



PROCEEDINGS OF THE LOCAL AGENCY FORMATION COMMISSION OF SANTA CRUZ COUNTY

Room 525

Wednesday, November 4, 2015
9:30 a.m.

701 Ocean Street
Santa Cruz, California

The November 4, 2015 Santa Cruz Local Agency Formation Commission meeting is called to order by declaration of Chairperson Friend.

ROLL CALL

Present and Voting:	Commissioners J. Anderson, LaHue, R. Anderson, Bottorff, Lind, Leopold and Chairperson Friend
Absent:	R. Coonerty
Alternates Present:	Bobbe
Alternates Absent:	Smith
Staff:	Patrick M. McCormick, Executive Officer Brooke Miller, LAFCO Counsel Debra Means, Secretary-Clerk

MINUTES

MOTION AND ACTION

Motion: J. Anderson	To approve August 5, 2015 minutes.
Second: Leopold	Motion carries with Commissioner LaHue abstaining.

PUBLIC HEARING

SALSIPUEDES SANITARY DISTRICT, RELEASE OF SPHERE AND SERVICE REVIEW

Mr. McCormick reports that this item is a part of the Commission's Work Program to complete reviews of LAFCO regulated agencies. In the past, he has usually presented a more finalized report. This time, he is slowing the process down. He will be talking to Salsipuedes Sanitary board members this month. At the next meeting, a Salsipuedes representative will provide a presentation.

The Salsipuedes Sanitary District was formed in 1965. It serves 500 customers outside Watsonville. It is a well-governed small district. They know how to run meetings, they follow the Brown Act, and they perform audits.

They have raised their rates dramatically since their last service review. Ten years ago, they had the lowest sewer rates in the Pajaro Valley, and now they have the highest sewer rates.

He will ask them if they like being independent and like paying for it. The district has some potential partners.

Neither staff nor the district is recommending any changes to the sphere of influence map. With 500 customers, the district employs a half-time staff member. They contract for treatment from the City of Watsonville and they contract with a private contractor to do their regular and emergency maintenance.

Their budget shows the summary of their revenue which is almost all rates. Two big costs are treatment costs with the City of Watsonville and their maintenance costs. Maintenance includes clearing out lines, installing new liners, and replacing pumps.

Eleven years ago, they had almost \$700,000 in reserve. Most recently, they have about \$500,000 in reserve. They use this money for capital expenses. In the last ten years, they have had only one sewage spill of about 40 gallons. There are no red flags since this is a pretty good track record.

Eleven years ago, wastewater rates for single family dwellings were \$12 per month, the cheapest rates in the whole Pajaro Valley. The City of Watsonville has the regional treatment plant and it treats for all of the collection agencies. The other collection agencies' rates have not gone up as much as Salsipuedes even though they are paying Watsonville the same amount to treat. He thinks it is just an economy of scale issue as to why it is so expensive for Salsipuedes Sanitary District's 500 customers.

Commissioner Roger Anderson says the question of the rates is of interest to the Commission. In 2003-04, they had a deficit of \$126,000 per year. If that amount was included and the rates were raised to handle that, it makes sense.

Mr. McCormick answers that they realized they were operating at a deficit so they raised their rates to a sustainable level. The district can keep operating as they are indefinitely.

Commissioner Roger Anderson is concerned about making comparisons. Lompico Water District and Salsipuedes Sanitary District are agencies that have a similar density of development. If an agency has their collection system spread over a big area compared to the size of it, they will be disadvantaged in terms of cost.

Mr. McCormick continues that Salsipuedes Sanitary District has an extensive boundary change history with LAFCO. The district is located in suburban Watsonville, out East Lake Avenue, and includes Lakeview Middle School, Saint Francis High School, Mary Hope of Christians Church, Cutter Drive, Holohan Road, College Road, and Condit Lane.

There is a lot of agricultural land in the district. The district is in two pieces. The current sphere of influence boundary assumes a few parcels that may annex. There are some parcels by the levee that might detach.

In 1965, when LAFCO was forming, the development was suburban. Watsonville City's development was going to spread out into the countryside. In the 70s, there was debate about growth control, and it has settled into a strong consensus that there is not going to be

rampant suburban growth. The original formation boundary was too big for what is now planned by the City and the County for urbanization. They included a lot of farming property in anticipation of development that now, does not look like it will happen.

The reason some agricultural parcels are inside the district and in the district's sphere of influence is that there is a sewer line. The houses and the greenhouses along Condit Lane are in an area designated by the County as permanent agriculture and they are served by Salsipuedes Sanitary District. The County and LAFCO generally discourage this situation, but they were already connected and there was not imminent growth planned. It did not seem desirable to exclude those agricultural properties from the sphere of influence. The houses and the agricultural greenhouses with many employees were already connected.

Properties closer to the City limits and closer to the levee were inside the district in anticipation of 1960s suburbanization. They are not planned by the City or the County for development. They are designated for commercial agriculture and they are not connected to the sewer. That is why they were excluded from the sphere of influence. The property owners have not chosen to apply for detachment. They are eligible for detachment from the district if they want to.

Commissioner Leopold asks if the agricultural properties have houses or greenhouses on them.

Mr. McCormick answers that the parcels by the levee do not. They are strictly agricultural.

In the last 20 years, the principal set of connections has been to the Lakeview Middle School and Saint Francis High School. The Saint Francis development is an early 1960s subdevelopment of small lots on a private water system and private septic systems. LAFCO has included this subdivision in the sphere of influence.

In the 1990s, The Saint Francis subdivision came to LAFCO and asked to annex. The district asked for a condition that they approve an assessment district as part of the annexation because the closest collection main is on East Lake at the main entrance to the Fairgrounds. Salsipuedes does not build sewers, it accepts sewers; and this is the standard practice for all local sanitary agencies. Salsipuedes wanted them to create an assessment district to have a collection system within their subdivision and bring a main down. An engineer made the design, but the subdivision could not get the votes to pass an assessment district, even though LAFCO approved the annexation.

The County's Environmental Health Department would still like this to happen because the Saint Francis subdivision is in a problem septic area.

Commissioner Leopold asks how much it would cost.

Mr. McCormick will research this for the next report.

He continues that the Fairgrounds Reorganization occurred in the mid to late 1990s. The Fairgrounds had its own collection system. During events, the sewage ran into an open artificial pond. They paid haulers to transport the sewage to the City of Watsonville's

sewers. It was an expensive, unsatisfactory long-term practice. The Fair Board went to the State Fair Financing Authority to ask for their share of State Fair capital monies and a State Senator was able to help them receive State financing. The fairgrounds used the money to pay for a main to extend all the way to the front of the Catholic Church.

There were several environmental issues because a sewer line would have to be built through agricultural land. It would need a lot of capacity to handle peak events and minor capacity to handle additional residential connections.

The fairgrounds paid LAFCO to do an EIR on the sphere of influence amendment and the annexation. LAFCO looked at several mitigations such as building a package, realigning the sewer away from the agricultural fields, and shrinking the sewer lines to minimum capacity for additional connections. They ended up adopting an EIR that came up with a LAFCO mitigation to detach agricultural parcels with no city or county planned urban development for them and they were not connected to sewer. There were several large agricultural properties and most of them were on the east side of Highway 152. They were in the district and LAFCO packaged a reorganization that would annex the fairgrounds and detach these agricultural parcels. One parcel was on Lakeview. The fairgrounds would pay connection fee to the sanitary district. The property owners that were being detached involuntarily from the district got their past sewer assessments plus interest refunded from the annexation fees. The sanitary district stayed whole financially, the fairgrounds bought into their capacity, and the owners being detached from the district were repaid for participating in the sewer assessment that they never benefitted from. It was a complicated process that involved attorneys, and it was resolved without litigation.

Upon formation, much of the sanitary district was in the City of Watsonville starting at Hushbeck Street. All of the Senior Villages area was inside the sanitary district but outside the City limits in 1965. There have been many detachments as Watsonville annexed out into Salsipuedes.

Commissioner Roger Anderson says the draft review is a good start. He would like to look at previous budgets since the last time the district was reviewed. It looks like the district is building up their reserves. He wonders what the large reserve is intended for and what their anticipated expenses are for the reserve.

Commissioner LaHue asks about governmental structure options. He wonders if it would make sense to contract with Watsonville rather than contract with an outside service, or dissolve and be part of Watsonville. He would like to see the pros and cons of the options.

Commissioner Jim Anderson asks if Watsonville does their own maintenance or do they contract with an outside service. He wonders if it depends on the size of the project.

Mr. McCormick answers that Watsonville does most of their own maintenance. It would have to be a fairly large project before they would contract it out.

Commissioner Jim Anderson thinks the cost of outside contracting could be a large expense.

Mr. McCormick will try to get more feedback from Watsonville.

Commissioner Leopold asks what the tenure has been for this board.

Mr. McCormick replies that the current manager and everyone on the current board are new within the last ten years.

MOTION AND ACTION

Motion: J. Anderson Second: Lind	To release service and sphere report and schedule a public hearing for December 9, 2015 to review public comments, consider accepting the report, and confirm the current sphere of influence map, as recommended by staff. Motion carries with a unanimous voice vote.
-------------------------------------	--

Commissioner Roger Anderson thinks it is possible they may not be ready next month to pass this. He wants to make sure staff's recommendation is flexible enough to delay it until January if necessary.

Mr. McCormick says they can conduct a hearing and continue it. The Commission would solicit public comment in December no matter what. There is no deadline, so the Commission can operate on their own schedule.

Commissioner Leopold asks what the next review will be.

Mr. McCormick answers that the four recreation districts are next. These districts are individual agencies, they all perform the same functions in small communities, and they all have very different issues.

LEGISLATION

Commissioner Leopold reports that the CALAFCO Legislative Committee meets this upcoming Friday. Senator Herzberg has asked CALAFCO about a possible cleanup bill to SB 88.

Commissioner Roger Anderson inquires about a couple of bills that CALAFCO opposed.

Commissioner Leopold replies that CALAFCO opposed AB 3, the Isla Vista bill, because CALAFCO does not like bills that go around LAFCO.

The Herzberg bill, SB 229, is about labor having some say in these agreements. CALAFCO made several recommendations and Senator Herzberg accepted all of them.

REPORT BACK FROM CALAFCO CONFERENCE

Commissioner Roger Anderson congratulates Commissioner Leopold for being voted on the CALAFCO board another year.

He thought the Conference was excellent. He appreciated the session about Agriculture Planning and Resources which had John Laird and Ken Alex as speakers. He wondered about

the GSAs, GSPs, and SGMAs, whether they affect the mutual private water companies, and apparently it does not. He wondered if it would relate to Santa Cruz County.

Commissioner Lind agrees about the value of the Conference. One of the topics had to do with broadband issues and the finances involved. She spoke to the attorney afterwards and appreciated his input. The information was up to date and the legal advice was worth bringing back to her City attorney.

Commissioner Leopold gives credit to Commissioner Roger Anderson when he was CALAFCO Chair. He led the organization through a very difficult period when it was at risk of breaking up. He carried out shuttled diplomacy throughout the State to create a regional system which has proven to be successful.

STATUS OF PROPOSALS

Mr. McCormick reports that the Commission recently approved the formation of a Huckleberry Island County Service Area in Brookdale. After the approval, a protest hearing was held. The Commission delegates the Executive Officer to be the hearing officer for protest hearings. The property owners vote last after they see the results of the LAFCO process.

The Huckleberry Island protest hearing was held and there was 19% protest of the assessed value by property owners. The protest came from the same people who showed up at the first hearing opposing the CSA formation. It takes 50% of the assessed value to terminate the project. The project is going forward and it has been passed on to the Board of Supervisors where they will proceed with the assessment process. If the assessment fails, the CSA will not be set up.

There have been substantial communications with several property owners. At one of the owner's request, he included one communication in the agenda packet on page 63.

Santa Cruz LAFCO has a new website and the Secretary-Clerk is the webmaster. Melody Sharp from Website Design helped to create the new website.

Mr. McCormick continues that there is an outstanding East Zayante / Rivera Annexation application. The property owner has asked for a couple months' delay. There are negotiations pending with an adjacent property owner, and it will make the annexation process easier if they come to an agreement.

WORK PROGRAM

Mr. McCormick says that the next service reviews to work on will be the recreation districts. Following those will be The City of Scotts Valley and the Scotts Valley Water District's reviews. They are preparing a joint set of proposals.

He attended the Watsonville Planning Commission the night before. In 2014, this Commission approved water and sewer service to a 46-unit affordable housing project off Atkinson Lane. Half of the project is inside the City limits and half is outside the City limits. The half that is outside the City limits is the half that LAFCO approved. LAFCO approved the extraterritorial service in order to let the affordable housing corporation (Mid-Pen) proceed with their grant applications. The City and the County have contributed funding towards the project but Mid-Pen still needs additional funding.

This Commission gave approval for water and sewer service to the unincorporated portion and requested that the parties begin an annexation so the whole project would be in the City. Mid-Pen agreed to be the applicant for the annexation. Part of the preliminary work on an annexation is the Planning Commission and the City Council reviewing the annexation for consistency with their General Plan. They also take a rezoning action by adopting a zoning that would become effective if the property is ultimately annexed.

Watsonville Planning Commission's staff recommendation was denial. He commented to the Commission on LAFCO's behalf that there has been 15 years of great relationships with the County and LAFCO. The Planning Commission voted 4 to 1 in support of staff recommendation. This is a project where all parties are bending to make it work if possible. The City staff's position is that it is too much staff work to process an annexation when the City is not getting any revenue for it. Some annexations make money, some are cost neutral, and some lose money but they may be for a general community benefit.

This matter will go to the Watsonville City Council with the Planning Commission's recommendation for denial.

Commissioner Leopold says this was part of a larger project the City and the County were going to do together that was scaled down due to lawsuits. He remembers the Assistant City Manager who is now the Interim City Manager said that it was too much for them to take on. It seems like they do not want to take on the expense.

Mr. McCormick says it was originally part of about a 450 unit Specific Plan area. The rest of the Specific Plan has been eliminated due to litigation in a settlement agreement with the City and the County both being parties. The Mid-Pen piece was orphaned, and it is geographically separate from the main development area which is out by Corralitos Creek close to Freedom Boulevard. It has two small parcels with a different access point. It really is not related to what was then the Specific Planning area. The other 410 units have been eliminated. City staff said at the meeting that there are no plans to revive it at the City level.

Commissioner Leopold asks who voted in favor.

Mr. McCormick replies that Mr. Corley voted in favor.

Commissioner Roger Anderson asks when this item will be before the Watsonville City Council.

Mr. McCormick requested this information from City staff but he has not received an answer yet. The new City Manager arrives November 30th.

Commissioner Roger Anderson recalls from previous meetings that City staff was agreeable to process the annexation. His conclusions seem to differ from what City staff was recently saying.

POSSIBLE FUTURE STUDY SESSION ON FORMATION OF GROUNDWATER SUSTAINABILITY AGENCIES

Mr. McCormick reports that this was suggested by Commissioner Anderson after hearing a presentation in Sacramento. Several Commissioners are dealing with groundwater sustainability agency formation issues. He proposes scheduling John Ricker to talk at a future meeting about the water issues in Pajaro Valley, Aptos, Soquel, and the Santa Margarita aquifer. It looks like there will be three GSAs this County will be dealing with. None of them will require any LAFCO action.

Commissioner Leopold adds that the Commission adopted their water policies a few years ago and there were three parts to it; one was about information, one was about regulation, and the other was about education. Maybe every other year, this LAFCO would host some type of event or workshop about water to help the community understand the challenges around water.

Over the last couple of months, he has been meeting with John Ricker, the County's Water Resources Division Director, and Tim Carson from the Integrated Water Research Foundation which is funded by Proposition 84. They have developed a concept called "Connecting the Drops" which is a state of the water address. Each year, Mr. Ricker presents a report about the area's water issues. It provides useful information. They want to take that report, host an event which highlights different ways water districts are working together to solve these water problems, and highlight those collaborations recognizing that the water issues in Santa Cruz County are not solved by one district alone, but a collaboration of entities.

They sent an invitation to John Laird to be a keynote speaker and have a panel of County experts talk about water recycling and other collaborations such as the community water dialogue in South County. There would also be about six stations set up that highlight different collaborative efforts such as GSA formation, work from NOAA Fisheries and the City of Santa Cruz, water conservation, and other water recycling pieces. They want to draw people from all the constituencies of the different water districts to attend this state of the water report.

They are working on the final date, but it will probably be at the end of January or beginning of February. There will probably be a request to this LAFCO, as well as the County and the Water Foundation, for a small amount of money to help pay for it.

Commissioner LaHue thinks this is a good idea. The more the public can be educated, the better. He was at the last Soquel Aptos Groundwater Management Commission (SAGMC) and thought it was a great collaborative effort. To present to this Commission an overview would

also be valuable. The next meeting of the SAGMC is 7:00 p.m., November 12, 2015 at the Capitola City Council Community Room. They started a website at www.MidCountyGroundwater.org.

CLOSED SESSION

There is nothing to report from closed session.

Meeting is adjourned at 10:32 a.m. The next LAFCO meeting is scheduled for Wednesday, December 9, 2015.

CHAIRPERSON ZACH FRIEND

Attest:

Patrick M. McCormick, Executive Officer