



PROCEEDINGS OF THE LOCAL AGENCY FORMATION COMMISSION OF SANTA CRUZ COUNTY

Wednesday, December 5, 2018  
10:00 a.m.

Supervisors Chambers  
701 Ocean Street,  
Room 525,  
Santa Cruz, California

.....  
The December 5, 2018 Santa Cruz Local Agency Formation Commission meeting is called to order by declaration of Chairperson Leopold.

ROLL CALL

Present and Voting:	Commissioners Friend, R. Anderson, LaHue, Lind, J. Anderson, and Chairperson Leopold
Absent:	Commissioner Terrazas
Alternates Present:	None
Alternates Absent:	Coonerty, Hurst, Lather
Staff:	Patrick M. McCormick, Executive Officer Brooke Miller, LAFCO Counsel Debra Means, Secretary-Clerk

MINUTES

MOTION

Motion: J. Anderson Second: Lind	To approve November 7, 2018 minutes. Motion carries with Commissioner LaHue abstaining.
-------------------------------------	--

ORAL COMMUNICATIONS

None

PUBLIC HEARING

SERVICE AND SPHERE REVIEWS FOR COUNTY SERVICE AREA (CSA) 53, MOSQUITO ABATEMENT AND VECTOR CONTROL

Mr. McCormick reports that CSA 53 provides service to the entire County, including all four cities. It operates as a division of the Agricultural Commissioner’s office. In 2017-18, the agency renovated their lab and office, which involved major expenditures in their budget and basically depleted their reserves.

CSA 53's sphere of influence is the entire County of Santa Cruz and it is also the agency's boundary. Neither the district nor staff is recommending any changes to the status quo.

Chairperson Leopold notices the 2018-19 budget has about a \$300,000 deficit and asks if it was pulled from reserves.

Paul Binding, Assistant Vector Control Manager, answers that they have close to \$1 million in reserves, which is about two-thirds of their annual operating expenses. It may be the last year they will have to pull from reserves. The assessments that provide their revenues will be adequate to meet their annual expenses. If they must pull from reserves next year, it will not be much more than \$50,000 to \$100,000. They are currently adding equipment to their laboratory and these are one-time expenses.

Commissioner Jim Anderson says the mosquito traps at the Felton Cemetery are regularly set and checked by friendly and informative CSA 53 staff.

Commissioner Roger Anderson thinks it is possible that the numbers on the screen are different than the numbers in the draft report. He wants the numbers to be checked. There was a number in a table within the actual draft report that looks similar, but he thinks there were big discrepancies. He would like to see a statement of reserves to analyze how the numbers have been changing over the last five years.

He would like to know why the budget increased greatly since 2004.

Mr. McCormick replies that the district has expanded since the last service review which used 2003-04 data. Back then, they were operating in the South County. At the time of the West Nile Virus scare, there was an expansion of their services to cover the rest of the County and an assessment was passed. Between 2003-04 and the last five years, there was a big bump in their budget. They brought their South County program to the rest of the County.

**MOTION AND ACTION**

Motion: LaHue Second: J. Anderson	To adopt Resolution No. 2018-16 for County Service Area 53 with no changes in the sphere of influence, as recommended by staff. Motion carries with a unanimous voice vote.
--------------------------------------	--

**OTHER BUSINESS**

**SCOPE OF WORK, 2019 SANITATION AND MISCELLANEOUS AGENCIES' REVIEWS**

Mr. McCormick prepared a scope of work in preparation for getting a consultant contract to do the remaining service and sphere reviews. The Commission decided that all the sanitation agencies should be grouped into a single project. To complete the current round of reviews, there are two more agencies to be reviewed: Midpeninsula Regional Open Space District and the Santa Cruz Port District.

At the last meeting, there were good suggestions for what the consultant could study. The Santa Cruz County Sanitation District is in the Mid-County, and one question is whether it should become the anchor for a bigger sanitation agency that brings in all or most of the small sanitation agencies.

The Davenport County Sanitation District could be absorbed by Santa Cruz County Sanitation District. The water system in Davenport, operated by Davenport's sanitation district, could be transferred to the City of Santa Cruz. Santa Cruz has a collection system of all the streams on the North Coast up to, but not including San Vicente and Mill Creeks, which are water sources for Davenport. There may be an incentive for Santa Cruz to operate Davenport's water system if it gave them an additional stream to add to their collection system that comes into Santa Cruz for treatment.

Both Davenport's water system and sanitation system are expensive to run, especially since the cement plant closed. The City does not have a treated water line out to Davenport, so they would have to operate a stand-alone treatment system. They could possibly benefit from using the water rights to put raw water into their line which goes to the treatment plant.

Freedom County Sanitation District could be absorbed by Santa Cruz County Sanitation District or the City of Watsonville. Watsonville is already treating Freedom's wastewater and maintaining their lines. Some parts of Freedom are outside the City. Freedom Sanitation District is not a big money maker, but the City may be able to run it better than the County.

Salsipuedes Sanitary District is an independent district and it could be absorbed by a large regional sewer authority or taken over by the City of Watsonville.

Rolling Woods is a sanitation collection system on Graham Hill Road. It could be absorbed by a countywide sewer authority or the City of Santa Cruz. Santa Cruz is already billing for water and it would not be much harder to bill for sewer. There are four County Service Areas that have packaged treatment plants between Boulder Creek and La Selva Beach. They could become part of a regional sewer agency.

The San Lorenzo Valley Water District (SLVWD) currently operates a small sewer system in Bear Creek Estates subdivision and it is not their main duty. It is expensive to operate and has a small number of connections. This sewer system could be absorbed by a regional sewer agency that may be able to operate it more efficiently than SLVWD.

Midpeninsula Regional Open Space District (Midpen) extends from Half Moon Bay and San Carlos down the coast to Año Nuevo, and from the west side of Santa Clara Valley down to Loma Prieta. They have annexed the northern tip of Santa Cruz County at Saratoga Gap. They have a larger sphere of influence where they could annex another square mile or two south of their boundary, but they have not acted upon it.

They have purchased two properties that extend into Santa Cruz County: Bear Creek Redwoods and a large ranch near Loma Prieta and Highland Way. It would make sense to add at least those parcels to their sphere.

One option would be to ask a consultant to talk to Midpen, County Parks, the Land Trust, and other advocates of open space in Santa Cruz County to see if they think it makes sense to invite Midpen further into Santa Cruz County. Midpen has a large operation and they have focused mainly on the Santa Cruz Mountains. In the last ten years, they have expanded down the coast to include San Mateo County's coast. He would not expect the consultant to do a feasibility analysis. It would be more focused on whether the parties involved are interested and what the critical issues are.

The Santa Cruz Port District has one minor item to address. Their boundary on the west side of Santa Cruz stops at Western Drive. The City of Santa Cruz' boundary extends farther to the west. Since they would not benefit financially from an annexation, drawing a sphere of influence line over to the City limits may or may not be worth it.

The Port District has a status quo sphere of influence. Their sphere matched their boundary when the Commission last reviewed it. One option would be to maintain the boundary the way it is now. Another option would be to push the sphere west out to the City limits. Maybe someone would want to run for the Port's board.

Commissioner Roger Anderson wonders if the Lompico area should be on septic in the long term.

Mr. McCormick is not aware of any plans to sewer Lompico. There is a County Service Area that performs a higher level of septic system maintenance in the entire San Lorenzo River Basin. They inspect septic systems more often because the river is a major water source.

Commissioner LaHue likes the idea of looking at all the sanitation districts together and looking for efficiencies. He asks if the consultant would inquire what their interests would be.

Mr. McCormick says the concept this time would be to identify what issues should be addressed. The consultant can decide their approach by talking to the agencies and their stakeholders to feel out whether any of these options are likely to create opportunities for efficiency. They would probably compare the agencies' operating costs to see if any costs can be shed through a regional sewer authority.

Proposition 218 gives direction to agencies how to set their rates. One question worth looking into would be at what point would costs need to be isolated out as a separate cost for the purposes of rate making. It could determine whether it is worth looking bigger.

Chairperson Leopold thinks it may be a good time to look at the sanitation districts since there is new staff. The City of Santa Cruz had a recent election and there are new voices. They may be thinking differently than the previous City Council. It could provide useful information that may spark positive changes.

Mr. McCormick has talked to Santa Cruz County Sanitation District's current staff. They are planning a future meeting with their board which will include his attendance. If the sanitation district is going to be the anchor for an option of adding a lot of costly smaller districts, they will need to understand what a service study is.

Rick Rogers is the district manager for San Lorenzo Valley Water District. His district supports this review. He asks what happens if it is recommended that one agency merges with another.

Mr. McCormick says that a review informs the agency and the property owners in the area how likely LAFCO is to approve or disapprove an application should an application be submitted. There have been recommendations that have not been acted upon, such as the consolidation of Branciforte and Scotts Valley Fire Districts. Both agencies have their own boards and services, and they do some tasks together.

What a consultant might do in a study to help is identify the best mechanism to offer property owners. Depending on who is managing the system, they may pay more in capital costs to start, but they may get a lower operating cost going forward. If an option ends up being cheaper, it makes it easier for property owners to vote for an assessment.

Chairperson Leopold adds that if the study finds consolidation options make sense, and there is interest from Santa Cruz County Sanitation District and Bear Creek Estates, LAFCO would be useful working with both entities to make services more efficient. LAFCO could also educate the public about the process.

#### MOTION AND ACTION

Motion: LaHue Second: J. Anderson	To authorize the scope of work, as recommended by staff. Motion carries by a unanimous vote.
--------------------------------------	---

#### CHALLENGE TO INDEMNIFICATION REQUIREMENT OF SAN LUIS OBISPO LAFCO

Mr. McCormick reports that each LAFCO has their own indemnification policies to reduce their costs should LAFCO review an application and it results in litigation. These policies help to shift litigation costs to another party such as an agency or an applicant.

San Luis Obispo LAFCO turned down a sphere amendment and annexation to the City of Pismo Beach and they were sued. LAFCO won, but it cost \$400,000 to defend. It was a development at the edge of town, and the main issue was whether there was enough water to support the development. San Luis Obispo LAFCO is asking for assistance from other LAFCOs. They seem to be losing the issue of getting indemnification from the applicant, particularly since LAFCO acted different than what the applicant was hoping.

The tentative Superior Court decision is long and it is summarized in the agenda packet. It explains why the court is not buying San Luis Obispo LAFCO's argument.

He put together Santa Cruz LAFCO's litigation history. The Commission gets sued once every six years on average. This LAFCO is self-insured for litigation, so there is a litigation reserve. San Luis Obispo has a liability contract with the Special District Risk Management Association (SDRMA). Santa Cruz gets their Workers Comp from SDRMA. It may be wise to get a bid to see if the Commission wants to continue to be self-insured for litigation, or whether the cost of the coverage would be worth it.

Chairperson Leopold says that he supports San Luis Obispo LAFCO, but he understands why Pismo Beach may not want to pay \$400,000.

#### MOTION AND ACTION

Motion: J. Anderson Second: R. Anderson	To authorize staff to cooperate with San Luis Obispo LAFCO. Motion carries with a unanimous voice vote.
--	--

#### STATUS OF PUBLIC ALTERNATE VACANCY

Mr. McCormick reports Cherie Bobbe has resigned as Public Alternate. He has started the notification process and the deadline for applications is December 21<sup>st</sup>. He plans to present the applications to the Commission at the January meeting.

Commissioner Lind asks how the opening is being advertised.

Mr. McCormick answers that ads for a call for applications were placed in the Pajaronian and the Sentinel. It is also be posted on the home page of LAFCO's website. Notices were sent to LAFCO's email and snail mail notice lists. Commissioners typically ask around for people they think would be a good public alternate member.

#### STATUS OF PROPOSALS

Mr. McCormick reports that the Heritage Parks' (Monte Fiore) application will be ready for hearing in January. It is a proposed annexation to the Scotts Valley Water District.

Commissioner Lind asks about Cumbre Lane's application.

Mr. McCormick answers that they need one more action from Scotts Valley's City Council to approve the tax exchange.

#### SUSTAINABLE COMMUNITIES AND LAFCOs

Chairperson Leopold notes that the document provides good information. Pamela Miller, the Executive Director of CALAFCO, put together a history of LAFCO for the Little Hoover Commission and part of that is in this report.

Commissioner Roger Anderson notices several different maps with tracts and blocks. He assumes the tracts are census tracts. He does not know the difference between tracts and blocks.

Mr. McCormick says tracts are bigger. In census language, a census tract might be 4,000 people and a block might be about 500 people. The US Census releases different types of information. More information is available at the tract level.

Commissioner Roger Anderson notices the disadvantaged areas of Santa Cruz City are large. He suspects it is due to the income of UCSC students. He was surprised where the disadvantaged communities are in Santa Cruz.

Mr. McCormick says he includes a chapter on disadvantaged communities in every service review and he accompanies it with a map. It is based upon median household income. Students have a very low median household income, so the university does show up as “disadvantaged”. The technology the State uses is census data.

The next LAFCO meeting is scheduled for 10:00 a.m. on Wednesday, January 9, 2019 (1 week later than usual) at the Capitola City Hall (different location).

---

CHAIRPERSON JOHN LEOPOLD

Attest:

---

Patrick M. McCormick, Executive Officer