

RESOLUTION NO. 2014-19RMD
RESOLUTION OF THE LOCAL AGENCY FORMATION
COMMISSION FOR THE COUNTY OF LOS ANGELES ADOPTING A
MUNICIPAL SERVICE REVIEW (MSR) AND SPHERE OF INFLUENCE (SOI)
UPDATE FOR THE SATIVA COUNTY WATER DISTRICT

WHEREAS, the Cortese-Knox-Hertzberg Local Governmental Reorganization Act of 2000 (California Government Code Section (Section) 56000 et seq) provides that a Local Agency Formation Commission (LAFCO) must adopt Spheres of Influence (SOIs) of each local governmental agency within its jurisdiction (Section 56425(a)) and that it must update, as necessary, each Sphere every five years (Section 56425(g));

WHEREAS, the SOI is the primary planning tool for LAFCO and defines the probable physical boundaries and service area of a local agency as determined by LAFCO;

WHEREAS, Section 56430 requires that in order to prepare and to update Spheres of Influence, the Commission shall conduct a Municipal Service Review prior to or in conjunction with action to update or adopt a Sphere of Influence;

WHEREAS, in December of 2005, in the "Round One" of preparation of MSRs and SOI Updates, staff presented a Draft MSR for the Commission, which included a staff recommendation "that the Commission adopt a zero sphere of influence for the agency [Sativa County Water District] . . . with possible future dissolution of the agency to be considered by the Commission" and noting, further, that the "District has been highly uncooperative in providing staff with any information and has refused to provide any financial accounting statements other than their budget for 2003-2004;"

WHEREAS, the 2005 Draft MSR identified a multitude of deficiencies at the Sativa County Water District, including limited reserves, a "pay-as-you-go approach" for

infrastructure improvements, limited financial resources, the lack of water meters, the location of water mains at the rear of properties, and the lack of a water conservation program, and, noted further that “there may be efficiencies and economies by reorganizing with another service provider;”

WHEREAS, in February of 2006, and based upon additional input and testimony, the Commission did not adopt the staff recommendation and provided the District with additional time to address these deficiencies, and adopted a Coterminous Sphere of Influence (Coterminous SOI) for the District;

WHEREAS, in the “Round Two” of preparation of MSRs and SOI Updates, the Commission has undertaken the MSR and SOI Update for the Sativa County Water District (District);

WHEREAS, the Executive Officer has submitted to the Commission a Draft MSR and SOI Update, prepared by Hogle-Ireland, Inc., a consultant to LAFCO, dated August of 2012, including recommendations relative to any potential changes to the existing SOI for the Sativa County Water District (“Sativa” or “District”);

WHEREAS, the consultant identified numerous operational deficiencies at the District, including concerns about a “pay as you financial approach, the fact that the “[d]istrict does not have the present financial ability to fund major replacements that will be required for an aging system,” and the “District’s management deficiencies [which] have been adequately documented” in the Draft MSR, and further, based upon these concerns, the consultant recommended that the District be consolidated with the Central Basin Municipal Water District;

WHEREAS, many of the deficiencies noted in the 2012 Draft MSR represent issues raised by the Los Angeles County Department of Auditor-Controller in a report issued on August 3, 2005, which specifically identified the “lack of separation of duties over the cash receipts and disbursements function performed by office staff” and the fact that there “are only three office employees, two of whom are related to each other and to the President of the District’s Board of Directors,” and, further, went on to recommend that “the District hire an outside consultant, either an expert bookkeeper or an accountant, to assist the District with its recordkeeping;”

WHEREAS, many of the deficiencies noted in the 2012 Draft MSR represent issues raised by LAFCO staff and its previous outside consultant in the Draft MSR prepared and presented to the Commission in December of 2005;

WHEREAS, many of the deficiencies noted in the 2012 Draft MSR represent issues raised by the District’s independent auditor in his Forensic Audit presented to the District’s Board of Directors on October 1st, 2013;

WHEREAS, the Commission notes serious concerns that many of the continuing deficiencies at the District have been publicly documented and known to the District’s Board of Directors, managers, and staff for several years, and, in some instances, more than a decade;

WHEREAS, in August of 2012, staff transmitted a copy of the Draft MSR to the Santa Clara County Water District, and has considered input from Santa Clara representatives as it prepared the draft MSR and staff report presented to the Commission;

WHEREAS, staff has communicated frequently with District representatives since the release of the Draft MSR in August of 2012, and has analyzed significant

additional documentation submitted by the District, including, but not limited to, several years of financial audits, budget documents, District-adopted policies, and an engineering study prepared for the District;

WHEREAS, LAFCO staff notes that the District has made significant progress over the last two years since the release of the 2012 Draft MSR relative to commissioning and adopting several years of financial audits as well as a forensic audit, rectifying missing payroll deductions, accounting for cash receipts and credit card expenses, ceasing the payment of Christmas bonuses to members of the District's board of directors, addressing conflicts of interest, eliminating extraordinary payments to staff, and creating a District website;

WHEREAS, despite the progress in some areas, the Commission remains concerned that the District has made limited progress in other important areas in terms of creating long-term and emergency plans, establishing reserve funds, producing comprehensive annual budgets, moderating board-member compensation, and hiring a general manager,

WHEREAS, the Commission also remains concerned that the District has made no progress towards installing water meters, establishing reserve funds, adopting appropriate water rates based on periodic water rate analyses, re-locating pipelines, establishing rights-of-way and easement rights for pipelines, adopting water conservation measures, purchasing modern computer systems and hardware, and limiting the use of District-owned vehicles;

WHEREAS, based upon the entirety of the information contained in the public record, staff is recommending that the Commission adopt a Zero Sphere of Influence for

the Santa Clara County Water District;

WHEREAS, given the seriousness of deficiencies at the District, and, in many instances, the fact that these deficiencies have continued, unabated, for years, despite the fact that numerous parties have publicly documented these deficiencies and presented them, in writing, to the District's Board of Directors, managers, and staff;

WHEREAS, the overwhelming majority of customers of the District live in a designated Disadvantaged Unincorporated Community (DUC), wherein the median income of these residents is at or below 80% of the median area income for the State of California;

WHEREAS, during the Commission's deliberation, it was noted by Commissioners that the District's customers have been ill-served by the District's Board of Directors, managers, and staff based upon a record going back to the original 2005 Draft MSR; that the members of the Board of Directors and managers have made poor decisions that are bad for residents and constitute poor representation of the District's customers, in a community which meets the definition of a Disadvantaged Unincorporated Community (DUC) and which is predominantly minority and Spanish-speaking;

WHEREAS, while the Commission did acknowledge the District's progress in some areas, the Commission also noted serious concerns about the District's failure to address many issues identified by LAFCO staff and its consultant, the District's auditor, as well as other outside agencies, including, notably, several issues that were first raised by LAFCO in the MSR prepared for the District in 2005;

WHEREAS, although the Commission expressed a desire to provide the District's board of directors and staff an opportunity to take additional steps to remedy deficiencies over the next 18 months, the Commission nevertheless felt it was important to adopt a Zero Sphere of Influence for the District at this time in the hope that the Board of Directors and staff of the District would seriously address on-going concerns;

WHEREAS, during this 18-month period, the District is requested to provide LAFCO with quarterly updates that identify the District's progress in remedying deficiencies; document any changes to the District's management, staff, and consultants; and identify funding sources for needed infrastructure improvements;

WHEREAS, the Commission felt it was critically important to re-visit the District's progress on a relatively short schedule—no more than 18 months—as opposed to waiting for the next five-year cycle of preparation of MSRs and SOI Updates;

WHEREAS, during the Commission's deliberation, Commissioners noted the importance of sending a message—that the Commission considers the issues raised in the Draft MSR and staff report to be of a very serious matter of public policy for LAFCO—and, further, that these on-going and serious deficiencies at the District now warrant the recommended action by the Commission, which, in this case, is the Commission's adoption of the Zero SOI as recommended by staff, but coupled with a subsequent review in 18 months, significantly shorter than the regular five-year cycle for MSR reviews, as necessary, and quarterly updating to LAFCO by District representatives;

WHEREAS, the staff report for the MSR and SOI Update for the Sativa County Water District contains the determinations required by Section 56425 relative to the Municipal Service Review for the Sativa County Water District, incorporated into

Section 2 of this resolution;

WHEREAS, the staff report for the MSR and SOI Update for the Sativa County Water District contain the determinations required by Section 56430 for the Sphere of Influence Update for the Sativa County Water District, incorporated into Section 3 of this resolution;

WHEREAS, a map of the updated SOI of the Sativa County Water District is attached as Exhibit "A," attached hereto and incorporated by reference herein;

WHEREAS, the Executive Officer, pursuant to Government Code Section 56427, set May 14th, 2014, as the hearing date on this MSR and SOI study proposal, and gave the required notice of public hearing pursuant to Section 56427;

WHEREAS, after being duly and properly noticed, the Commission held a public hearing on the proposal on May 14th, 2014, and at the hearing the Commission heard and received all oral and written protests, objections, and evidence which were made, presented, or filed, and all persons present were given an opportunity to hear and be heard with respect to this proposal and the report of the Executive Officer;

WHEREAS, for the Sativa County Water District, and pursuant to Section 56425(d)(5), the Commission has considered the impacts of the proposed MSR and SOI Update relative to Disadvantaged Unincorporated Communities (DUCs) that are within or adjacent to the Sativa County Water District's SOI;

WHEREAS, based upon staff review and the feasibility of governmental reorganization identified in Section 56425(h), staff is recommending that any such reorganization will not further the goals of orderly development and affordable service

delivery, and therefore does not recommend reorganization of the Sativa County Water District at this time;

WHEREAS, the proposed action consists of the adoption of the MSR and Update of an SOI for the Sativa County Water District; and

WHEREAS, the preparation and adoption of the MSR is statutorily exempt from the provisions of the California Environmental Quality Act (CEQA), as MSRs are feasibility and planning studies for possible future actions that have not been approved, adopted, or funded, pursuant to State CEQA Guidelines Section 15262; and

WHEREAS, as set forth in State CEQA Guidelines section 15061, approval of the SOI Update is not subject to the California Environmental Quality Act (CEQA) because it can be seen with certainty that there is no possibility that the Sphere of Influence Update will have a significant effect on the environment; additionally, in that the staff is recommending that the Commission adopt an SOI for the Sativa County Water District that is less than the existing SOI, these recommendations are not a project for purposes of CEQA because they are organizational activities of governments with no direct nor indirect effects on the physical environment, pursuant to Section 15378 of the State CEQA Guidelines.

NOW, THEREFORE, BE IT RESOLVED as follows:

1. The recommended actions are exempt from CEQA as set out herein.
2. The Commission adopts the following written determinations, as required pursuant to Government Code Section 56425, and as stated in the staff report, relative to the Municipal Service Review for the Sativa County Water District:

- A. Growth and population projections for the affected area. The District's service area is primarily built out with an estimated population of 6,320 persons and 1,631 active service connections, and 12 vacant lots. There are no plans for future redevelopment within the service area, and the existing population of 6,320 persons is not anticipated to increase or decrease significantly over the next 20 years.
- B. The location and characteristics of any Disadvantaged Unincorporated Communities (DUCs) within or contiguous to the Sphere of Influence. Three small areas, along and within the southwesterly and southerly boundaries of the District, are located within the City of Compton; collectively, these areas represent a very small portion of the territory within Sativa's boundaries. Most of the territory within the boundaries of the Sativa County Water District is within County unincorporated territory. All of this unincorporated territory—more or less bound by Mona Boulevard on the East, Oris Street on the south, Paulsen Avenue on the west, and Wayside Street/130th Street on the north—is a DUC. The area, which is less than one-third of a square mile in size, is almost entirely single-family residential homes, with some multi-family residential (primarily duplex units), and a handful of non-residential uses. Streets tend to be somewhat narrow with a significant amount of on-street parking. The area is bisected in a north-south direction by the Metro Blue Line near Willowbrook Avenue, and the Alameda Corridor is just outside the district's eastern boundary. The DUC within Sativa continues to the north of Sativa, and is also predominantly residential in nature, with the exception of commercial/retail uses along El Segundo Boulevard.
- C. 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 DUCs within or contiguous to the Sphere of Influence. The District is currently able to meet its water demands through a combination of three active ground water wells and purchasing leased water. The District also has an emergency water interconnection with the City of Compton. The District, formed in 1938, has an aging infrastructure that will require costly improvements over time. The District has done a poor job of planning for future infrastructure needs, including the installation of water meters, relocation of water lines to the front of properties, and construction of a replacement water well to increase water supply and pressure.
- D. Financial ability of agencies to provide services. The District operates on a "pay as you go" approach, and has failed to conduct any meaningful long-term planning efforts. Funds have not been set aside

for improvements to an aging infrastructure, the District's rate structure is inconsistent with the rates charged by surrounding service providers, and the District has yet to develop a strategic plan to continue to provide service in the future.

- E. Status of, and opportunities for shared facilities. In 2007 the District installed an emergency connection (a 4" one-way water line) to the Compton Municipal Water Department, to be utilized in the event that the District had an interruption of its water supply. As far as LAFCO staff is aware, the emergency connection has never been utilized. A contract with the City of Compton, dated March 19, 2007, enables Compton to supply water to Sativa in an emergency. There do not appear to be any additional opportunities for shared facilities with other service providers in the vicinity of the District.
- F. Accountability for community service needs, including governmental structure and operational efficiencies. In some respects, the District is accountable to the community it serves: members of the Board of Directors live in the community, the District maintains an office that is available to the public during normal business hours, and staff maintains customer complaint logs which document incoming complaints and their resolution. In most other respects, the District does a poor job of conveying information to the public: failure to adopt and follow annual budgets, failure to commission financial audits prepared and made available to the public in a timely manner, and a website that is woefully lacking in concrete, substantive information that would be useful to the general public.
- G. Any other matter related to effective or efficient service delivery, as required by Commission policy. Many of the issues raised herein—lack of water meters, location of water lines, no adopted annual budgets, little or no apparent comprehensive long-term planning—go back several years. Some of these issues have been brought the District's attention by outside parties (LAFCO and others). The District's Board of Directors and employees have been slow to implement necessary changes or have ignored these issues altogether.

3. The Commission adopts the following written determinations, required pursuant to Government Code Section 56430, and approves the Sphere of Influence Update for the Sativa County Water District:

- A. The present and planned land uses in the area, including agricultural and open-space lands. The present and planned land uses are predominantly

low-density residential uses. There are no agricultural and open space uses within the boundaries of the District.

- B. The present and probable need for public facilities and services in the area. Residents within the boundaries of the Sativa County Water District will continue to need water service indefinitely.
 - C. The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide. The District is currently able to meet its water demands through a combination of three active ground water wells and purchasing leased water. The District also has an emergency water interconnection with the City of Compton. The District, formed in 1938, has an aging infrastructure that will require costly improvements over time. The District has done a poor job of planning for future infrastructure needs, including the installation of water meters, relocation of water lines to the front of properties, and construction of a replacement water well to increase water supply and pressure.
 - 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. Given the very small size of the area—less than one third of a square mile—there are no social or economic communities of interest that are relevant to the agency.
 - E. The present and probable need for sewers, municipal and industrial water, or structural fire protection services and facilities of any DUC within the existing Sphere of Influence. Sativa has an existing Coterminous SOI, which means that the boundaries of the District and its SOI are the same. Most of the territory within the boundaries of the District is within County unincorporated territory. All of this unincorporated territory—more or less bound by Mona Boulevard on the East, Oris Street on the south, Paulsen Avenue on the west, and Wayside Street/130th Street on the north—is a Disadvantaged Unincorporated Community, or DUC. Residents within Sativa's boundary will continue to need sewer, water, and structural fire protection indefinitely.
4. Based upon the recommendations in the staff report, and all other information contained in the public record, relative to the feasibility of governmental reorganization identified in Section 56425(h), the Commission hereby determines that any such reorganization will not further the goals of orderly

development and affordable service delivery, and therefore does not recommend reorganization of the Sativa County Water District at this time;

5. The Commission hereby adopts a Zero Sphere of Influence for the Sativa County Water District, pursuant to and consistent with the recommendations contained in the staff report.
6. The District is requested to provide written reports to LAFCO, at a minimum of every three months, for the next 18 months, addressing the District's progress resolving issues raised in the Draft MSR and staff report, and, further, identifying any changes in the composition of the District's Board of Directors, management, staff, consultants, and/or legal counsel; the schedule for quarterly reports shall be determined by the Executive Officer in coordination with District representatives.
7. The Executive Officer's staff report and recommendations for adoption of the MSR and adoption of an SOI Update for the Sativa County Water District are hereby incorporated by reference and adopted.
8. The Executive Officer is hereby directed to add the words "Zero SOI Adopted May 14, 2014" to the official LAFCO SOI map for the Sativa County Water District.
9. The Executive Officer is hereby authorized and directed to mail copies of this resolution as provided in Section 56882 of the Government Code.
10. The Executive Officer is directed to agendize for the Commission a review of the Sativa County Water District no later than 18 months from the effective date of this determination.

PASSED AND ADOPTED this 11th day of June 2014.

MOTION: KNABE (ALT. FOR MOLINA)
SECOND: SPENCE
AYES: CLOSE, DEAR, FINLAY, KNABE (ALT. FOR MOLINA),
McCALLUM, RUZICKA (ALT. FOR GLADBACH),
SPENCE, YAROSLAVSKY
NOES: NONE
ABSTAIN: NONE
ABSENT: LaBONGE, MOLINA, GLADBACH
MOTION PASSES: 8/0/0



PAUL A. NOVAK, Executive Officer