

Public Review Draft

County Service Area 54 Summit West Water Service and Sphere of Influence Review



July 2017



Local Agency
Formation Commission
of Santa Cruz County
701 Ocean Street, Room 318D
Santa Cruz CA 95060

2017 SERVICE AND SPHERE OF INFLUENCE REVIEW FOR COUNTY SERVICE AREA 54, SUMMIT WEST WATER

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Public Review Draft
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PURPOSE OF SERVICE REVIEW

The purpose of a service review, sometimes called a “municipal service review” or “MSR”, is to provide a comprehensive inventory and analysis for improving efficiency, cost-effectiveness, accountability, and reliability of public services provided by cities, districts, and service areas. A service review evaluates the structure and operation of these agencies and discusses possible areas for improvement and coordination. A service review is used by LAFCO when updating a sphere of influence, and can be used by the subject agencies when considering changes in their operations. A written statement of determinations must be made in the following areas:

1. Growth and population projections for the affected area.
2. The location and characteristics of any disadvantaged communities within or contiguous to the agency’s sphere of influence.
3. The present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies including need or deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged, unincorporated communities within or contiguous to the agency’s sphere of influence.
4. The financial ability of agencies to provide services.
5. The status of, and opportunities for, shared facilities.
6. Accountability for community service needs, including governmental structure and operational efficiencies.
7. Any other matter related to effective or efficient service delivery, as required by commission policy.

PURPOSE OF SPHERE OF INFLUENCE

A “sphere of influence” is defined in state law to be a plan for the probable physical boundaries and service area of a local agency, as determined by the LAFCO in county where the agency is based. The sphere of influence is adopted and amended by LAFCO following a public hearing. The sphere action includes a map, determinations, and a resolution, which may contain recommendations and implementation steps specific to the agency. State law requires LAFCO to make determinations upon the following subjects:

1. The present and planned land uses in the area, including agricultural and open-space lands.
2. The present and probable need for public facilities and services in the area.
3. The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.
4. The existence of any social or economic communities of interest in the area if the commission determines that they are relevant to the agency.
5. For a city or district that provides sewers, water, or structural fire protection, the present and probable need for those services in any disadvantaged unincorporated communities within the existing sphere of influence.

State law requires that all boundary changes (annexation, detachment, consolidation, dissolution, etc.) be consistent with LAFCO’s policies and the adopted spheres of influence of each affected agency.

EXECUTIVE SUMMARY

LAFCO periodically performs municipal service reviews¹ and updates, as necessary, the sphere of influence² of each agency subject to LAFCO's boundary regulation. A "sphere of influence" is defined as a plan for the probable physical boundaries and service area of a local agency. This report has been prepared to analyze County Service 54, Summit West. CSA 54 was formed in 1996 to pursue community acquisition of the Mountain Charlie Water Works Inc, a private water company located west of Highway 17 in the Summit area.

The main conclusions of this report are:

- 1) County Service Area 54 successfully aided in the acquisition of the Mountain Charlie Water Works, Inc., and the transition of the system to community ownership.
- 2) All functions of the water system are now operated by the Summit West Mutual Water Company, a mutual benefit corporation collectively owned by all customers of the water system.
- 3) County Service Area 54 is inactive and its services are no longer needed to support the water system.
- 4) County Service Area 54 should be assigned a zero sphere of influence and dissolved.

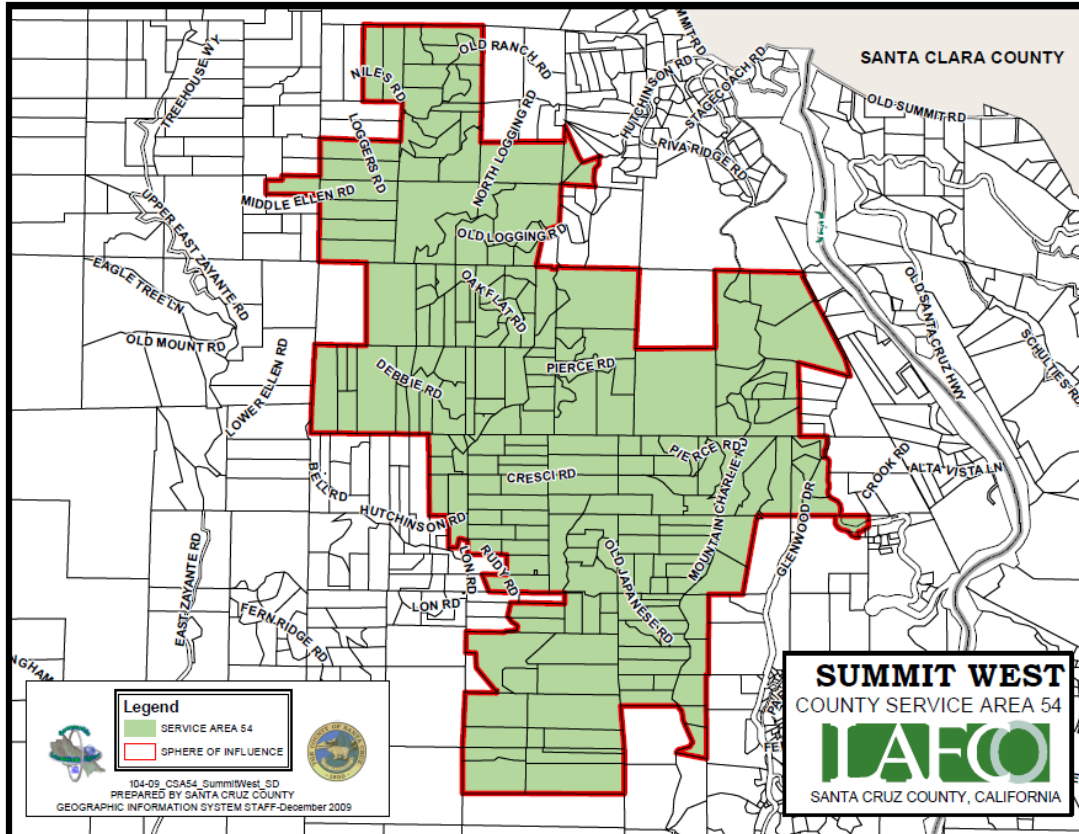
LOCATION

County Service Area 54 is located in the Santa Cruz Mountains south of Summit Road and west of Highway 17. Formed in 1996, the authorized service of CSA 54 is the provision of water service. As shown on the following map, some of the addresses within the service area are along the these roads: Hutchinson Road, Old Ranch Road, Oak Flat Road, Old Japanese Road, Pierce Road, Mt. Charlie Road, and Glenwood Drive.

Link to [CSA 54 map](#):

¹ Government Code Section 56430 (Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000). The last service reviews of all these fire agencies was prepared by LAFCO in 2005: <http://www.santacruzlafco.org/wp-content/uploads/2016/02/Whole-Public-Review-Draft.pdf>

² Government Code Section 56427



HISTORY

For many years prior to 1987, the CSA 54 area received water service from the Mountain Charlie Water Works, a private water company, subject to State Public Utility Commission rate regulation, and State and County Health Department regulation of drinking water quality. In 1987, the water company had approximately 150 customers in a low-density, mountain residential area. The water system was damaged in the 1989 Loma Prieta earthquake. The water company was unable to meet quality or quantity standards. Customers were distraught with the water company and the ineffectiveness of the regulatory bodies. A 1995 decision³ of the State Public Utilities Commission found that the management of the Mt. Charlie Water Works had neither the financial or technical competence to meet water quality and quantity standards. In May, 1995, the County of Santa Cruz petitioned the Superior Court⁴ to place the Mt. Charlie system under receivership. The Court granted the petition and appointed a receiver, John W. Richardson. Seeking a permanent solution, system customers also approached the County of Santa Cruz with the concept of using the County's power of eminent domain to acquire and run the water system. On February 7, 1996, LAFCO approved the County's application to form the county service area.

³ Decision 95-12-014, December 6, 1995, Public Utilities Commission of the State of California.

⁴ County of Santa Cruz, et al. v. Mountain Charlie Waterworks, et al. (#CV130326)

The County then collected a levy from the property owners within CSA 54, and proceeded to file an eminent domain lawsuit to acquire the key water rights and operating facilities of the Mt. Charlie Water Works. The suit was settled with the rights and facilities being acquired in exchange for a cash amount. The County began operating the system and the customers organized a mutual benefit corporation which would ultimately take over operations of the water system. On May 22, 2001, the Board of Supervisors authorized the transfer of the water system to the newly-formed mutual, the Summit West Mutual Water Company. For a period of time after the transfer was complete, County Service Area 54 continued to collect a levy in order to make payments on a State Department of Water Resources loan. The loan was eventually transferred to the Summit West Mutual Water Company, and they have since paid it off.

In 2005, the Summit West Mutual Water Company served 139 connections, and was obligated to serve an additional 25 properties within the service area if connections were requested.

The County stopped collecting CSA 54 levies, but maintained the balance in the CSA 54 account. On October 16, 2007, the Board of Supervisors used \$25,000 of CSA 54's fund balance to help fund storm damage repairs to a supply main slipout on Upper Oak Flat Road. Since then, the CSA 54 fund has been inactive except for receiving small amounts of interest and paying bookkeeping charges. As of June 30, 2017, the fund balance was \$2,368.

The Summit West Mutual Water Company has operated the system successfully for fifteen years. It is now serving a population of approximately 550 people. The water comes from the San Jose Water Company via the Montevina pipeline. The Montevina pipeline was put together using state and federal earthquake recovery grants following the 1989 Loma Prieta earthquake, which damaged most of the small water systems between Redwood Estates in Santa Clara County and Glenwood in Santa Cruz County. There is no dedicated water transmission main along the Summit. There is an agreement whereby five mutuals along the Summit (Ridge, Stagecoach, Summit West, Big Redwood Park and Villa del Monte) transfer water to one another through interties.

AGENCY PROFILE

County Service Area 54 is a dependent district of the County of Santa Cruz. The County Board of Supervisors is the de facto Board of Directors of CSA 54. The County Public Works Department provides staffing. Service area residents and board members of the Summit Mutual Water Company advise the County on budget and operational decisions of the CSA. In 1996, CSA 54 was established within the service area of the Mt. Charlie Water Works to facilitate the community acquisition of the water system and transfer to community control.

Board of Directors = Board of Supervisors Names	Title	First Year of Service on Board	Term Expiration Date
John Leopold	Supervisor, Chair	2008	2020
Zach Friend	Supervisor, Vice Chair	2012	2020
Greg Caput	Supervisor	2010	2018
Ryan Coonerty	Supervisor	2014	2018
Bruce McPherson	Supervisor	2012	2020

Staffing

Santa Cruz County Address: 701 Ocean Street, Room 410
 Public Works Department Santa Cruz, CA 95060
 Phone: (831) 454-2160, 454-5139

SERVICE REVIEW

***SUMMARY OF POTENTIALLY SIGNIFICANT
 SERVICE REVIEW DETERMINATIONS***

The service review determinations below are potentially significant, as indicated by “yes” or “maybe” answers to the key policy questions in the checklist and corresponding discussion on the following pages.

SUMMARY

- 1. Growth and Population
- 2. Disadvantaged_ Unincorporated Communities
- 3. Capacity, Adequacy & Infrastructure to Provide Services
- 4. Financial Ability
- 5. Shared Services
- 6. Accountability
- 7. Other

1. GROWTH AND POPULATION

Growth and population projections for the affected area.

	YES	MAYBE	NO
a) Is the agency's territory or surrounding area expected to experience any significant population change or development over the next 5-10 years?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b) Will population changes have an impact on your agency's service needs and demands?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
c) Will projected growth require a change in the agency's sphere of influence boundary?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Discussion: The service area is developing very slowly with mountain residences. The Summit Mutual Water Company has been responsible for the operation of the water system for 15 years.

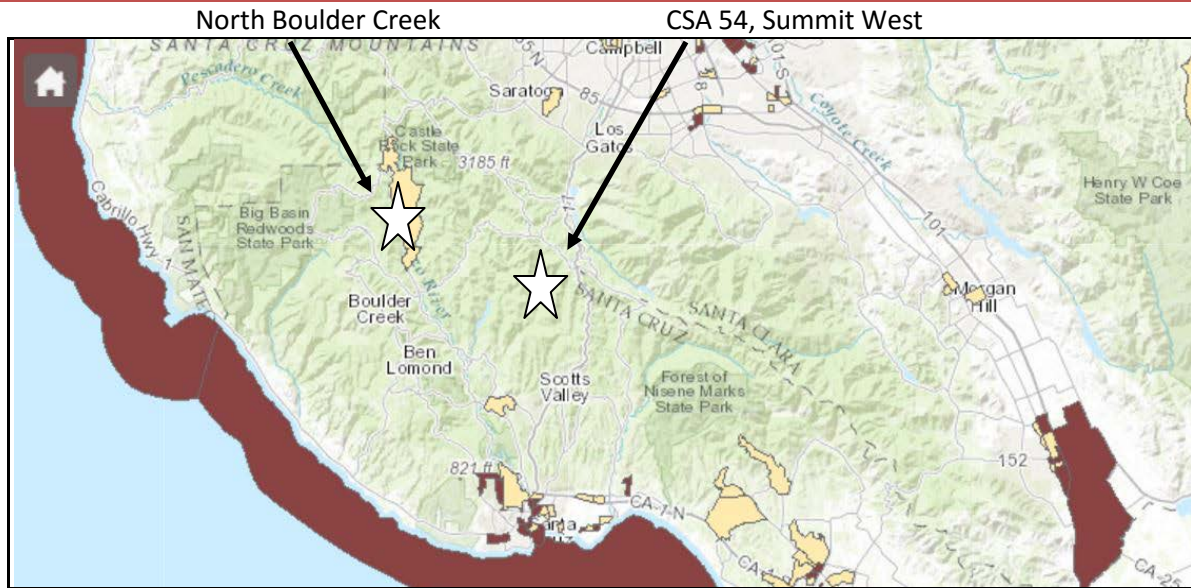
2. DISADVANTAGED UNINCORPORATED COMMUNITIES

The location and characteristics of any disadvantaged unincorporated communities within or contiguous to your agency's sphere of influence. .

	YES	MAYBE	NO
a) Does your agency provide water or sanitary sewer service? If no, skip questions b) and c).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b) Is your agency aware of any area(s) within or adjacent to your agency's sphere of influence that is considered "disadvantaged" (80% or less of the statewide median household income) that does not already have access to public water or sanitary sewer service?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
c) Is it is feasible for your agency to extend service to the disadvantaged unincorporated community?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Discussion: There are no disadvantaged unincorporated communities within at contiguous to the sphere of influence of CSA 54. The closest disadvantaged community is in North Boulder Creek and it is adequately served by the San Lorenzo Valley Water District.

MAP OF DISADVANTAGED AREAS **Yellow = Disadvantaged / Brown = Severely Disadvantaged**



Source: [California Disadvantaged Communities Mapping Tool](#) as accessed on July 6, 2017. The brown and yellow shaded areas are disadvantaged based upon the statutory definition of having less than 80% of State median family income.

3. CAPACITY AND ADEQUACY OF PUBLIC FACILITIES AND SERVICES

Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies including needs or deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged, unincorporated communities within or contiguous to the sphere of influence.

	YES	MAYBE	NO
a) Are there any deficiencies in agency capacity to meet service needs of existing development within its existing territory?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b) Are there any issues regarding your agency's capacity to meet the service demand of reasonably foreseeable future growth?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
c) Are there any concerns regarding public services provided by the agency being considered adequate?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
d) Are there any significant infrastructure needs or deficiencies to be addressed?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
e) Are there changes in state regulations on the horizon that will require significant facility and/or infrastructure upgrades?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Discussion: The water service in CSA 54 is now wholly owned and operated by the Summit West Mutual Water Company. CSA 54 is inactive.

4. FINANCIAL ABILITY			
Financial ability of agencies to provide services.			
	YES	MAYBE	NO
a) In the last five years, has your agency failed to obtain an independent audit, or adopted its budget late?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b) Is your agency lacking adequate reserves to protect against unexpected events or upcoming significant costs?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
c) Is your agency's rate/fee schedule insufficient to fund an adequate level of service, and/or is the fee inconsistent with the schedules of similar service organizations?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
d) Is your agency unable to fund necessary infrastructure maintenance, replacement and/or any needed expansion?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
e) Is improvement needed in the organization's financial policies to ensure its continued financial accountability and stability?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
f) Is the organization's debt at an unmanageable level?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Discussion: CSA 54 is inactive. Bookkeeping charges exceed interest revenue; so, the fund balance is decreasing every year that CSA 54 remains in existence. The CSA has no separate reserve fund.

County Service Area 54 Financial Summary

Finances	FY 14-15 Actual	FY 15-16 Actual	FY 16-17 Actual	FY 17-18 Budget
Revenue:				
Interest	\$12	\$16	\$18	\$15
Assessment	\$0	\$0	\$0	\$0
Total Revenue	\$12	\$16	\$18	\$15
Bookkeeping Charges	\$125	\$125	\$125	\$125
Other Charges	\$11	\$0	\$14	\$0
Total Expenditures	\$136	\$125	\$139	\$125
Fund Balance, End of Year	\$2,495	\$2,386	\$2,266	

Fund 50226

5. SHARED SERVICES AND FACILITIES			
Status of, and opportunities for, shared facilities.			
	YES	MAYBE	NO
a) Are there any opportunities for your agency to share services or facilities with neighboring or overlapping organizations that are not currently being utilized?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b) Are there any governance options that may produce economies of scale and/or improve buying power in order to reduce costs?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c) Are there governance options to allow appropriate facilities and/or resources to be shared, or making excess capacity available to others, and avoid construction of extra or unnecessary infrastructure or eliminate duplicative resources?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Discussion: CSA 54 no longer provides any services. Annual accounting costs would be eliminated if the CSA were dissolved.

6. ACCOUNTABILITY, STRUCTURE AND EFFICIENCIES			
Accountability for community service needs, including governmental structure and operational efficiencies.			
	YES	MAYBE	NO
a) Are there any issues with your agency's meetings being accessible and well publicized? Are there any issues with your agency failing to comply with financial disclosure laws and the Brown Act?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b) Are there any issues with filling board vacancies and maintaining board members?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
c) Are there any issues with staff turnover or operational efficiencies?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
d) Is your agency's budget unavailable to the public via the internet?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
e) Are there any recommended changes to your agency's structure that will increase accountability and efficiency?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
f) Are there any governance restructure options to enhance services and/or eliminate deficiencies or redundancies?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
g) Are there any opportunities to eliminate overlapping boundaries that confuse the public, cause service inefficiencies, increase the cost of infrastructure, exacerbate rate issues and/or undermine good planning practices?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Discussion: CSA 54 is inactive.

COUNTY SERVICE AREA 54, SUMMIT WEST

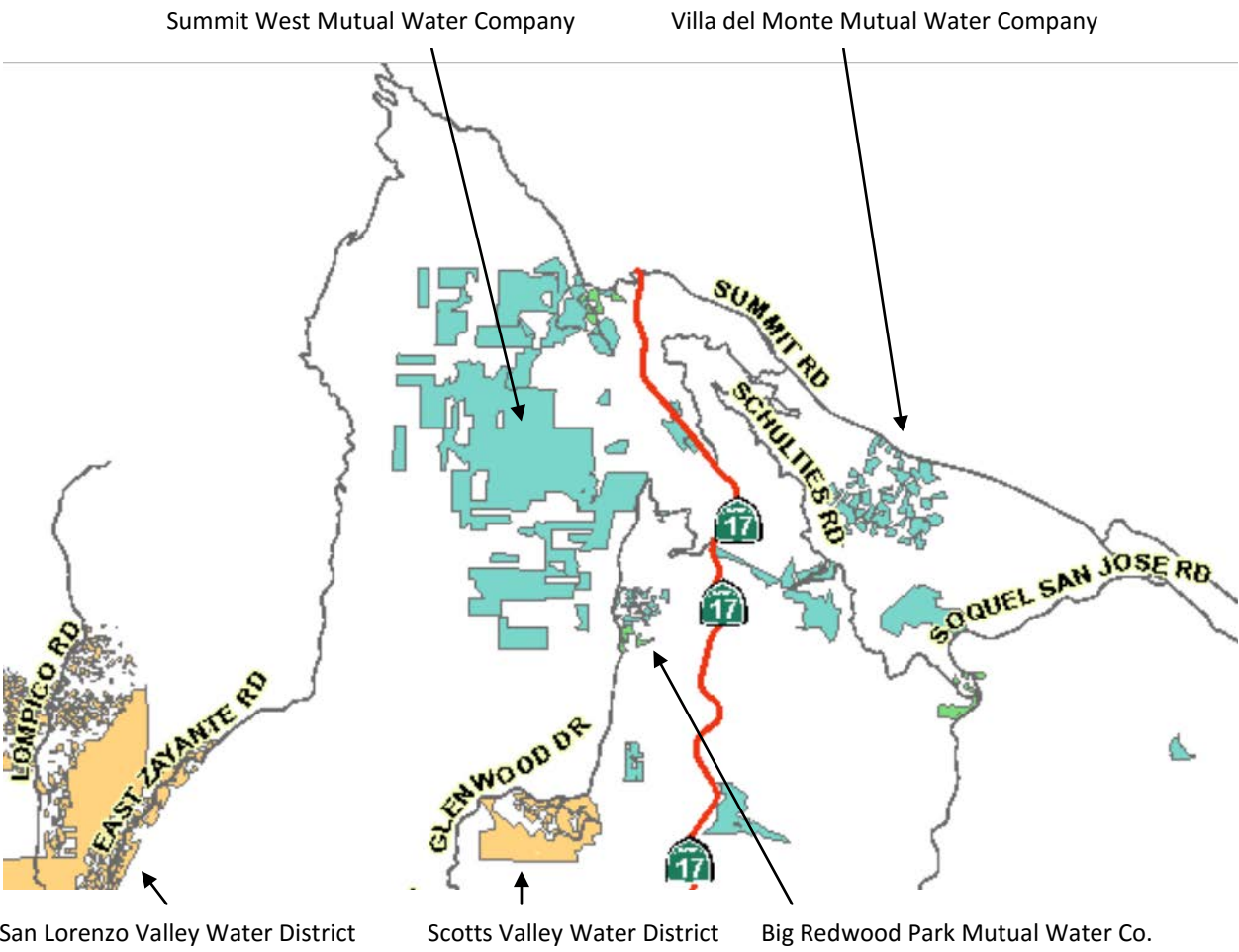
7. OTHER ISSUES

Any other matter related to effective or efficient service delivery, as required by commission policy.

	YES	MAYBE	NO
a) Are there any other service delivery issues that the agency wants addressed in the service and sphere review process?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

END OF SERVICE REVIEW

WATER SYSTEMS MAP FOR NORTH-CENTRAL SANTA CRUZ COUNTY



SPHERE OF INFLUENCE REVIEW

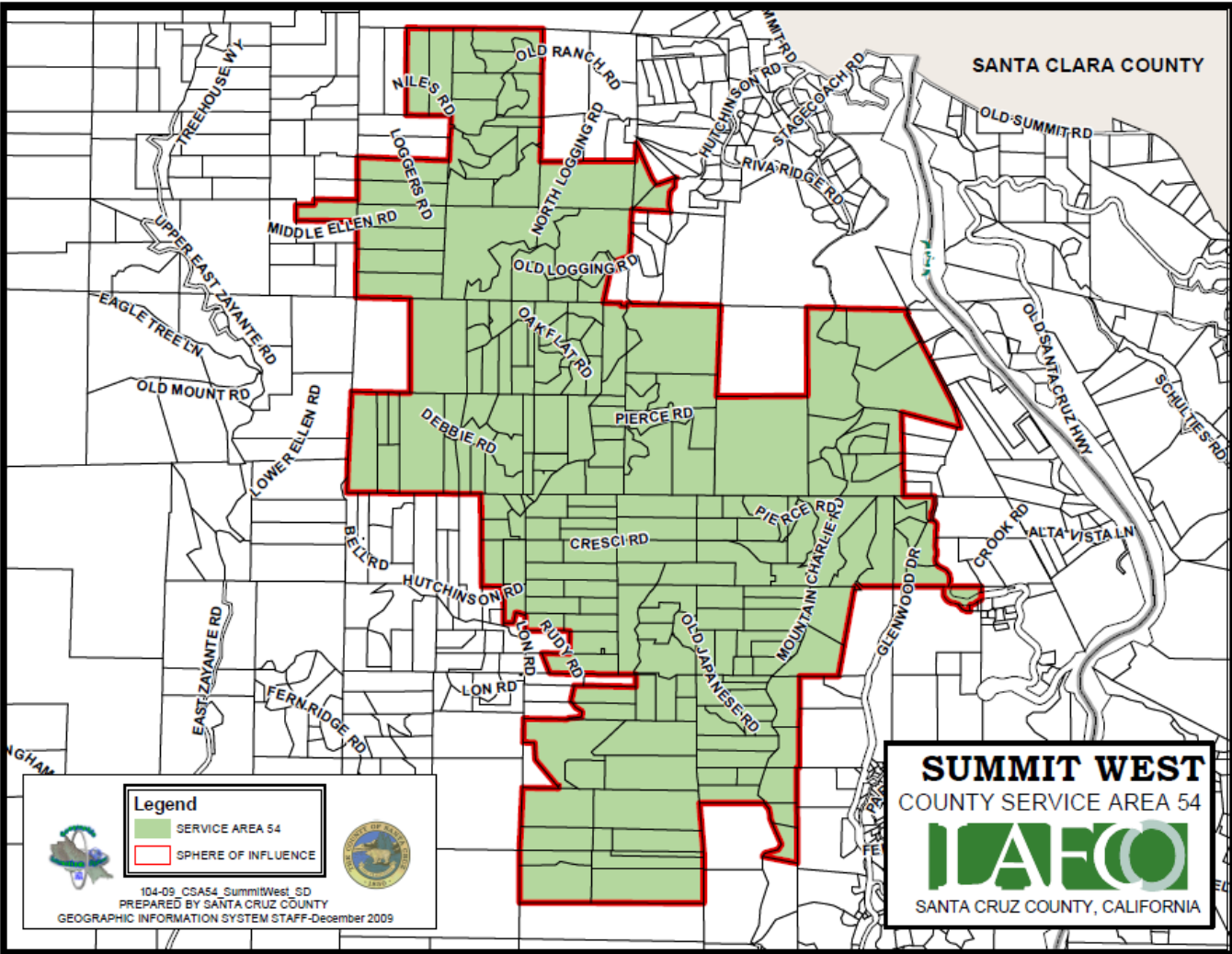
- The LAFCO staff is proposing changes in the adopted sphere of influence map.

The LAFCO staff recommends:

1. County Service Area 54 should be assigned a zero sphere of influence, meaning that it should be dissolved due to inactivity.
2. LAFCO should recommend to the County Board of Supervisors that they should initiate dissolution of CSA 54 due to inactivity.

CSA 54 has performed the functions for which it was formed in 1996. The Summit West Mutual Water Company is now providing the water services in the community. Dissolution will take the CSA out of the County budgeting and audit responsibilities, and allow a small fund balance to be transferred to the mutual.

COUNTY SERVICE AREA 54, SUMMIT WEST SPHERE OF INFLUENCE MAP



As adopted by LAFCO Resolution No. 818 in 1996, the Sphere of Influence of County Service Area 54 is coterminous with the CSA boundary. This was the service area of the pre-existing water provider, the Mt. Charlie Water Works.

SUMMARY OF POTENTIALLY SIGNIFICANT SPHERE DETERMINATIONS

The sphere determinations below are potentially significant, as indicated by “yes” or “maybe” answers to the key policy questions in the checklist and corresponding discussion on the following pages.

- 1. Present and Planned Land Uses Not significant
- 2. Need for Public Facilities and Services Not significant
- 3. Capacity and Adequacy of Provide Services Not significant
- 4. Social or Economic Communities of Interest Not significant
- 5. Disadvantaged Unincorporated Communities Not significant

1. PRESENT AND PLANNED LAND USES			
The present and planned land uses in the area, including agricultural and open-space lands.			
	YES	MAYBE	NO
a) Are there any present or planned land uses in the area that would create the need for an expanded service area?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b) Would the amended sphere conflict with planned, orderly and efficient patterns of urban development?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
c) Would the amended sphere result in the loss of prime agricultural land or open space?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
d) Would the amended sphere impact the identity of any existing communities; e.g. would it conflict with existing postal zones, school, library, sewer, water, census, fire, parks and recreation boundaries?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
e) Are there any natural or made-made obstructions that would impact where services can reasonably be extended or should otherwise be used as a logical sphere boundary?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Discussion: CSA 54 is inactive. The water system has been operated by the Summit West Mutual Water Company for 15 years.

2. NEED FOR PUBLIC FACILITIES AND SERVICES			
The present and probable need for public facilities and services in the area.			
	YES	MAYBE	NO
a) Would the amended conflict with the Commission’s goal to increase efficiency and conservation of resources by providing essential services within a framework of controlled growth?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b) Would the amended sphere expand services that could be better provided by a city or another agency?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
c) Would the amended sphere represent premature inducement of growth or facilitate conversion of agriculture or open space lands?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
d) Would the amended sphere conflict with the Regional Housing Needs Allocation Plan adopted by the Association of Monterey Bay Governments (RHNA)?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
e) Are there any areas that should be removed from the sphere because existing circumstances make development unlikely, there is not sufficient demand to support it or important open space/prime agricultural land should be removed from urbanization?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
f) Have any agency commitments been predicated on expanding the agency’s sphere such as roadway projects, shopping centers, educational facilities, economic development or acquisition of parks and open space?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Discussion: The Summit West Mutual Water Company is providing water service within CSA 54. CSA 54 is inactive.

3. CAPACITY AND ADEQUACY OF PROVIDED SERVICES			
The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.			
	YES	MAYBE	NO
a) Are there any issues regarding the agency’s capacity to provide services in the proposed sphere territory?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b) Are there any issues regarding the agency’s willingness and ability to extend services?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Discussion: CSA 54 is inactive.

4. SOCIAL OR ECONOMIC COMMUNITIES OF INTEREST

The existence of any social or economic communities of interest in the area if the commission determines that they are relevant to the agency.

	YES	MAYBE	NO
a) Are there particular neighborhoods or areas that should be added or excluded from your agency's sphere because those areas function as part of your community or another community socially or economically?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Discussion: CSA 54 is inactive.

5. DISADVANTAGED UNINCORPORATED COMMUNITIES

For an update of an sphere of influence of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence. Additional smaller areas may be identified by LAFCO, the County, or a City in the future.

	YES	MAYBE	NO
a) Does the subject agency provide public services related to water, sanitary sewers, or structural fire protection?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b) If yes, does the proposed sphere exclude any nearby disadvantaged unincorporated community (80% or less of the statewide median household income) that does not already have access to public water or sanitary sewer service?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Discussion:

- b) There are no disadvantaged communities within the Sphere of Influence of CSA 54. See discussion on pages 6-7.

END OF SPHERE REVIEW