Water District, San Lorenzo Valley Water District, Lompico County Water District; Community Planning Consultants; February, 1986

Staff Report and Recommendation on the Proposed Dissolution of the Santa Margarita Water District, Orange County Local Agency Formation Commission; July 10, 1995

U.S. Census Bureau, Census 2000

August 26 Corrections to the Staff Report for the Felton Amendment
LAFCO No. 890

Bottom of Page 5 of Staff Report for August 6th Meeting

Bi-monthly bill, July 2003
Average 10 units per month (245 gallons/day)
Residential or small commercial users, 5/8" meter
Revised: 8/26/03

$	SLV Water District	Scotts Valley Water District	Cal-Am Felton	Lompico Water District	Central Water District (Aptos Hills)	Soquel Creek Water District	City of Santa Cruz Water Dept.
Bi-Monthly Charge	31.30	30.50	32.80	45.88	20.00	24.50	18.00
Usage	40.50	40.39	58.50	109.34	24.04	42.40	32.00
Sub-Total	71.80	70.89	91.30	155.22	44.04	66.90	50.00
Loan Surcharge	0	0	23.00	3.16	0	0	0
Utility Tax	0	0	0	0	0	0	3.50
TOTAL BI-MONTHLY BILL	71.80	70.89	100.60	158.38	44.04	66.90	53.50

The unweighted total bill average of 7 utilities is $80.87 bi-monthly.
Note that the totals are based upon a typical Santa Cruz County residential connection using 245 gallons per day. The totals do not represent the average bill in each agency because each water utility's use figures vary from the average. For example, the Lompico Water District's average customer uses less than 100 gallons per day, and their average bills are significantly lower than the $158.38 total cited for that utility.

August 6th Agenda Page 94--Determinations

Opportunities for Rate Restructuring

13. The current water rates of the Cal-Am are significantly higher than the rates of the San Lorenzo Valley Water District. For example, a residential or small commercial customer using 20 units of water bi-monthly currently pays $100.60 to Cal-Am and $71.80 to SLVWD. The Cal-Am rate is $5.80 (8%) higher than the SLVWD bill if the state Safe Drinking Water Loan payments are excluded from the calculation, and $28.80 (40%) more if the loan payments are included.

14. The rates paid by typical Cal-Am customers exceed rates in five out of the six water agencies in northern and central Santa Cruz County. Cal-Am's rates are 24% higher than the unweighted average of the seven utilities (six public agencies and Cal-Am).