



Local Agency Formation Commission
for the County of Los Angeles

Commission

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Chair

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Donald L. Dear
Margaret Finlay
Tom LaBonge
Gloria Molina
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David Spence
Zev Yaroslavsky

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Lori Brogin
Don Knabe
Paul Krekorian
Gerard McCallum
Judith Mitchell
Joseph Ruzicka

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NOTE ALTERNATE ROOM LOCATION

**LOCAL AGENCY FORMATION COMMISSION
MEETING AGENDA**

Wednesday, May 14, 2014
9:00 a.m.

Room 374-A

Kenneth Hahn Hall of Administration
500 West Temple Street, Los Angeles 90012

A person with a disability may contact the LAFCO office at (626) 204-6500 at least 72 hours before the scheduled meeting to request receipt of an agenda in an alternative format or to request disability-related accommodations, including auxiliary aids or services, in order to participate in the public meeting. Later requests will be accommodated to the extent feasible.

The entire agenda package and any meeting related writings or documents provided to a majority of the Commissioners after distribution of the agenda package, unless exempt from disclosure pursuant to California Law, are available at the LAFCO office and at www.lalafco.org.

1. **CALL MEETING TO ORDER**
2. **PLEDGE OF ALLEGIANCE WILL BE LED BY CHAIRMAN GLADBACH**
3. **DISCLOSURE OF CAMPAIGN CONTRIBUTION(S)**
4. **SWEARING-IN OF SPEAKER(S)**
5. **INFORMATION ITEM(S) – GOVERNMENT CODE § 56751 & 56857
NOTICE**

None

6. CONSENT ITEM(S)

All matters are approved by one motion unless held by a Commissioner or member(s) of the public for discussion or separate action.

- a. Annexation No. 734 to Los Angeles County Sanitation District No. 21 and California Environmental Quality Act exemption.
- b. Annexation No. 1064 to Santa Clarita Valley Sanitation District of Los Angeles County and California Environmental Quality Act exemption.
- c. Approve Minutes of April 9, 2014.
- d. Operating Account Check Register for the month of April 2014.
- e. Receive and file update on pending applications.

7. PUBLIC HEARING(S)

- a. Reorganization No. 2012-02 (14-415) to Los Angeles County Sanitation District No. 14. (Amendment to the Los Angeles County Sanitation District No. 14 and Los Angeles County Sanitation District No. 20 Spheres of Influence, Detachment from Los Angeles County Sanitation District No. 20, and Annexation to Los Angeles County Sanitation District No. 14 and Mitigated Negative Declaration.
- b. Municipal Service Review (MSR) and Sphere of Influence (SOI) Update for the Santa Clara County Water District.
- c. Fiscal Year 2014-15 Final Budget.

8. PROTEST HEARING(S)

- a. Annexation No. 1062 to Santa Clarita Valley Sanitation District of Los Angeles County and California Environmental Quality Act exemption.
- b. Annexation No. 82 to Los Angeles County Sanitation District No. 20 and Mitigated Negative Declaration.
- c. Annexation No. 2011-07 (2008-02) to the City of Palmdale and Mitigated Negative Declaration.

9. OTHER ITEMS

- a. Presentation to Commissioner Henri Pellissier
- b. Public Member Vacancy

10. COMMISSIONERS' REPORT

Commissioners' questions for staff, announcements of upcoming events and opportunity for Commissioners to briefly report on their LAFCO-related activities since last meeting.

11. EXECUTIVE OFFICER'S REPORT

Executive Officer's announcement of upcoming events and brief report on activities of the Executive Officer since the last meeting.

12. PUBLIC COMMENT

This is the opportunity for members of the public to address the Commission on items not on the posted agenda, provided that the subject matter is within the jurisdiction of the Commission. Speakers are reminded of the three-minute time limitation.

13. FUTURE MEETINGS

June 11, 2014

July 9, 2014

August 13, 2014

September 10, 2014

14. FUTURE AGENDA ITEMS

Items not on the posted agenda which, if requested, will be referred to staff or placed on a future agenda for discussion and action by the Commission.

15. ADJOURNMENT MOTION

Staff Report

May 14, 2014

Agenda Item No. 6.a.

Annexation No. 734 to Los Angeles County Sanitation District No. 21

PROPOSAL SUMMARY:

Size of Affected Territory:	1.376± acres
Inhabited/Uninhabited:	Uninhabited
Applicant:	Los Angeles County Sanitation District No. 21.
Resolution or Petition:	October 24, 2012
Application Filed with LAFCO:	November 8, 2012
Location:	The affected territory is located on the northwest corner of Padua Avenue and Miramar Drive.
City/County:	City of Claremont
Affected Territory:	The affected territory consists of one single-family home located within a residential area. The topography is flat.
Surrounding Territory:	Surrounding territory is residential.
Landowner(s):	Terris & Joan Wolff
Registered Voters:	2 registered voters as of February 27, 2014
Purpose/Background:	For the District to provide off-site sewage disposal service.
Related Jurisdictional Changes:	There are no related jurisdictional changes.
Within SOI:	Yes
Waiver of Notice/Hearing/Protest:	Yes

CEQA Clearance:

The proposal is categorically exempt from the provisions of the California Environmental Quality Act (CEQA) pursuant to State CEQA Guidelines Section 15319(a) because the annexation consists of areas containing existing structures developed to the density allowed by the current zoning. The categorical exemption was adopted by Los Angeles County Sanitation District No. 21, as lead agency, on October 24, 2012.

Additional Information:

None

FACTORS TO BE CONSIDERED PURSUANT TO GOVERNMENT CODE 56668:

a. Population:

The existing population is 3 residents as of November 1, 2012. The population density is 2.18 persons per acre.

The estimated future population is 3 residents.

The affected territory is 1.376+/- acres. The existing land use consists of one single-family home.

The assessed valuation is \$358,856 as of April 1, 2014. The per capita assessed valuation is \$119,618.67. On February 19, 2013, the County adopted a negotiated tax exchange resolution; all other involved public agencies have adopted a property tax transfer resolution.

The topography of the affected territory is flat.

The San Antonia Wash is located 2,000 feet to the East of the Annexation. The Padua Drain is to the south of the annexation.

The affected territory is surrounded by populated areas on all sides. The affected territory is likely to experience no growth in the next ten years. The adjacent areas are likely to experience no growth in the next ten years.

b. Governmental Services and Controls:

The affected territory consists of one single-family home which requires organized governmental services. The affected territory will require governmental services indefinitely.

The present cost and adequacy of governmental services and controls in the area are acceptable. With respect to sanitary sewage disposal, other than service provided by the District, the only alternative is private septic systems. The cost of sewage disposal by the District versus the cost by septic system is subject to multiple factors and varies widely. Service by the District is considered to be more reliable than septic systems. Service by the District is environmentally superior in terms of wastewater treatment, effluent discharge, and impacts on surface water bodies and groundwater.

c. Proposed Action and Alternative Actions:

The proposed action will have no effect on mutual social and economic interests. The proposal has no impact on the local governmental structure of the County.

The only alternate action for sewage disposal is a private septic system. Service by the District is considered to be more reliable than septic systems. Service by the District is environmentally superior in terms of wastewater treatment, effluent discharge, and impacts on surface water bodies and groundwater.

d. *Conformity with Commission Policies on Urban Development and Open Space Conversion Policies:*

There are no conformance issues because the Commission has not adopted any policies relative to providing planned, orderly, efficient patterns of urban development.

There is no prime agricultural land within or adjacent to the affected territory. The proposal conforms with the objectives in Government Code Sections 56377(a) and 56377(b).

e. *Agricultural Lands:*

There are no effects on agricultural lands. None of the land within the affected territory is currently used for the purpose of producing an agricultural commodity for commercial purposes. According to the California Department of Conservation, Division of Land Resource Protection, none of the land within the affected territory is subject to a Land Conservation Act (aka "Williamson Act") contract nor in a Farmland Security Zone (California Land Conservation Act 2012 Status Report).

f. *Boundaries:*

The boundaries of the affected territory have been clearly defined by the applicant, and these boundaries have been reviewed and approved by LAFCO's GIS/Mapping Technician.

The boundaries conform to lines of assessment or ownership, and these boundaries have been reviewed and approved by LAFCO's GIS/Mapping Technician.

As a special district annexation, the proposal has no impact on existing city-county boundaries, nor does it create islands or corridors of unincorporated territory.

g. *Consistency with Plans:*

The proposal has no significant impact upon, and is therefore consistent with, the Regional Transportation Plan.

The proposal is consistent with the existing City's General Plan designation of Residential 2.

The affected territory is not within the boundaries of any Specific Plan.

Pre-zoning is not a requirement for a special district proposal.

h. *Sphere of Influence:*

The affected territory is within the Sphere of Influence of the Los Angeles County Sanitation District No. 21.

i. *Comments from Public Agencies:*

Staff did not receive any significant comments from public agencies.

j. Ability to Provide Services:

The affected territory is already being serviced by the District. The area was included in the future service area that might be served by the District. The District's future wastewater management needs were addressed in the Joint Outfall System 2010 Master Facilities Plan.

k. Timely Availability of Water Supplies:

There are no known issues regarding water supply or delivery.

l. Regional Housing:

As a special district annexation, the proposal will not affect any city, nor the county, in achieving their respective fair shares of the regional housing needs as determined by the Southern California Association of Governments (SCAG).

m. Comments from Landowners, Voters, or Residents:

Staff did not receive any significant comments from landowners, voters, or residents.

n. Land Use Designations

The proposal is consistent with the existing City's General Plan designation of Residential 2.

The proposal is consistent with the existing City's zoning designation of Rural Residential.

o. Environmental Justice:

All of the owners of real property within the affected territory have requested, in writing, that the District provide off-site sewage disposal service. Property-owners in adjacent areas did not request such service, and/or were contacted by Sanitation District staff and were not interested in securing such service or did not respond. The proposal promotes environmental justice, in that there is fair treatment of people of all races, cultures, and incomes with respect to the location of public facilities and the provision of public services.

There are no Disadvantaged Unincorporated Communities (DUCs) within or adjacent to the affected territory.

CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA) CLEARANCE:

The proposal is categorically exempt from the provisions of the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Section 15319(a) because the annexation consists of areas containing existing structures developed to the density allowed by the current zoning. The categorical exemption was adopted by Los Angeles County Sanitation District No. 21, as lead agency, on October 24, 2012.

DETERMINATIONS WITHOUT NOTICE AND HEARING, AND WAIVER OF PROTEST PROCEEDINGS:

Pursuant to Government Code Section 56662(a), the Commission may make determinations upon the proposed annexation without notice and hearing and may waive protest hearings for the reasons set forth herein. The territory is uninhabited. To date, no affected local agency has submitted a written demand for notice and hearing during the 10-day period referenced in Government Code Section 56662(c). Furthermore, the proposal was accompanied by satisfactory proof that all of the landowners within the affected territory have given their written consent to the proposed annexation. Based thereon, the Commission may make determinations on the proposed annexation without notice and hearing, and the Commission may waive protest proceedings.

CONCLUSION:

Staff recommends approval of the proposal as a logical and reasonable extension of the Los Angeles County Sanitation District No. 21, which will be for the interest of present and/or future inhabitants within the district and the annexation territory.

Recommended Action:

1. Adopt the Resolution Making Determinations Approving and Ordering Annexation No. 734 to Los Angeles County Sanitation District No. 21.

**RESOLUTION NO. 2014-00RMD
RESOLUTION OF THE LOCAL AGENCY FORMATION
COMMISSION FOR THE COUNTY OF LOS ANGELES
MAKING DETERMINATIONS APPROVING AND ORDERING
"ANNEXATION NO. 734 TO LOS ANGELES COUNTY
SANITATION DISTRICT NO 21"**

WHEREAS, the Los Angeles County Sanitation District No. 21 (District) adopted a resolution of application to initiate proceedings, which was submitted to the Local Agency Formation Commission for the County of Los Angeles (Commission), pursuant to Division 3, Title 5, of the California Government Code (commencing with section 56650, the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000), for annexation of territory herein described to the District, all within the City of Claremont; and

WHEREAS, the proposed annexation consists of approximately 1.376± acres of uninhabited territory and is assigned the following distinctive short-form designation: "Annexation No. 734 to the Los Angeles County Sanitation District No. 21"; and

WHEREAS, a description of the boundaries and map of the proposal are set forth in Exhibits "A" and "B", attached hereto and by this reference incorporated herein; and

WHEREAS, the principal reason for the proposed annexation is for the District to provide off-site sewage disposal to one existing single-family home; and

WHEREAS, the Executive Officer has reviewed the proposal and submitted to the Commission a written report, including his recommendations therein; and

WHEREAS, the Commission has determined that the Proposal meets all of the criteria for the Commission to make a determination without notice and hearing and waive protest proceedings entirely, pursuant to Government Code Section 56662; and

WHEREAS, the Executive Officer set the item for consideration for May 14, 2014 at 9:00 a.m., at the Los Angeles County Board of Supervisors Hearing Room, Kenneth Hahn Hall of Administration Room 381-B, located at 500 West Temple Street, Los Angeles, California, 90012; and

WHEREAS, on May 14, 2014, this Commission considered the Proposal and the report of the Executive Officer.

NOW, THEREFORE, BE IT RESOLVED as follows:

1. Pursuant to Government Code Section 56662(a), the Commission hereby finds and determines that:
 - a. The territory encompassed by the annexation is uninhabited; and
 - b. Pursuant to Government Code Sections 56658(b)(1) and 56662(c), the Executive Officer has given the required mailed notice to each affected agency of the application to initiate proceedings for the proposed annexation, and no affected local agency has submitted a written demand for notice and hearing during the 10-day period following the notice; and
 - c. The annexation was accompanied by satisfactory proof that all owners of land within the affected territory have given their written consent to the proposal.Based thereon, pursuant to Government Code Section 56662 (a), the Commission may, and hereby does, make determinations on the proposal without notice and hearing, and the Commission may, and hereby does, waive protest proceedings entirely.

2. The Commission finds that this annexation is categorically exempt from the provisions of the California Environmental Quality Act (CEQA) pursuant to State CEQA Guidelines Section 15319(a), because it consists of areas containing existing structures developed to the density allowed by the current zoning.
3. A description of the boundaries and map of the proposal, as approved by this Commission, are set forth in Exhibits "A" and "B", attached hereto and by this reference incorporated herein.
4. The affected territory consists of 1.376± acres, is uninhabited, and is assigned the following short form designation:

"Annexation No. 734 to Los Angeles County Sanitation District No. 21".
5. Annexation No. 734 to Los Angeles County Sanitation District No. 21 is hereby approved, subject to the following terms and conditions:
 - a. The District agrees to defend, hold harmless and indemnify LAFCO and/or its agents, officers and employees from any claim, action or proceeding against LAFCO and/or its agents, officers and employees to attack, set aside, void or annul the approval of LAFCO concerning this proposal or any action relating to or arising out of such approval.
 - b. The effective date of the annexation shall be the date of recordation.
 - c. Payment of Registrar-Recorder/County Clerk and State Board of Equalization fees.

- d. The territory so annexed shall be subject to the payment of such service charges, assessments or taxes as may be legally imposed by the District.
 - e. The regular County assessment roll shall be utilized by the District.
 - f. The affected territory will be taxed for any existing general indebtedness, if any, of the District.
 - g. Annexation of the affected territory described in Exhibits "A" and "B" to the District.
 - h. Except to the extent in conflict with "a" through "g", above, the general terms and conditions contained in Chapter 2 of Part 5, Division 3, Title 5 of the California Government Code (commencing with Government Code Section 57325) shall apply to this annexation.
6. The Commission hereby orders the uninhabited territory described in Exhibits "A" and "B" annexed to Los Angeles County Sanitation District No. 21.
7. The Executive Officer is directed to transmit a copy of this resolution to the District, upon the District's payment of the applicable fees required by Government Code Section 54902.5 and prepare, execute and file a certificate of completion with the appropriate public agencies, pursuant to Government Code Section 57200, *et seq.*

Resolution No. 2014-00RMD

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PASSED AND ADOPTED this 14th day of May 2014.

MOTION:

SECOND:

AYES:

NOES:

ABSTAIN:

ABSENT:

MOTION PASSES: 0/0/0

**LOCAL AGENCY FORMATION COMMISSION
FOR THE COUNTY OF LOS ANGELES**

**Paul A. Novak, AICP
Executive Officer**




APN: 8671 010 038


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
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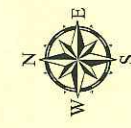
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 CSD Annexation 21-734

 Los Angeles County Sanitation District No. 21

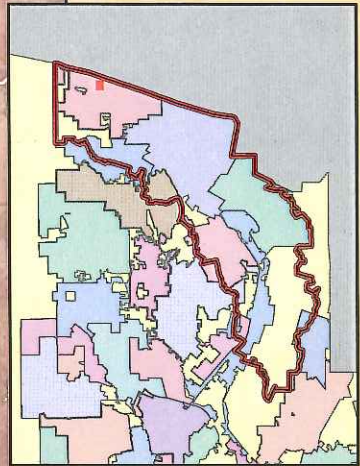
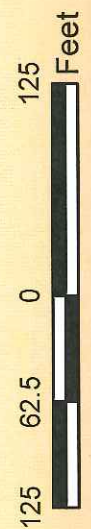
 City of Claremont

 Sphere of Influence, CSD 21



LAFCO
 Local Agency Formation Commission
 for the County of Los Angeles

Annexation No. 734 to County Sanitation District No. 21



Staff Report

May 14, 2014

Agenda Item No. 6.b.

Annexation No. 1064 to Santa Clarita Valley Sanitation District of Los Angeles County

PROPOSAL SUMMARY:

Size of Affected Territory:	2.660± acres
Inhabited/Uninhabited:	Uninhabited
Applicant:	Santa Clarita Valley Sanitation District of Los Angeles County
Resolution or Petition:	November 14, 2012
Application Filed with LAFCO:	November 29, 2012
Location:	The affected territory is located on Sand Canyon Road at its intersection with Mandalay Road.
City/County:	City of Santa Clarita.
Affected Territory:	The territory consists of one single-family home. The topography is flat.
Surrounding Territory:	Surrounding territory is residential
Landowner(s):	Mohammad & Linda Hafizi
Registered Voters:	2 registered voters as of February 27, 2014
Purpose/Background:	For the District to provide off-site sewage disposal service.
Related Jurisdictional Changes:	There are no related jurisdictional changes.
Within SOI:	Yes
Waiver of Notice/Hearing/Protest:	Yes

CEQA Clearance:

The proposal is categorically exempt from the provisions of the California Environmental Quality Act (CEQA) pursuant to State CEQA Guidelines Section 15319(a) because the annexation consists of areas containing existing structures developed to the density allowed by the current zoning. The categorical exemption was adopted by Santa Clarita Valley Sanitation District of Los Angeles County, as lead agency, on November 14, 2012.

Additional Information:

None

FACTORS TO BE CONSIDERED PURSUANT TO GOVERNMENT CODE 56668:

a. Population:

The existing population is 3 residents as of November 16, 2012. The population density is 1.13 persons per acre.

The estimated future population is 3 residents.

The affected territory is 2.660+/- acres. The existing land use consists of one single-family home.

The assessed valuation is \$397,200.00 as of April 3, 2014. The per capita assessed valuation is \$132,400.00. On February 19, 2013, the County adopted a negotiated tax exchange resolution; all other involved public agencies have adopted a property tax transfer resolution.

The topography of the affected territory is flat.

There are no natural boundaries. There are no drainage basins on or near the affected territory

The affected territory is surrounded by populated areas on all sides. The affected territory is likely to experience no growth in the next ten years. The adjacent areas are likely to experience no growth in the next ten years.

b. Governmental Services and Controls:

The affected territory includes one single-family home which requires organized governmental services. The affected territory will require governmental services indefinitely.

The present cost and adequacy of governmental services and controls in the area are acceptable. With respect to sanitary sewage disposal, other than service provided by the District, the only alternative is private septic systems. The cost of sewage disposal by the District versus the cost by septic system is subject to multiple factors and varies widely. Service by the District is considered to be more reliable than septic systems. Service by the District is environmentally superior in terms of wastewater treatment, effluent discharge, and impacts on surface water bodies and groundwater.

c. Proposed Action and Alternative Actions:

The proposed action will have no effect on mutual social and economic interests. The proposal has no impact on the local governmental structure of the County.

The only alternate action for sewage disposal is a private septic system. Service by the District is considered to be more reliable than septic systems. Service by the District is environmentally superior in terms of wastewater treatment, effluent discharge, and impacts on surface water bodies and groundwater.

d. *Conformity with Commission Policies on Urban Development and Open Space Conversion Policies:*

There are no conformance issues because the Commission has not adopted any policies relative to providing planned, orderly, efficient patterns of urban development.

There is no prime agricultural land within or adjacent to the affected territory. The proposal conforms with the objectives in Government Code Sections 56377(a) and 56377(b).

e. *Agricultural Lands:*

There are no effects on agricultural lands. None of the land within the affected territory is currently used for the purpose of producing an agricultural commodity for commercial purposes. According to the California Department of Conservation, Division of Land Resource Protection, none of the land within the affected territory is subject to a Land Conservation Act (aka "Williamson Act") contract nor in a Farmland Security Zone (California Land Conservation Act 2012 Status Report).

f. *Boundaries:*

The boundaries of the affected territory have been clearly defined by the applicant, and these boundaries have been reviewed and approved by LAFCO's GIS/Mapping Technician.

The boundaries conform to lines of assessment or ownership, and these boundaries have been reviewed and approved by LAFCO's GIS/Mapping Technician.

As a special district annexation, the proposal has no impact on existing city-county boundaries, nor does it create islands or corridors of unincorporated territory.

g. *Consistency with Plans:*

The proposal has no significant impact upon, and is therefore consistent with, the Regional Transportation Plan.

The proposal is consistent with the existing City's General Plan designation of Residential Estate-2.

The affected territory is not within the boundaries of any Specific Plan.

Pre-zoning is not a requirement for a special district proposal.

h. *Sphere of Influence:*

The affected territory is within the Sphere of Influence of the Santa Clarita Valley Sanitation District of Los Angeles County.

i. *Comments from Public Agencies:*

Staff did not receive any significant comments from public agencies or any resolutions raising objections from any affected agency.

j. Ability to Provide Services:

The affected territory is already being serviced by the District. The area was included in the future service area that might be served by the District. The District's future wastewater management needs were addressed in the 2015 Santa Clarita Valley Joint Sewerage System Facilities Plan and EIR.

k. Timely Availability of Water Supplies:

There are no known issues regarding water supply or delivery.

l. Regional Housing:

As a special district annexation, the proposal will not affect any city, nor the county, in achieving their respective fair shares of the regional housing needs as determined by the Southern California Association of Governments (SCAG).

m. Comments from Landowners, Voters, or Residents:

Staff did not receive any significant comments from landowners, voters, or residents.

n. Land Use Designations

The proposal is consistent with the existing City's General Plan designation of Residential Estate-2.

The proposal is consistent with the existing City's zoning designation of Residential Estate-2.

o. Environmental Justice:

All of the owners of real property within the affected territory have requested, in writing, that the District provide off-site sewage disposal service. Property-owners of adjacent areas did not request such service, and/or were contacted by Sanitation District staff and were not interested in securing such service or did not respond. The proposal promotes environmental justice, in that there is fair treatment of people of all races, cultures, and incomes with respect to the location of public facilities and the provision of public services.

There are no Disadvantaged Unincorporated Communities (DUCs) within or adjacent to the affected territory.

CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA) CLEARANCE:

The proposal is categorically exempt from the provisions of the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Section 15319(a) because the annexation consists of areas containing existing structures developed to the density allowed by the current zoning. The categorical exemption was adopted by Santa Clarita Valley Sanitation District of Los Angeles County on November 14, 2012.

DETERMINATION WITHOUT NOTICE AND HEARING, AND WAIVER OF PROTEST PROCEEDINGS:

Pursuant to Government Code Section 56662(a), the Commission may make determinations upon the proposed annexation without notice and hearing and may waive protest hearings for the reasons set forth herein. The territory is uninhabited. To date, no affected local agency has submitted a written demand for notice and hearing during the 10-day period referenced in Government Code Section 56662(c). Furthermore, the proposal was accompanied by satisfactory proof that all the landowners within the affected territory have given their written consent to the proposed annexation. Based thereon, the Commission may make determinations on the proposed annexation without notice and hearing, and the Commission may waive protest proceedings.

CONCLUSION:

Staff recommends approval of the proposal as a logical and reasonable extension of the Santa Clarita Valley Sanitation District of Los Angeles County which will be for the interest of landowners or present and/or future inhabitants within the district and within the annexation territory.

Recommended Action:

1. Adopt the Resolution Making Determinations Approving and Ordering Annexation No. 1064 to Santa Clarita Valley Sanitation District of Los Angeles County.

**RESOLUTION NO. 2014-00RMD
RESOLUTION OF THE LOCAL AGENCY FORMATION
COMMISSION FOR THE COUNTY OF LOS ANGELES
MAKING DETERMINATIONS APPROVING AND ORDERING
"ANNEXATION NO. 1064 TO SANTA CLARITA VALLEY SANITATION DISTRICT
OF LOS ANGELES COUNTY"**

WHEREAS, the Santa Clarita Valley Sanitation District of Los Angeles County (District) adopted a resolution of application to initiate proceedings, which was submitted to the Local Agency Formation Commission for the County of Los Angeles (Commission), pursuant to Division 3, Title 5, of the California Government Code (commencing with section 56000, the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000), for annexation of territory herein described to the District, all within the City of Santa Clarita; and

WHEREAS, the proposed annexation consists of approximately 2.660± acres of uninhabited territory and is assigned the following distinctive short-form designation: "Annexation No. 1064 to Santa Clarita Valley Sanitation District of Los Angeles County"; and

WHEREAS, a description of the boundaries and map of the proposal are set forth in Exhibits "A" and "B", attached hereto and by this reference incorporated herein; and

WHEREAS, the principal reason for the proposed annexation is for the District to provide offsite sewage disposal for one existing single-family home; and

WHEREAS, the Executive Officer has reviewed the proposal and submitted to the Commission a written report, including his recommendations therein; and

WHEREAS, the Commission has determined that the Proposal meets all of the criteria for the Commission to make a determination without notice and hearing and waive protest proceedings entirely, pursuant to Government Code Section 56662; and

WHEREAS, the Executive Officer set the item for consideration for May 14, 2014 at 9:00 a.m., at the Los Angeles County Board of Supervisors Hearing Room, Kenneth Hahn Hall of Administration Room 381-B, located at 500 West Temple Street, Los Angeles, California, 90012; and

WHEREAS, on May 14, 2014, this Commission considered the Proposal and the report of the Executive Officer.

NOW, THEREFORE, BE IT RESOLVED as follows:

1. Pursuant to Government Code Section 56662(a), the Commission hereby finds and determines that:
 - a. The territory encompassed by the annexation is uninhabited; and
 - b. Pursuant to Government Code Sections 56658(b)(1) and 56662(c), the Executive Officer has given the required mailed notice to each affected agency of the application to initiate proceedings for the proposed annexation, and no affected local agency has submitted a written demand for notice and hearing during the 10-day period following the notice; and
 - c. The annexation was accompanied by satisfactory proof that all owners of land within the affected territory have given their written consent to the proposal.

Based thereon, pursuant to Government Code Section 56662(a), the Commission may, and hereby does, make determinations on the proposal without notice and hearing, and the Commission may, and hereby does, waive protest proceedings entirely.

2. The Commission finds that this annexation is categorically exempt from the provisions of the California Environmental Quality Act (CEQA) pursuant to State CEQA Guidelines Section 15319(a) because the annexation consists of areas containing existing structures developed to the density allowed by the current zoning.
3. A description of the boundaries and map of the proposal, as approved by this Commission, are set forth in Exhibits "A" and "B", attached hereto and by this reference incorporated herein.
4. The affected territory consists of 2.660± acres, is uninhabited, and is assigned the following short form designation:

"Annexation No. 1064 to Santa Clarita Valley Sanitation District of Los Angeles County".
5. Annexation No. 1064 to Santa Clarita Valley Sanitation District of Los Angeles County is hereby approved, subject to the following terms and conditions:
 - a. The District agrees to defend, hold harmless and indemnify LAFCO and/or its agents, officers and employees from any claim, action or proceeding against LAFCO and/or its agents, officers and employees to attack, set aside, void or annul the approval of LAFCO concerning this proposal or any action relating to or arising out of such approval.
 - b. The effective date of the annexation shall be the date of recordation.
 - c. Payment of Registrar-Recorder/County Clerk and State Board of Equalization fees.

- d. The territory so annexed shall be subject to the payment of such service charges, assessments or taxes as may be legally imposed by the District.
 - e. The regular County assessment roll shall be utilized by the District.
 - f. The affected territory will be taxed for any existing general indebtedness, if any, of the District.
 - g. Annexation of the affected territory described in Exhibits "A" and "B" to the District.
 - h. Except to the extent in conflict with "a" through "g", above, the general terms and conditions contained in Chapter 2 of Part 5, Division 3, Title 5 of the California Government Code (commencing with Government Code Section 57325) shall apply to this annexation.
6. The Commission hereby orders the uninhabited territory described in Exhibits "A" and "B" annexed to the District.
7. The Executive Officer is directed to transmit a copy of this resolution to the District, upon the District's payment of the applicable fees required by Government Code Section 54902.5 and prepare, execute and file a certificate of completion with the appropriate public agencies, pursuant to Government Code Section 57200, *et seq.*

Resolution No. 2014-00RMD

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PASSED AND ADOPTED this 14th day of May 2014.

MOTION:

SECOND:

AYES:

NOES:

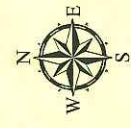
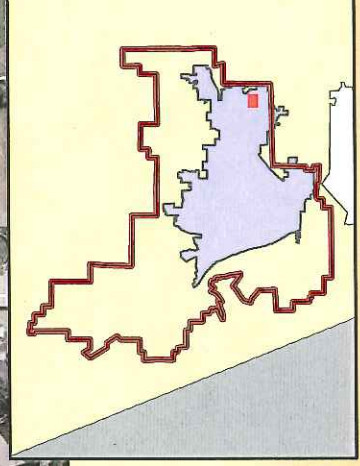
ABSTAIN:

ABSENT:

MOTION PASSES: 0/0/0

**LOCAL AGENCY FORMATION COMMISSION
FOR THE COUNTY OF LOS ANGELES**





**Paul A. Novak, AICP
Executive Officer**

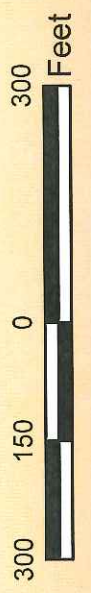


LAFCO
 Local Agency Formation Commission
 for the County of Los Angeles

Annexation No. 1064 to the Santa Clarita Valley Sanitation District of Los Angeles County

Legend

- | | |
|---|--|
|  | CSD Annexation SCV-1064 |
|  | City of Santa Clarita |
|  | Santa Clarita Valley Sanitation District of Los Angeles County |
|  | Sphere of Influence, CSD SCV |



LAFCO

Local Agency Formation Commission
for the County of Los Angeles

 **DRAFT**

Commission

Jerry Gladbach
Chair

Richard H. Close
Donald L. Dear
Margaret Finlay
Tom LaBonge
Gloria Molina
Henri F. Pellissier
David Spence
Zev Yaroslavsky

Alternates

Lori Brogin
Don Knabe
Paul Krekorian
Gerard McCallum
Judith Mitchell
Joseph Ruzicka

Staff

Paul A. Novak, AICP
Executive Officer

June D. Savala
Deputy
Executive Officer

Amber De La Torre
Doug Dorado
Michael Henderson
Alisha O'Brien
Patricia Wood

80 South Lake Avenue
Suite 870
Pasadena, CA 91101
Phone: 626-204-6500
Fax: 626-204-6507

www.lalafco.org

MINUTES OF THE LOCAL AGENCY FORMATION COMMISSION

FOR THE COUNTY OF LOS ANGELES

April 9, 2014

Present:

Jerry Gladbach, Chair

Richard H. Close
Donald L. Dear
Margaret Finlay
Tom LaBonge
Gloria Molina
Henri F. Pellissier
Zev Yaroslavsky

Lori Brogin-Falley, Alternate
Don Knabe, Alternate
Gerard McCallum, Alternate
Judith Mitchell, Alternate
Joe Ruzicka, Alternate

Paul A. Novak, AICP; Executive Officer
Helen Parker, Legal Counsel

Absent:

David Spence

Paul Krekorian, Alternate

1 CALL MEETING TO ORDER

The meeting was called to order at 9:00 a.m. in Room 381-B of the County Hall of Administration.

2 PLEDGE OF ALLEGIANCE

The Pledge of Allegiance was led by Chair Jerry Gladbach.

3 DISCLOSURE OF CAMPAIGN CONTRIBUTION(S)

The Executive Officer (E.O.) read an announcement, asking that persons who made a contribution of more than \$250 to any member of the Commission during the past twelve (12) months to rise and state for the record the Commissioner to whom such contributions were made and the item of their involvement (None).

4 SWEARING-IN OF SPEAKER(S)

The Executive Officer swore in one member of the audience who planned to testify.

5 INFORMATION ITEM(S) – GOVERNMENT CODE § 56751 & 56857 NOTICE

(None.)

6 CONSENT ITEM(S) – OTHER

The Commission took the following actions under Consent Items:

- a. Adopted the Resolution Making Determinations Approving and Ordering Annexation No. 1061 to Santa Clarita Valley Sanitation District of Los Angeles County, Resolution No. 2014-12RMD.
- b. Adopted the Resolution Making Determinations Approving and Ordering Annexation No. 1063 to Santa Clarita Valley Sanitation District of Los Angeles County, Resolution No. 2014-13RMD.
- c. Approved Minutes of March 12, 2014.
- d. Approved Operating Account Check Register for the month of March 2014.
- e. Received and filed update on pending applications.

MOTION: KNABE (ALT. FOR MOLINA)
SECOND: DEAR
AYES: CLOSE, DEAR, FINLAY, KNABE (ALT. FOR MOLINA),
MITCHELL (ALT. FOR SPENCE), PELLISSIER, GLADBACH
ABSTAIN: NONE
ABSENT: LaBONGE, MOLINA, SPENCE, YAROSLAVSKY
MOTION PASSES: 7/0/0

7 PUBLIC HEARING(S)

The following item was called up for consideration:

- a. Annexation No. 2011-07 (2008-02) to the City of Palmdale.

The public hearing was opened to receive testimony.

John Horn, a resident who resides within the affected territory, testified that he supports the annexation.

The Commission took the following action:

- Approved Annexation No. 2011-07 (2008-02) to the City of Palmdale, Resolution No. 2014-14RMD.
- Pursuant to Government Code Section 57002, set May 14, 2014 at 9:00 a.m., as the date and time for Commission protest proceedings.

MOTION: FINLAY
SECOND: PELLISSIER
AYES: CLOSE, DEAR, FINLAY, KNABE (ALT. FOR YAROSLAVSKY),
MITCHELL (ALT. FOR SPENCE), PELLISSIER, GLADBACH
NOES: NONE
ABSTAIN: NONE
ABSENT: LaBONGE, MOLINA, SPENCE, YAROSLAVSKY
MOTION PASSES: 7/0/0

[Supervisor Molina arrived at 9:06 a.m.]

[Commissioner LaBonge arrived at 9:07 a.m.]

7 PUBLIC HEARING(S)

The following item was called up for consideration:

- b. Annexation No. 1062 to Santa Clarita Valley Sanitation District of Los Angeles County.

The public hearing was opened to receive testimony. There being no testimony, the public hearing was closed.

The Commission took the following action:

- Approved Annexation No. 1062 to Santa Clarita Valley Sanitation District of Los Angeles County, Resolution No. 2014-15RMD.
- Pursuant to Government Code Section 57002, set May 14, 2014 at 9:00 a.m., as the date and time for Commission protest proceedings.

MOTION: PELLISSIER
SECOND: FINLAY
AYES: CLOSE, DEAR, FINLAY, KNABE (ALT. FOR YAROSLAVSKY),
LaBONGE, MITCHELL (ALT. FOR SPENCE), MOLINA,
PELLISSIER, GLADBACH

NOES: NONE
ABSTAIN: NONE
ABSENT: SPENCE, YAROSLAVSKY
MOTION PASSES: 9/0/0

7 PUBLIC HEARING(S)

The following item was called up for consideration:

c. Fiscal Year 2014-15 Proposed Budget.

The public hearing was opened to receive testimony. There being no testimony, the public hearing was closed.

The Commission took the following action:

- Approved the Proposed Budget for Fiscal Year 2014-15.
- Pursuant to Government Code Section 56381, directed staff to forward the Proposed Budget to the County of Los Angeles, and the 88 cities and 53 independent special districts in Los Angeles County for their comments.
- Set May 14, 2014 at 9:00 a.m., as the date and time for the hearing on adoption of the Final Budget for Fiscal Year 2014-15.

MOTION: PELLISSIER
SECOND: DEAR
AYES: CLOSE, DEAR, FINLAY, KNABE (ALT. FOR YAROSLAVSKY),
LaBONGE, MITCHELL (ALT. FOR SPENCE), MOLINA,
PELLISSIER, GLADBACH
NOES: NONE
ABSTAIN: NONE
ABSENT: SPENCE, YAROSLAVSKY
MOTION PASSES: 9/0/0

Chair Gladbach commended the E.O. and staff for keeping budgetary expenses low. The E.O. thanked Chair Gladbach.

8 PROTEST HEARING(S)

(None.)

9 OTHER ITEMS

The following item was called up for consideration:

- a. Support for AB 2762 (Assembly Committee on Local Government Omnibus Bill).

The Commission took the following action:

- Authorized the Chair to send a letter to the Assembly Local Government Committee, and to the Legislature and Governor, if necessary, in support of AB 2762.

MOTION:	DEAR
SECOND:	FINLAY
AYES:	CLOSE, DEAR, FINLAY, KNABE (ALT. FOR YAROSLAVSKY), LaBONGE, MITCHELL (ALT. FOR SPENCE), MOLINA, PELLISSIER, GLADBACH
NOES:	NONE
ABSTAIN:	NONE
ABSENT:	SPENCE, YAROSLAVSKY
MOTION PASSES:	9/0/0

[Supervisor Yaroslavsky arrived at 9:12 a.m.]

10 COMMISSIONER'S REPORT

After serving as a LAFCO Public Member for more than 30 years, Commissioner Pellissier announced that he and his wife will relocate to Davis, California, to be closer to their children. Commissioner Pellissier stated that next month's meeting will be his last and that he will miss the LAFCO family dearly.

Chair Gladbach stated that Commissioner Pellissier will be missed by his colleagues and staff.

Commissioner Yaroslavsky requested that the record reflect his support for the items on the Consent Calendar (6).

11 EXECUTIVE OFFICER'S REPORT

The E.O. thanked all Commissioners for providing a copy of their FPPC Annual Filings for 2013.

The E.O. reminded Commissioners and staff that next month's meeting will be held in Room 374-A.

12 PUBLIC COMMENT

(None).

13 FUTURE MEETINGS

May 14, 2014 (Room 374-A)
June 11, 2014
July 9, 2014
August 13, 2014

14 FUTURE AGENDA ITEMS

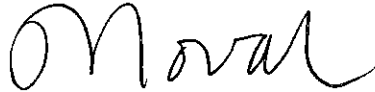
(None).

Minutes
April 9, 2014
Page 6

15 ADJOURNMENT MOTION

On motion of Commissioner Dear, seconded by Commissioner Pellissier, the meeting was adjourned at 9:18 a.m.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Novak", with a stylized, cursive script.

Paul A. Novak, AICP
Executive Officer

L: minutes 2014\04-09-14

3:17 PM

05/01/14

Accrual Basis

LAFCO 03 REGISTER REPORT April 2014

Type	Date	Num	Name	Memo	Amount	Balance
10000 Cash Unrestricted						
10003 Operating Account						
Bill Pmt -Check	4/3/2014	7071	Accountemps	Cust#00490-001923000, ...	-112.28	-112.28
Bill Pmt -Check	4/3/2014	7072	Daily Journal	Cust#1124120362	-12.25	-124.53
Bill Pmt -Check	4/3/2014	7073	LACERA	Larry J. Calamine, March ...	-540.39	-664.92
Bill Pmt -Check	4/3/2014	7074	Los Angeles County ...	Annexation No. 2014-01, ...	-140.00	-804.92
Bill Pmt -Check	4/3/2014	7075	Office Depot*	Acct#32368442	-95.59	-900.51
Bill Pmt -Check	4/3/2014	7076	Patricia Knoebl-Wood*	Reimbursement: Office su...	-19.93	-920.44
Bill Pmt -Check	4/3/2014	7077	Western Graphix	PO#Wood	-17.35	-937.79
General Jour...	4/3/2014	JE714	Los Angeles County ...	Ck #6533-STOP PYMT IS...	75.00	-862.79
Deposit	4/8/2014			Deposit	42.53	-820.26
Bill Pmt -Check	4/14/2014	7078	Accountemps	Cust#00490-001923000, ...	-112.28	-932.54
Bill Pmt -Check	4/14/2014	7079	Certified Records Ma...	Cust#00271, 04/01/14-04/...	-243.04	-1,175.58
Bill Pmt -Check	4/14/2014	7080	CoreLogic	Acct#200-694038-RR6574...	-28.92	-1,204.50
Bill Pmt -Check	4/14/2014	7081	Daily Journal	Cust#1124120362	-20.00	-1,224.50
Bill Pmt -Check	4/14/2014	7082	LA County	Acct#9731, January-Marc...	-15.00	-1,239.50
Bill Pmt -Check	4/14/2014	7083	Office Depot*	Acct#32368442	-90.58	-1,330.08
Bill Pmt -Check	4/14/2014	7084	Ricoh Americas Corp	036-0027688-000	-1,566.39	-2,896.47
Check	4/15/2014	DM	Ambar De La Torre	Salary, April 15, 2014	-1,659.36	-4,555.83
Check	4/15/2014	DM	Douglass Dorado	Salary, April 15, 2014	-2,462.05	-7,017.88
Check	4/15/2014	DM	Michael E. Henderson	Salary, April 15, 2014	-1,937.46	-8,955.34
Check	4/15/2014	DM	Patricia Knoebl-Wood	Salary, April 15, 2014	-1,258.43	-10,213.77
Check	4/15/2014	DM	Paul Novak	Salary, April 15, 2014	-4,178.76	-14,392.53
Check	4/15/2014	DM	Alisha O'Brien	Salary, April 15, 2014	-1,844.62	-16,237.15
Check	4/15/2014	DM	June D. Savala	Salary, April 15, 2014	-3,720.81	-19,957.96
Check	4/15/2014	DM	Federal Tax Deposit	Payroll, April 15, 2014	-4,266.73	-24,224.69
Check	4/15/2014	DM	State Income Tax	Payroll, April 15, 2014	-1,040.99	-25,265.68
Deposit	4/16/2014			Deposit	8,000.00	-17,265.68
Bill Pmt -Check	4/17/2014	7085	Accountemps	Cust#00490-001923000, ...	-112.28	-17,377.96
Bill Pmt -Check	4/17/2014	7086	Daily Journal		-42.50	-17,420.46
Bill Pmt -Check	4/17/2014	7087	FedEx*	Acct#1244-7035-8	-15.07	-17,435.53
Bill Pmt -Check	4/17/2014	7088	Mail Finance	Lease# N07061692D, 12-...	-126.42	-17,561.95
Bill Pmt -Check	4/17/2014	7089	Miller & Owen	LA945, Special Counsel-3...	-766.50	-18,328.45
Bill Pmt -Check	4/17/2014	7090	Patricia Knoebl-Wood*	Reimbursement	-6.59	-18,335.04
Bill Pmt -Check	4/17/2014	7091	Printing and Copy St...	Letterhead	-206.01	-18,541.05
Bill Pmt -Check	4/17/2014	7092	Robert Half Internatio...	Cust#00490-001923000, ...	-297.50	-18,838.55
Bill Pmt -Check	4/17/2014	7093	TelePacific Communi...	Acct#120143, 04/09/14-05...	-555.13	-19,393.68
Bill Pmt -Check	4/17/2014	7094	Thomas Denton Engr...	Sign	-132.77	-19,526.45
Bill Pmt -Check	4/17/2014	7095	Tropical Interior Plants	Service: March 2014	-100.00	-19,626.45
Check	4/18/2014	4352...	ADP	EZ Labor Manager- April 2...	-52.50	-19,678.95
Bill Pmt -Check	4/28/2014	7096	Accountemps	Cust#00490-001923000, ...	-112.28	-19,791.23
Bill Pmt -Check	4/28/2014	7097	ATT	Acct#990566760, 03/10/1...	-339.32	-20,130.55
Bill Pmt -Check	4/28/2014	7098	Bank of America*		-473.45	-20,604.00
Bill Pmt -Check	4/28/2014	7099	CTS Glendale		-2,344.65	-22,948.65
Bill Pmt -Check	4/28/2014	7100	Daily Journal		-84.25	-23,032.90
Bill Pmt -Check	4/28/2014	7101	Dell Marketing L.P.*		-5,407.52	-28,440.42
Bill Pmt -Check	4/28/2014	7102	LA County Chief Ad...	Cust#C000766, January 2...	-204.31	-28,644.73
Bill Pmt -Check	4/28/2014	7103	MetLife*	Policy#211130483, J. Sav...	-345.33	-28,990.06
Bill Pmt -Check	4/28/2014	7104	Motor Parks		-915.00	-29,905.06
Bill Pmt -Check	4/28/2014	7105	Neofunds	Acct#7900 0445 2259 129...	-500.00	-30,405.06
Bill Pmt -Check	4/28/2014	7106	Office Depot*		-101.09	-30,506.15
Check	4/30/2014	DM	Ambar De La Torre	Salary, April 30, 2014	-1,659.36	-32,165.51
Check	4/30/2014	DM	Douglass Dorado	Salary, April 30, 2014	-2,462.05	-34,627.56
Check	4/30/2014	DM	Michael E. Henderson	Salary, April 30, 2014	-1,937.46	-36,565.02
Check	4/30/2014	DM	Patricia Knoebl-Wood	Salary, April 30, 2014	-1,258.43	-37,823.45
Check	4/30/2014	DM	Paul Novak	Salary, April 30, 2014	-4,178.77	-42,002.22
Check	4/30/2014	DM	Alisha O'Brien	Salary, April 30, 2014	-1,844.62	-43,846.84
Check	4/30/2014	DM	June D. Savala	Salary, April 30, 2014	-3,720.81	-47,567.65
Check	4/30/2014	DM	Federal Tax Deposit	Payroll, April 30, 2014	-4,266.72	-51,834.37
Check	4/30/2014	DM	State Income Tax	Payroll, April 30, 2014	-1,040.99	-52,875.36
Check	4/30/2014	8923...	Lori W. Brogin	Stipend, April 1-30, 2014	-147.82	-53,023.18
Check	4/30/2014	8923...	Richard Close	Stipend, April 1-30, 2014	-147.82	-53,171.00
Check	4/30/2014	DM	Donald L. Dear	Stipend, April 1-30, 2014	-147.83	-53,318.83
Check	4/30/2014	8923...	Margaret E. Finlay	Stipend, April 1-30, 2014	-147.83	-53,466.66
Check	4/30/2014	8923...	Edward G. Gladbach	Stipend, April 1-30, 2014	-147.82	-53,614.48
Check	4/30/2014	8923...	Donald Knabe	Stipend, April 1-30, 2014	-147.83	-53,762.31

Type	Date	Num	Name	Memo	Amount	Balance
Check	4/30/2014	DM	Thomas J LaBonge	Stipend, April 1-30, 2014	-147.82	-53,910.13
Check	4/30/2014	DM	Gerard McCallum II	Stipend, April 1-30, 2014	-147.83	-54,057.96
Check	4/30/2014	8923...	Judith Mitchell	Stipend, April 1-30, 2014	-147.82	-54,205.78
Check	4/30/2014	8923...	Gloria Molina	Stipend, April 1-30, 2014	-147.83	-54,353.61
Check	4/30/2014	8923...	Henri F. Pellissier	Stipend, April 1-30, 2014	-147.82	-54,501.43
Check	4/30/2014	DM	Joseph Ruzicka*	Stipend, April 1-30, 2014	-147.82	-54,649.25
Check	4/30/2014	8923...	Zev Yaroslavsky	Stipend, April 1-30, 2014	-147.83	-54,797.08
Check	4/30/2014	DM	Federal Tax Deposit	Payroll, April 1-30, 2014	-56.62	-54,853.70
Total 10003 Operating Account					-54,853.70	-54,853.70
Total 10000 Cash Unrestricted					-54,853.70	-54,853.70
TOTAL					-54,853.70	-54,853.70

**AGENDA ITEM NO. 6e - May 14, 2014
PENDING APPLICATIONS AS OF May 5, 2014**

		LAFCO Designation	Applicant	Description	Status	Date Filed	Est. Date of Completion
1	DD	Annexation No. 2007-04 City of Industry	City of Industry	Annexation of 14.8 acres to the City of Industry. The subject territory consists principally of a street right-of-way along Valley Blvd., between Morningside Drive and the City of Industry and City of Pomona boundary line.	The City and County have been involved in ongoing negotiations. There has been no agreement to date 7-29-12 Troy Helling indicated the City Engineer wants to move forward. Working with Industry, Pomona, and County to amend application	1/4/2007	Unknown
2	AAO	Annexation No. 2003-08(40-23/4-103) to Los Angeles County Waterworks District No. 40	LA County Waterworks District 40	Annex 19.69 acres of land located at the NE corner of Ave N and 55th St W in the City of Palmdale. 43 single family homes have been constructed.	Received tax transfer reso on 09/18/12. Map & Legal pending review.	11/4/2003	Unknown
3	AAO	Annexation 2006-12 to Los Angeles County Waterworks District No. 40	Land Resource Investors	Annex 20 acres of vacant land located at the northeast corner of Avenue J and 37th Street East, City of Lancaster. Will be developed into 80 single family homes.	Missing "will serve" letter. Pending tax transfer resolution.	5/15/2006	Unknown
4	AAO	Annexation No. 2006-46 to Los Angeles County Waterworks District No. 40	New Anaverde, LLC	Annex 1.567 acres of vacant land located near Lake Elizabeth Road and Avenue S in the city of Palmdale. Will be developed into 313 single family home.	Missing "will serve" letter. Pending tax transfer resolution.	10/5/2006	Unknown
5	AAO	Annexation No. 2011-17 (2006-50) to Los Angeles County Waterworks District No. 40	Behrooz Haverim/Kamyar Lashgari	Annex 20.62 acres of vacant land located south of Avenue H between 42nd Street West and 45th Street West in the City of Lancaster. To be developed into single family homes	Missing "will serve" letter. Pending tax transfer resolution.	12/1/2006	Unknown
6	AAO	Annexation No. 2007-18 to Los Angeles County Waterworks District No. 40	Michael Roach/ LACWD	Annex 130.29 acres of inhabited located between Avenue K & K-8 and between 30th and 35th Streets East, in the City of Lancaster.	District has been serving area since 90's. Have tax resolution. Deemed Categorical Exemption. Map & Legal pending review.	8/10/2007	Unknown
7	AAO	Annexation No. 2007- 29 to Quartz Hill Water District - SOI amendment	Kimberly Juday	Annex 5.08 acres of vacant land located at NEC of Avenue L-12 & 37th Street West, in the City of Lancaster. Future development of 7 single family homes	Applicant working on CEQA with city, pending approval of tax resolution, in redevelopment area.	1/4/2008	Unknown
8	AAO	Annexation 2008-13 to Los Angeles County Waterworks District No. 40	Lancaster School Dist	Annex 20.47 acres of vacant land located 2 miles west of the Antelope Valley frw. And the nearest paved major streets are ave. H. And Ave. I, in the City of Lancaster. For future construction of a school.	Pending approval of tax resolution. Missing "will serve" letter. Sent email to M.Roach re: status of tax resolution 12/17/12.	9/22/2008	Unknown
9	AAO	Annexation No. 2008-09 to Los Angeles County Waterworks District No. 37	Watt Enterprises LTD	Annex 272 Acres vacant land located on Escondido Canyon Road (area B) and Hubbard Road (area A) Angeles Forest Highway and Vincent Road	Missing CEQA. Missing "will serve" letter. Sent email to M. Roach re: status of tax resolution 12/31/13.	12/5/2008	Unknown

		LAFCO Designation	Applicant	Description	Status	Date Filed	Est. Date of Completion
10	AAO	Reorganization 2009-16 to County Waterworks District No. 29	M.H.A.B. Trust/ Water works Dist. 29	Detach 56 acres of uninhabited territory from Las Virgenes Municipal Water District and annex same said territory to Los Angeles County Waterworks District No. 29 and West Basin Municipal Water District. The project includes future construction of 5 homes. The project site is located north of Palm Canyon Lane between Cross Creek Road and Serra Road, in unincorporated county territory, adjacent to Malibu.	Missing "will serve" letter. Pending approval of tax resolution.	12/28/2009	Unknown
11	AAO	Reorganization 2010-04 Los Angeles County Waterworks District No. 29	Malitex Partners, LLC	Detach 88 acres of vacant land from the Las Virgenes Municipal Water District and annex same said territory to Los Angeles County Waterworks District No. 29 and West Basin Municipal Water District. The project includes future construction of three homes and dedicates open space. The project site is located north of Pacific Coast Highway at the end of Murphy Way, in the unincorporated area adjacent to Malibu.	Missing "will serve" letter. Received Tax Resolution 12-29-11. Regional Planning is working on Draft EIR 04/29/14.	6/9/2010	Unknown
12	DD	City of Palmdale Annexation 2010-05	City of Palmdale	49.6 acres located adjacent to residential properties to the southwest, southeast, and separated by the Amargosa Creek to the north.	Pending approval of tax resolution	10/25/2010	Unknown
13	DD	City of Palmdale Annexation 2011-07 (2008-02)	City of Palmdale	20 acres of uninhabited land east of 11th Street West, between Avenue O-4 and Avenue N-12, in the unincorporated area adjacent to the City of Palmdale.	May agenda.	4/13/2011	May-2014
14	AAO	Reorganization 2011-16 (Tesoro del Valle)	NCWD/CLWA	801.53 acres regional access is provided via Interstate 5 (1-5) for north/south travelers from the east, and State Route 126 (SR-126) for travelers from the west. The existing local thoroughfare that provides access to the proposed area is Copper Hill Drive, which can be accessed directly from Tesoro del Valle Drive or Avenida Rancho Tesoro.	Pending approval of tax resolution. NCWD/CLWA are still in negotiations. No agreement yet. 09/19/12	5/5/2011	Unknown
15	DD	City of Los Angeles Annexation 2011-27	Forestar Group	685 acres of uninhabited territory located east of Browns Canyon Road and northwest of Mason Ave, in the unincorporated area just north of the City of Los Angeles.	Received incomplete application 12-8-11, received more 2-13-12, sent out notice 2-15-12, City of LA is working on CEQA	12/8/2011	Unknown
16	DD	City of Carson Annexation 2011-25 (Rancho Dominguez)	City of Carson	1,710 acres located south of the 91 Freeway, west of the 710 Freeway, north of Del Amo Blvd., and east of Wilmington Ave.	New application.	12/27/2011	Unknown
17	DD	City of Palmdale Annexation 2011-19	City of Palmdale	405 acres of uninhabited territory located between Palmdale Blvd and Ave S and 80th and 85th Street East.	Sent out Notice 3-22-12, pending approval of tax resolution.	3/8/2012	Unknown
18	AD	Annexation 82 District No. 20	Sanitation Districts	240.860 acres located at the Southwest corner of Avenue S and 70th Street East, all within the City of Palmdale. (H)	May Agenda (Protest)	6/7/2012	May-2014
19	AD	Santa Clarita Valley Sanitation District of Los Angeles County Annexation No. 1062	Sanitation Districts	1,394 Acres located on Oak Avenue approximately 200 feet north of Soledad Canyon Road, all within the City of Santa Clarita. (C)	May Agenda (Protest)	9/24/2012	May-2014
20	AD	Annexation 14-415 (reorg 2012-02)	Sanitation Districts	15,298 Acres located at the intersection of Rancho Vista Boulevard/ Avenue P and 25th Street West, all within the City of Palmdale. (H)	May Agenda	10/30/2012	Jul-2014
21	AD	Annexation 21 District No. 734	Sanitation Districts	1,376 acres located on the NW corner of Padua Ave and Miramar Dr, all within the City of Claremont. (C)	May Agenda	11/8/2012	Jun-2014
22	AD	Santa Clarita Valley Sanitation District of Los Angeles County Annexation No. 1064	Sanitation Districts	266 acres located on Sand Canyon Rd at intersection with Mandalay Rd, in City of Santa Clarita. (C)	May Agenda	11/29/2012	Jun-2014
23	AD	Annexation 2 District No. 1	Sanitation Districts	0.0152 acres located on 93rd street approximately 200 feet East of Broadway in the City of Los Angeles. (H)	June Agenda	11/29/2012	Jul-2014

		LAFCO Designation	Applicant	Description	Status	Date Filed	Est. Date of Completion
24	AAO	Annexation 2012-19 Walnut Valley Water District	Walnut Valley Water District	550.52 acres: Northwestern portion of City of Walnut, Recently developed hillside surrounded by housing developments to the North and East, fronted by Amar Rd on the South and an existing closed landfill on the West.	Pending approval of tax resolution	1/3/2013	Unknown
25	AD	Annexation 417 District No. 22	Sanitation Districts	1.158 acres located on Via Romales approximately 200 feet south of Camino Del Sur, all within the city of San Dimas. (H)	June Agenda	1/9/2013	Jul-2014
26	AAO	Annexation 2012-10 County Waterworks District No. 40	LA County Waterworks District 40	The area is bordered on the North, South and West by existing residential tracts comprised of single family residences. Directly to the east is a corridor of vacant land.	Pending approval of tax resolution	1/31/2013	Unknown
26	AAO	Annexation 2012-12 County Waterworks District No. 40	LA County Waterworks District 40	The proposed annexation areas consists of residential tracts of single family homes, are bordered by other residential tracts and by vacant land.	Pending approval of tax resolution	1/31/2013	Unknown
27	AAO	Annexation 2012-13 County Waterworks District No. 37	LA County Waterworks District 37	The proposed annexation areas consists of residential tracts of single family homes on large lots, are bordered by other residential tracts and by vacant land.	Pending approval of tax resolution	1/31/2013	Unknown
28	AAO	Annexation 2012-01 County Waterworks District No. 40 (Antelope Valley Christian Ctr)	LA County Waterworks District 40	Southwest corner of 30th St. East and Avenue K-8, APN 3170-008-001. Also known as the North 1/2 of the Southeast 1/4 of Section 30, Township 7 North, Range 11 West, San Bernardino Meridian.	Pending approval of tax resolution	2/20/2013	Unknown
29	AD	Annexation 418 District No. 22	Sanitation Districts	Located on Hicrest Road approximately 200 feet North of Yucca Ridge Road, all within the City of Glendora. (C)	June Agenda	3/11/2013	Jul-2014
30	AAO	Reorganization No. 2013-01 to Newhall County Water District (Castaic High School)	Newhall County Water District	Detach from Los Angeles County Waterworks District No. 36, Val Verde and annex to Newhall County Water District. Located at the northwest corner of Romero Canyon Road and Canyon Hill Road, in the unincorporated community of Castaic.	Pending approval of tax resolution	4/3/2013	Unknown
31	AD	Annexation 736 District No. 21	Sanitation Districts	475.28 acres located on Stephens Ranch Road north of the intersection with Golden Hills Road, all within unincorporated Los Angeles County. (H)	Pending	4/15/2013	Unknown
32	AD	Annexation 737 District No. 21	Sanitation Districts	1.491 acres has two parcels. Parcel 1 is located on the northeast corner of Moraine Avenue and Lamonte Street, Parcel 2 is located at the terminus of Moraine Avenue, all within the City of Claremont. (C)	Pending	5/16/2013	unknown
33	DD	City of Santa Clarita Annexation 2013-03 (North Saugus)	City of Santa Clarita	The application involves approximately 826.23 acres of uninhabited, unincorporated territory. The subject territory is generally located north of Copperhill Drive, and adjacent to Blue Cloud Road with a portion of the site within the Angeles National Forest.	Pending approval of tax resolution	5/7/2013	unknown
34	DD	Reorganization No. 2013-04 City of Rolling Hills	City of Rolling Hills	The application involves approximately .54 acres of uninhabited territory. The subject territory is generally located at the intersection of Silver Spur Road and Crenshaw Blvd in the City of Rolling Hills.	Sent out notice 6-27-13, pending approval of tax resolution.	6/26/2013	unknown
35	AD	Santa Clarita Valley Sanitation District of Los Angeles County Annexation No. 1066	Sanitation Districts	197.956 Acres located south of Harp Canyon Road at the east and west sides of Romero Canyon Road, all within unincorporated area of Los Angeles County. (C)	Pending	7/3/2013	Unknown
36	AD	Santa Clarita Valley Sanitation District of Los Angeles County Annexation No. 1036	Sanitation Districts	7.392 acres has two parcels. Parcel 1 is on Sand Canyon Road at its intersection with Comet Way, Parcel 2 is located on Sand Canyon Road approximately 400 feet south of Comet Way, all within the City of Santa Clarita. (C)	Pending	7/3/2013	Unknown
37	AD	Santa Clarita Valley Sanitation District of Los Angeles County Annexation No. 1058	Sanitation Districts	3.043 acres located on Sand Canyon Road approximately 400 feet north of Comet Way, all within the City of Santa Clarita. (C)	Pending	7/3/2013	Unknown

		LAFCO Designation	Applicant	Description	Status	Date Filed	Est. Date of Completion
38	AD	Annexation 738 District No. 21	Sanitation Districts	4.035 acres located at the southwest intersection of Baseline Road and Monte Vista Avenue, all within the City of Claremont. (H)	Pending	7/9/2013	Unknown
39	DD	Annexation No. 2013-05 to the City of Covina	City Ventures	.07 acres located west of Citrus Ave, between Covina Blvd. and Cypress Ave, adjacent to the City of Covina.	received tax resolution 10-23-13, application missing; revised application, plan for municipal services, resolution to initiate application, pre-zoning, CEQA, map of limiting addresses, list of limiting addresses	7/8/2013	Unknown
40	DD	Annexation No. 2013-06 to the City of Los Angeles (Jordan Downs)	City of Los Angeles	41.72 acres located along Alameda St between East 97th Street and East 103rd Street, adjacent to the City of Los Angeles.	Sent out notice 9-3-13	8/28/2013	Unknown
41	AD	Santa Clarita Valley Sanitation District of Los Angeles County Annexation No. 1065	Sanitation Districts	5.539 acres located at the northwest corner of Magic Mountain Parkway and Bouquet Canyon Road, all within the City of Santa Clarita.	Pending	11/5/2013	Unknown
42	AD	Annexation 293 to District No. 15	Sanitation Districts	0.650 acres located on Highland Oaks Drive approximately 500 feet southeast of its intersection with Highland vista Drive, all within the City of Arcadia.	Pending	11/5/2013	Unknown
43	AD	Annexation 739 to District No. 21	Sanitation Districts	27.050 acres located west of the extended Wheeler Avenue between Arrow Highway and Puddingstone Drive, all within the City of La Verne.	Pending	11/5/2013	Unknown
44	AD	Santa Clarita Valley Sanitation District of Los Angeles County Annexation No. 1067	Sanitation Districts	1.998 acres located on Newhall Avenue at its intersection with Valle Del Oro, all within the City of Santa Clarita.	Pending	2/6/2014	Unknown
45	DD	Reorganization No. 2014-01	Universal Studios LLC,	Annex and detach approximately 32 acres of uninhabited territory to and from the City of Los Angeles. The project site is located northeast of the intersection of Lankershim Blvd. and Us 101 Hollywood Freeway, in and adjacent to Los Angeles County unincorporated territory of Universal City.	Sent out notice 2-20-14	2/18/2014	Unknown
46	AD	Santa Clarita Valley Sanitation District of Los Angeles County Annexation No. 1070	Sanitation Districts	12.24 acres located approximately 1,000 feet west of Whites Canyon Road and approximately 500 feet south of Sidani Lane, all within unincorporated Los Angeles County.	Pending	3/3/2014	Unknown
47	DD	Annexation 2014-04 to the City of Calabasas	City of Calabasas	annex approximately 43.31± acres of uninhabited territory to the City of Calabasas. The affected territory is generally located along Agoura Road between Liberty Canyon Road and Malibu Hills Road, in Los Angeles County unincorporated territory adjacent to the City of Agoura Hills and Calabasas.	sent out Notice of Filing march 20, 2014	3/18/2014	Unknown
48	AAO	Annexation No. 2014-02 to Greater Los Angeles County Vector Control District	Greater Los Angeles County Vector Control District	Annex the entire City of La Canada Flintridge (approx. 5,440 ± acres) into the Greater Los Angeles County Vector Control District.	Sent out Notice of Filing on April 22, 2014	4/16/2014	Unknown

Staff Report

May 14, 2014

Agenda Item No. 7.a.

**Reorganization No. 2012-02 (14-415) to Los Angeles County Sanitation District No. 14
(Amendments to the Los Angeles County Sanitation District No.14 and
Los Angeles County Sanitation District No. 20 Spheres of Influence (SOI),
Detachment from Los Angeles County Sanitation District No. 20, and
Annexation to Los Angeles County Sanitation District No. 14)**

PROPOSAL SUMMARY:

Size of Affected Territory:	15.298± acres
Inhabited/Uninhabited:	Uninhabited
Applicant:	Los Angeles County Sanitation District No. 14.
Resolution or Petition:	October 18, 2012
Application Filed with LAFCO:	October 30, 2012
Location:	The affected territory is located at the intersection of Rancho Vista Boulevard/Avenue P and 25 th Street West.
City/County:	City of Palmdale
Affected Territory:	The territory consists of vacant land and is located within a residential area. The territory is being developed to include a proposed multipurpose church sanctuary and an elementary school as an accessory use. The topography is flat.
Surrounding Territory:	Surrounding territory is residential
Landowner(s):	First United Methodist Church of Palmdale
Registered Voters:	0 registered voters as of February 28, 2014
Purpose/Background:	For the District to provide off-site sewage disposal service.
Related Jurisdictional Changes:	Amendments to the Los Angeles County Sanitation District No.14 and Los Angeles County Sanitation District No. 20

Sphere of Influence (SOI), Detachment from Los Angeles County Sanitation District No. 20 and Annexation to District No. 14.

Within SOI:

Parcel No. 1 (APN No. 3001-027-044) is within District No. 14's SOI.

Parcel No. 2 (APN No. 3001-027-033) is currently within the boundaries and SOI of District No. 20 but will be detached and annexed to District No. 14.

Waiver of Notice/Hearing/Protest:

Yes on the basis of reorganization. Although the Commission may waive the public notice, hearing, and protest relative to the proposed reorganization, as described below, a noticed public hearing is still required for the proposed SOI amendments pursuant to Government Code Section 56427.

CEQA Clearance:

The California Environmental Quality Act (CEQA) clearance is a Mitigated Negative Declaration adopted by the City of Palmdale, as lead agency, on July 27, 2011.

Additional Information:

None

FACTORS TO BE CONSIDERED PURSUANT TO GOVERNMENT CODE 56668:

a. Population:

The existing population is 0 residents as of October 22, 2012. The population density issue does not apply because the affected territory is unpopulated.

The estimated future population is 0 residents.

The affected territory is 15.298+/- acres. The existing land use is vacant land and is located within a residential area. The proposed/future land use is a church and school.

The assessed valuation is \$982,317.00 as of March 27, 2014. The per capita assessed valuation issue does not apply because the affected territory is unpopulated. On February 19, 2013, the County adopted a negotiated tax exchange resolution; all other involved public agencies have adopted a property tax transfer resolution.

The topography of the affected territory is flat.

There are no natural boundaries. There are no drainage basins on or near the affected territory.

The affected territory is surrounded by populated areas on all sides. The affected territory is likely to experience modest growth in the next ten years. The adjacent areas are likely to experience modest growth in the next ten years.

b. Governmental Services and Controls:

The affected territory will be developed to include a church and school which requires organized governmental services. The affected territory will require governmental services indefinitely.

The present cost and adequacy of governmental services and controls in the area are acceptable. With respect to sanitary sewage disposal, other than service provided by the District, the only alternative is private septic systems. The cost of sewage disposal by the District versus the cost by septic system is subject to multiple factors and varies widely. Service by the District is considered to be more reliable than septic systems. Service by the District is environmentally superior in terms of wastewater treatment, effluent discharge, and impacts on surface water bodies and groundwater.

c. Proposed Action and Alternative Actions:

The proposed action will have no effect on mutual social and economic interests. The proposal has no impact on the local governmental structure of the County.

The only alternate action for sewage disposal is a private septic system. Service by the District is considered to be more reliable than septic systems. Service by the District is

environmentally superior in terms of wastewater treatment, effluent discharge, and impacts on surface water bodies and groundwater.

d. *Conformity with Commission Policies on Urban Development and Open Space Conversion Policies:*

There are no conformance issues because the Commission has not adopted any policies relative to providing planned, orderly, efficient patterns of urban development.

There is no prime agricultural land within or adjacent to the affected territory. The proposal conforms with the objectives in Government Code Sections 56377(a) and 56377(b).

e. *Agricultural Lands:*

There are no effects on agricultural lands, as defined. None of the land within the affected territory is currently used for the purpose of producing an agricultural commodity for commercial purposes. According to the California Department of Conservation, Division of Land Resource Protection, none of the land within the affected territory is subject to a Land Conservation Act (aka "Williamson Act") contract nor in a Farmland Security Zone (California Land Conservation Act 2012 Status Report).

f. *Boundaries:*

The boundaries of the affected territory have been clearly defined by the applicant, and these boundaries have been reviewed and approved by LAFCO's GIS/Mapping Technician.

The boundaries conform to lines of assessment or ownership, and these boundaries have been reviewed and approved by LAFCO's GIS/Mapping Technician.

As a special district annexation, the proposal has no impact on existing city-county boundaries, nor does it create islands or corridors of unincorporated territory.

g. *Consistency with Plans:*

The proposal has no significant impact upon, and is therefore consistent with, the Regional Transportation Plan.

The proposal is consistent with the existing City's General Plan designation of Single-Family Residential.

The affected territory is not within the boundaries of any Specific Plan.

Pre-zoning is not a requirement for a special district proposal.

h. Sphere of Influence:

The affected territory has two Parcels. Parcel 1 (3001-027-046) is within the Sphere of Influence of Los Angeles County Sanitation District No. 14. Parcel 2 (3001-027-045) is not within the Sphere of Influence of Los Angeles County Sanitation District No. 14, but concurrent Sphere of Influence amendments are being processed with this application.

i. Comments from Public Agencies:

Staff did not receive any significant comments from public agencies or any resolution raising objections to the action filed by an affected agency.

j. Ability to Provide Services:

The affected territory is not currently serviced by the District. The area was included in the future service area that might be served by the District. The District's future wastewater management needs were addressed in the Lancaster Water Reclamation Plant 2020 Facilities Plan.

k. Timely Availability of Water Supplies:

There are no known issues regarding water supply or delivery.

l. Regional Housing:

As a special district reorganization, the proposal will not affect any city, nor the county, in achieving their respective fair shares of the regional housing needs as determined by the Southern California Association of Governments (SCAG).

m. Comments from Landowners, Voters, or Residents:

Staff did not receive any significant comments from landowners, voters, or residents.

n. Land Use Designations

The proposal is consistent with the existing City's General Plan designation of Single-Family Residential.

The proposal is consistent with the existing City's zoning designation of Single-Family Residential. On July 14, 2011, the City of Palmdale Planning Commission approved CUP No. 08-04 to allow the proposed church and accessory school within the Single-Family Residential Zone.

o. Environmental Justice:

All of the owners of real property within the affected territory have requested, in writing, that the District provide off-site sewage disposal service. Property-owners of adjacent areas did not request such service, and/or were contacted by Sanitation District staff and were not interested in securing such service or did not respond. The proposal promotes environmental justice, in that there is fair treatment of people of all races, cultures, and incomes with respect to the location of public facilities and the provision of public services.

There are no Disadvantaged Unincorporated Communities (DUCs) within or adjacent to the affected territory.

CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA) CLEARANCE:

The CEQA clearance is a Mitigated Negative Declaration adopted by the City of Palmdale, as lead agency, on July 27, 2011. Acting in its role as a responsible agency, and with respect to Reorganization No. 2012-02, and under State CEQA Guidelines Section 15096, the Commission certifies that it has independently considered and reached its own conclusions regarding the environmental effects of the project and the Mitigated Negative Declaration adopted by the City of Palmdale, and has determined that the document adequately addresses the environmental impacts of the project. The Commission also finds that it has complied with the requirements of CEQA with respect to the process for a responsible agency, and hereby adopts by reference the environmental findings and the Mitigation Monitoring Program previously adopted by the lead agency in connection with its approval of the project.

DETERMINATION WITHOUT NOTICE AND HEARING, AND WAIVER OF PROTEST PROCEEDINGS:

Pursuant to Government Code Section 56662(a), the Commission may make determinations upon the proposed reorganization consisting solely of an annexation and a detachment without notice and hearing and may waive protest hearings for the reasons set forth herein. The territory is uninhabited. To date, no affected local agency has submitted a written demand for notice and hearing during the 10-day period referenced in Government Code Section 56662(c). Furthermore, the proposal was accompanied by satisfactory proof that all the landowners within the affected territory have given their written consent to the proposed reorganization. Based thereon, the Commission may make determinations on the proposed reorganization without notice and hearing, and the Commission may waive protest proceedings.

PUBLIC HEARING REQUIREMENT FOR SOI AMENDMENTS:

Although the Commission may waive the public notice, hearing, and protest relative to the proposed reorganization, as described above, a public hearing is still required for the proposed SOI amendments pursuant to Government Code Section 56427.

Therefore, the recommended actions include a public hearing on the SOI amendments and a waiver of the protest proceedings for the reorganization.

SPHERE OF INFLUENCE AMENDMENTS DETERMINATIONS PURSUANT TO GOVERNMENT CODE 56425(e):

1. Present and Planned Land Uses in the Area

The present land use is vacant land. The future planned land use is a church and school.

2. *Present and Probable Need for Public Facilities and Services in the Area*

The affected territory is located within the City of Palmdale. Although the present area is not currently serviced by the District, the area was included in the future service area that might be served by the District. The District's future wastewater management needs were addressed in the Lancaster Water Reclamation Plant 2020 Facilities Plan.

The affected territory will be developed to include a church and school which requires organized governmental services. The affected territory will require governmental facilities and services indefinitely.

3. *Present Capacity of Public Facilities and Services:*

The current permitted capacity of the LWRP is 18 million gallon per day (mgd). On June 16, 2004, the Board of Directors of District No. 14 approved the Lancaster Water Reclamation Plan 2020 Facilities Plan and certified the associated EIR. The 2020 plan addresses the sewerage needs of the LWRP service area through the year 2020 and the services planned to meet those needs. The 2020 plan allows the capacity of the LWRP to increase to 26 mgd by 2020.

4. *Social of Economic communities of interest*

All of the owners of real property within the affected territory have requested, in writing, that the District provide off-site sewage disposal service. Property-owners of adjacent areas did not request such service, and/or were contacted by Sanitation District staff and were not interested in securing such service or did not respond. The proposal promotes environmental justice, in that there is fair treatment of people of all races, cultures, and incomes with respect to the location of public facilities and the provision of public services.

5. *Disadvantaged Unincorporated Communities:*

There are no Disadvantaged Unincorporated Communities (DUCs) within or adjacent to the affected territory. There are DUCs within the Sphere of Influence for District No. 14, the nearest of which is more than three miles southeast of the affected territory. In this regard, the proposed action will have no impact upon the present and probable need for sewers in these areas.

**SPHERE OF INFLUENCE AMENDMENT DETERMINATIONS PURSUANT TO
GOVERNMENT CODE 56425(i):**

The Commission has on file written statement of the functions and classes of service of the Los Angeles County Sanitation District No. 14 and can establish the nature, location and extent of its classes of service and that it provides services within its boundary.

CONCLUSION:

Staff recommends approval of the proposal as a logical and reasonable extension of the Los Angeles County Sanitation District No. 14 which will be for the interest of landowners or present and/or future inhabitants within the district and within the annexation territory.

Recommended Action:

1. Open the public hearing and receive testimony on the SOI amendments;
2. There being no further testimony, close the public hearing;
3. Adopt the Resolution Making Determinations Approving and Ordering Reorganization No. 2012-02 (14-415) to Los Angeles County Sanitation District No. 14; Amendments to the Los Angeles County Sanitation District No.14 and Los Angeles County Sanitation District No. 20 Spheres of Influence (SOI); and Detachment from Los Angeles County Sanitation District No. 20; and Annexation to Los Angeles County Sanitation District No. 14.

**RESOLUTION NO. 2014-00RMD
RESOLUTION OF THE LOCAL AGENCY FORMATION
COMMISSION FOR THE COUNTY OF LOS ANGELES
MAKING DETERMINATIONS APPROVING AND ORDERING
"REORGANIZATION NO. 2012-02 (14-415) TO
LOS ANGELES COUNTY SANITATION DISTRICT NO. 14"
(AMENDMENTS TO THE LOS ANGELES COUNTY SANITATION DISTRICT NO. 14 AND LOS
ANGELES COUNTY SANITATION DISTRICT NO. 20 SPHERES OF INFLUENCE (SOI), DETACHMENT
FROM LOS ANGELES COUNTY SANITATION DISTRICT NO. 20, AND ANNEXATION TO LOS
ANGELES COUNTY SANITATION DISTRICT NO. 14)**

WHEREAS, the Los Angeles County Sanitation District No. 14 (District) adopted a resolution of application to initiate proceedings, which was submitted to the Local Agency Formation Commission for the County of Los Angeles (Commission), pursuant to Division 3, Title 5, of the California Government Code (commencing with section 56000, the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000), for reorganization of territory herein described to the District, all within the City of Palmdale; and

WHEREAS, the proposed reorganization consists of approximately 15.298± acres of uninhabited territory and is assigned the following distinctive short-form designation: "Reorganization 2012-02 (14-415) to Los Angeles County Sanitation District No. 14"; and

WHEREAS, a description of the boundaries and map of the proposal are set forth in Exhibits "A" and "B", attached hereto and by this reference incorporated herein; and

WHEREAS, the principal reason for the proposed reorganization is for the District to provide off-site sewage disposal service; and

WHEREAS, the Executive Officer has reviewed the proposal and submitted to the Commission a written report, including his recommendations therein; and

WHEREAS, the Commission has determined that the Proposal meets all of the criteria for the Commission to make a determination without notice and hearing and waive protest proceedings entirely, pursuant to Government Code Section 56662; and

WHEREAS, even though a public hearing is not required for the Proposal, a public hearing is nevertheless required for the proposed SOI amendment(s), pursuant to Government Code Section 56427; and

WHEREAS, the Executive Officer has given notice of the public hearing for the proposed Sphere of Influence Amendment(s) pursuant to Government Code Sections 56150-56160, wherein the public hearing notice was published in a newspaper of general circulation in the County of Los Angeles on April 17, 2014, which is at least 21 days prior to the public hearing, and said hearing notice was also mailed to all required recipients by first-class mail on or before the date of newspaper publication; and

WHEREAS, on May 14, 2014, this Commission considered the Proposal and the report of Executive Officer, and heard and received all oral and written testimony, 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 the Sphere of Influence Amendment(s).

NOW, THEREFORE, BE IT RESOLVED as follows:

1. Pursuant to Government Code Section 56662(a), the Commission hereby finds and determines that:
 - a. The territory encompassed by the reorganization is uninhabited; and
 - b. Pursuant to Government Code Sections 56658(b)(1) and 56662(c), the Executive Officer has given the required mailed notice to each affected agency of the application to initiate proceedings for the proposed reorganization, and no affected local agency has submitted a written demand for notice and hearing during the 10-day period following the notice; and
 - c. The reorganization was accompanied by satisfactory proof that all owners of land within the affected territory have given their written consent to the proposal.

Based thereon, pursuant to Government Code Section 56662(a), the Commission may make determinations upon the proposed reorganization proposal without notice and hearing and may waive protest proceedings relative to the proposed reorganization. However, with respect to the proposed SOI amendment(s), a public hearing is still required pursuant to Government Code Section 56427.

2. The Commission hereby amends the Spheres of Influence of Los Angeles County Sanitation District No. 14 and Los Angeles County Sanitation District No. 20 so as to exclude the subject territory described in Exhibit "A" and "B" from Los Angeles County Sanitation District No. 20, and include the subject territory described in Exhibit "A" and "B" within Los Angeles County Sanitation District No. 14 and makes the following determinations in accordance with Government Code Section 56425:

- a. Present and Planned Land Uses in the Area

The present land use is vacant land. The future planned land use is a church and school.

- b. Present and Probable Need for Public Facilities and Services in the Area

The affected territory is located within the City of Palmdale and receives general government services, including land use planning and regulation, law enforcement, fire protection, road maintenance and other services from the City of Palmdale and other special districts. The affected territory will require these services indefinitely.

- c. Present Capacity of Public Facilities and Adequacy of Public Services that the Agency Provides or is Authorized to Provide

The current permitted capacity of the LWRP is 18 million gallon per day (mgd).

On June 16, 2004, the Board of Directors of District No. 14 approved the

Lancaster Water Reclamation Plan 2020 Facilities Plan and certified the associated EIR. The 2020 plan addresses the sewerage needs of the LWRP service area through the year 2020 and the services planned to meet those needs. The 2020 plan allows the capacity of the LWRP to increase to 26 mgd by 2020.

d. Existence of Any Social or Economic Communities of Interest

There are no significant social or economic communities of interest within the subject territory.

e. Disadvantaged Unincorporated Communities

There are no Disadvantaged Unincorporated Communities (DUCs) within or adjacent to the affected territory. There are DUCs within the Sphere of Influence for District No. 14, the nearest of which is more than three miles southeast of the affected territory. In this regard, the proposed action will have no impact upon the present and probable need for sewers in these areas.

f. Determination of the Services of the Existing District

The Commission has on file written statement of the functions and classes of service of the District and can establish the nature, location and extent of its classes of service and that it provides water service within its boundary.

3. The Commission, acting in its role as a responsible agency with respect to Reorganization 2012-02 (14-415) to Los Angeles County Sanitation District No. 14, pursuant to California Environmental Quality Act (CEQA) Guidelines Section 15096, certifies that it has independently considered and reached its own conclusions regarding the environmental effects of the proposed project and the Mitigated Negative Declaration adopted on July 27, 2011 by the City of Palmdale, as lead agency, and has determined that the document adequately addresses the environmental impacts of the proposed project. The Commission finds that it has complied with the requirements of CEQA with respect to the process for a responsible agency, and hereby adopts by reference the environmental findings, including the Mitigation Monitoring Plan, previously adopted by the lead agency in connection with its approval of the project.
4. A description of the boundaries and map of the proposal, as approved by this Commission, are set forth in Exhibits "A" and "B", attached hereto and by this reference incorporated herein.
5. The affected territory consists of 15.298± acres, is uninhabited, and is assigned the following short form designation:

"Reorganization 2012-02 (14-415) to Los Angeles County Sanitation District No. 14".
6. Reorganization 2012-02 (14-415) to Los Angeles County Sanitation District No. 14 is hereby approved, subject to the following terms and conditions:

- a. The District agrees to defend, hold harmless and indemnify LAFCO and/or its agents, officers and employees from any claim, action or proceeding against LAFCO and/or its agents, officers and employees to attack, set aside, void or annul the approval of LAFCO concerning this proposal or any action relating to or arising out of such approval.
 - b. The effective date of the annexation shall be the date of recordation.
 - c. Payment of Registrar-Recorder/County Clerk and State Board of Equalization fees.
 - d. The territory so annexed shall be subject to the payment of such service charges, assessments or taxes as may be legally imposed by the District.
 - e. The regular County assessment roll shall be utilized by the District.
 - f. The affected territory will be taxed for any existing general indebtedness, if any, of the District.
 - g. Reorganization of the affected territory described in Exhibits "A" and "B" to the District.
 - h. Except to the extent in conflict with "a" through "g", above, the general terms and conditions contained in Chapter 2 of Part 5, Division 3, Title 5 of the California Government Code (commencing with Government Code Section 57325) shall apply to this reorganization.
7. The Executive Officer is hereby authorized and directed to mail copies of this resolution as provided in Government Code Section 56882.

8. The Commission hereby orders the uninhabited territory described in Exhibits "A" and "B" annexed to Los Angeles County Sanitation District No. 14.
9. The Executive Officer is directed to transmit a copy of this resolution to the District, upon the District's payment of the applicable fees required by Government Code Section 54902.5 and prepare, execute and file a certificate of completion with the appropriate public agencies, pursuant to Government Code Section 57200, *et seq.*

PASSED AND ADOPTED this 14th day of May 2014.

MOTION:

SECOND:

AYES:

NOES:

ABSTAIN:

ABSENT:

MOTION PASSES: 0/0/0

**LOCAL AGENCY FORMATION COMMISSION
FOR THE COUNTY OF LOS ANGELES**

**Paul A. Novak, AICP
Executive Officer**



Soil Before

14

District 14

Soil After

14

APN: 3001 027 046

APN: 3001 027 045

District 20

Kern County

CSD Annexation

Reorg. 2012-02

Los Angeles County

Sanitation District No. 14

Los Angeles County

Sanitation District No. 20

City of Lancaster

City of Palmdale

Sphere of Influence, CSD 14

Sphere of Influence, CSD 21

LA County Sanitation Reorg. 2012-02 (14-415)

Sphere of Influence Amendment

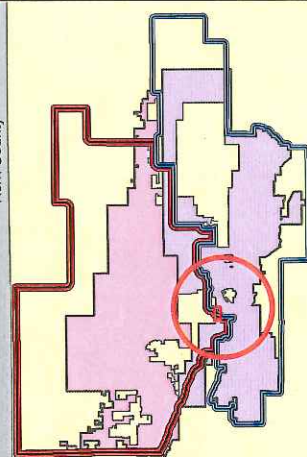
(Detachment from District 20

and Annexation to District 14)



LAFCO

Local Agency Formation Commission
for the County of Los Angeles



May 14, 2014

Copyrighted Reorg 2012-02

Staff Report

May 14, 2014

Agenda Item No. 7.b.

Sativa County Water District Municipal Service Review (MSR) and Sphere of Influence (SOI) Update

Agenda Item 7.b. is consideration and approval of the Sativa County Water District (Sativa or District) Municipal Service Review (MSR) and Sphere of Influence (SOI) update.

Background

Since 1971, LAFCOs have been required to develop and adopt a Sphere of Influence for each city and special district. Government Code Section 56076 defines an SOI as “a plan for the probable physical boundaries and service area of a local agency, as determined by the commission.”

Developing SOIs is central to the Commission’s purpose. As stated in Government Code Section 56425:

“In order to carry out its purposes and responsibilities for planning and shaping the logical and orderly development and coordination of local governmental agencies so as to advantageously provide for the present and future needs of the county and its communities, the Commission shall develop and adopt a Sphere of Influence for each local governmental agency within the county and enact policies designed to promote the logical and orderly development of areas within the Sphere.”

Section 56425(g) further requires that the Commission update Spheres of Influence “every five years, as necessary.”

Timeline

12/30/1938	Sativa County Water District incorporated with the State of California
11/2005	LAFCO issues Draft MSR (“Round One” Cycle of MSRs)

Draft MSR:

“The District does not provide water conservation services.”

“The District noted that water mains need to be upgraded, relocating services from the rear of properties and alley ways in order to prevent structures being built over service lines.”

“The District has limited reserves and uses a pay-as-you-go approach for improvements, which may be a constraint for implementing infrastructure improvements.”

“The Sativa-Los Angeles County Water District does not have metered accounts.”

“Due to the size of its service area, condition of the infrastructure, and financial resources, it is recommended that LAFCO consider adopting a zero sphere influence for the Sativa-Los Angeles County Water District.” [emphasis added]

12/14/2005 Commission considers staff recommendation, and continues to 2/22/2006 Meeting

Staff Report:

“In the case of the Sativa-Los Angeles County Water District, staff recommends that the Commission adopt a zero sphere of influence for the agency, as suggested in Dudek’s MSR Report [Dudek is the consultant who prepared the Draft MSR], with possible future dissolution of the agency to be considered by the Commission. 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.”

2/2006 Consultant issues Addendum to November 2005 MSR

“The District’s sphere of influence should remain coterminous with its service area boundaries. [emphasis added]

2/22/2006 Commission approves MSR

03/09/2011 Commission approves “Round 2” MSR Schedule

04/11/2012 Commission awards contract to Hogle-Ireland, Inc., to prepare Draft MSR for Sativa County Water District.

8/2012 Hogle-Ireland release Draft MSR

8/16/2012 LAFCO provides copy of Draft MSR to Sativa County Water District

- 09/13/2012 Sativa Board of Directors sends letter to LAFCO re “hostile takeover” and referral to its counsel “to turn over the LAFCO MSR matter to California courts”
- 10/10/2012 Commission closed session conference with counsel in light of written threat of litigation
- 10/1/2013 Mark Cummins, CPA, issues Forensic Audit -- Final Report of Findings

With respect to the November 2005 MSR, the records indicate that Sativa Board President Johnny Johnson testified at the December 14, 2005, Commission meeting requesting additional time to provide updated information to LAFCO. The Commission continued the matter, and on January 20, 2006, Sativa provided additional information to Dudek (LAFCO’s consultant who prepared the November 2005 MSR). Dudek summarized the information from Sativa in the February 2006 MSR Addendum.

Staff notes that the reasoning for the change in staff’s recommendation—from a zero sphere of influence at the 12/14/2005 Commission meeting to a coterminous sphere of influence at the 2/26/2006 meeting—is not documented in LAFCO’s records.

Sativa County Water District Draft MSR and SOI Update

On April 11, 2012, the Commission awarded a contract to Hogle-Ireland, Inc. to assist in preparing an MSR for the Sativa County Water District.

The consulting team assembled by Hogle-Ireland included both urban planning professionals as well as a water engineer with more than three decades of experience designing, constructing, and managing public water systems.

Staff of Hogle-Ireland met with representatives of Sativa County Water District in person, and also communicated with Sativa’s staff via e-mail and telephone on several occasions. Representatives of Hogle-Ireland also met with other water district representatives; specifically, these meetings included the Central Basin Municipal Water District, the City of Compton, the Golden State Water Company, and the Park Water Company. LAFCO staff met with representatives of Sativa County Water District, the Central Basin Municipal Water District, and the Park Water Company.

In August of 2012, Hogle-Ireland released its “Sativa L.A. County Water District Administrative Draft Municipal Service Review” (Draft MSR). The Draft MSR recommended “that the Board [Commission] consider dissolving the Sativa Los Angeles County Water District and reducing the District’s sphere of influence to zero; and increasing the Central Basin Municipal Water

District's sphere of influence to include all of the Sativa Los Angeles County Water District's former sphere of influence" (Draft MSR, Page 44). This is, essentially, a consultant recommendation that LAFCO consider dissolving the Sativa County Water District and concurrently annexing Sativa's territory into the boundaries of the Central Basin Municipal Water District. Staff notes that this same outcome could more effectively be implemented were the Commission to approve a consolidation of the two districts (Sativa and Central Basin).

In the course of completing the Draft MSR, staff of Hogle-Ireland utilized the entire budget in its contract with LAFCO. Following the issuance of the Draft MSR, Hogle-Ireland was acquired by Moore Iacofano Goltsman (MIG) and the employees at Hogle-Ireland who worked on the Sativa Draft MSR are no longer employed by MIG. For these reasons, the consultants who worked on the original Draft MSR are not available to LAFCO for follow-up consultation.

Hogle-Ireland's recommendation reflected concerns about Sativa's "pay as you go 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" (Draft MSR, Page 44).

Sativa County Water District representatives were sent a copy of the Draft MSR on August 16, 2012. Pursuant to the conversations at a meeting shortly thereafter between LAFCO staff and Sativa representatives, staff felt that it was appropriate to provide the District with ample time to address the concerns expressed by the Consultant.

There followed a lengthy exchange of information, and multiple communications (meetings, letters, telephone conversations) between staff and Sativa representatives, coordinated by the District's former legal counsel. Of primary concern was the lack of financial audits going back to Fiscal Year 2005-2006. As a courtesy to the District, staff felt it important to have such documents and to provide the District with sufficient time to engage a qualified consultant to complete the work. The District retained an accountant (Mr. Mark Cummins, CPA) to prepare financial audits for several years. LAFCO specifically requested a forensic audit—which covers additional items not necessarily covered in a financial audit—and the District agreed to a forensic audit and retained Mr. Cummins to prepare it.

Starting in late 2013, and continuing into early 2014, the District provided LAFCO with several financial audits, as well as a forensic audit, prepared by Mr. Cummins, CPA. In early 2014, having now received a significant volume of information, as well as financial audits to bring the District current, staff resumed preparation of a staff report and recommendations to the Commission, as described in more detail herein.

Summary of Recommendations

It is important to note that staff has reached a different conclusion and recommendation than the consolidation of Sativa with Central Basin Municipal Water District recommended by the

consultant in August of 2012. Based on staff's reviews since the Draft MSR in August, 2012, and substantial supplemental information augmenting the 2012 Draft MSR as summarized in this staff report, staff is recommending a change from the current coterminous Sphere of Influence established in 2006. Staff recommends adoption of a Zero Sphere of Influence (Zero SOI) at this time based upon the entire record of this Draft MSR and the previous MSR in 2005.

MSR Determinations:

In order to prepare and to update an SOI for a district, , the Commission is required, pursuant to Government Code Section 56430, to conduct a review of the municipal services in that particular district. In some cases the staff has prepared the municipal service review, and in some cases staff has been assisted by a consultant in completing this review.

LAFCO staff has supplemented the consultant's Draft MSR documentation with significant additional material since August of 2012. Proposed determinations and recommendations in this staff report are those recommended by the staff, and not those of the consultant, which recommended that the District be dissolved and the residents ultimately be served by the Central Basin Municipal Water District.

Staff has prepared the following draft determinations for Commission approval:

1. 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.
2. 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 Satava continues to the north of Satava, and is also predominantly residential in nature, with the exception of commercial/retail uses along El Segundo Boulevard.

3. 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.
4. 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.
5. 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 Satava 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.
6. 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.

7. 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.

SOI Determinations:

In determining a Sphere of Influence, pursuant to Government Code Section 56425, the Commission is required to make specific determinations. Staff has prepared the following draft proposed determinations for Commission approval:

1. 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.
2. 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.
3. 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.
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. 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.

5. 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.

These determinations are addressed in Section 2 of the attached Resolution No. 2012-00 RMD.

Information Reviewed:

In the course of preparing this report, staff conducted a thorough review of information from a wide variety of sources, including, but not limited to:

- Forensic Audit – Final Report of Findings, Conclusion of Formal Field Work on Forensic Audit, Findings as of October 1st, 2013, as well as accompanying District Management Review prepared by Mark Cummins, CPA [consultant to the Sativa County Water District].
- Sativa – Los Angeles County Water District, Independent Auditor's Report, Fiscal Year Ended June 30, 2013, issued December 17, 2013, prepared by Mr. Cummins, CPA.
- Sativa – Los Angeles County Water District, Independent Auditor's Report, Fiscal Year Ended June 30, 2013, issued December 7, 2013, prepared by Mr. Cummins, CPA.
- Sativa – Los Angeles County Water District, Independent Auditor's Report, Fiscal Year Ended June 30, 2012, issued November 06, 2013, prepared by Mr. Cummins, CPA.
- Sativa – Los Angeles County Water District, Independent Auditor's Report, Fiscal Year Ended June 30, 2011, issued November 06, 2013, prepared by Mr. Cummins, CPA.
- Sativa – Los Angeles County Water District, Independent Auditor's Report, Fiscal Year Ended June 30, 2010, issued November 06, 2013, prepared by Mr. Cummins, CPA.
- Sativa – Los Angeles County Water District, Independent Auditor's Report, Fiscal Year Ended June 30, 2009, issued October 1, 2013, prepared by Mr. Cummins, CPA.

- Sativa – Los Angeles County Water District, Independent Auditor’s Report, Fiscal Year Ended June 30, 2008, issued January 8, 2013, prepared by Mr. Cummins, CPA.
- Sativa – Los Angeles County Water District, Independent Auditor’s Report, Fiscal Year Ended June 30, 2007, issued December 17, 2012, prepared by Mr. Cummins, CPA.
- Sativa – Los Angeles County Water District, Independent Auditor’s Report, Fiscal Year Ended June 30, 2006, issued November 20, 2012, prepared by Mr. Cummins, CPA.
- Sativa – Los Angeles County Water District, Independent Auditor’s Report, Fiscal Year Ended June 30, 2005, issued November 15, 2012, prepared by Mr. Cummins, CPA.
- Sativa – Los Angeles County Water District, Independent Auditor’s Report, Fiscal Years Ended June 30, 2004, 2003, and 2002, issued August 3, 2005, prepared by the Los Angeles County Department of Auditor-Controller.
- Numerous policies adopted by the Sativa County Water District Board of Directors between 2004 and 2013.
- Office of the State Controller Comprehensive Annual Financial Reports (CAFRs) for Fiscal Year 2010-2011.
- Correspondence to LAFCO from Mr. James D. Ciampa of the law firm of Lagerlof, Senecal, Gosney & Kruse (former counsel to the Sativa County Water District).
- Meetings, e-mail communications, and telephone interviews with former District legal counsel (James D. Ciampa), consulting engineer John Mundy (formerly the General Manager of the Las Virgenes Municipal Water District), members of the Sativa County Water District Board of Directors, staff of the Sativa County Water District, representatives of the Central Basin Municipal Water District, and representatives of the Park Municipal Water Company.
- Media reports concerning the Sativa County Water District alternative service providers.
- The November 2005 MSR (“Round 1”) adopted by the Commission on February 22, 2006.
- The August 2012 Draft MSR prepared by Hogle-Ireland, Inc.

- Records of interviews that Hogle-Ireland conducted with the Central Basin Municipal Water District (June 19, 2012); the City of Compton Water Division (May 21, 2012); and Sativa County Water District (May 31, 2012).

Staff Analysis

Based upon a review of the Draft MSR prepared by the Consultant and the information on which it was based, and other sources of information including, but not limited to, more recent communication with Sativa County Water District representatives (Board-Members, staff, consulting engineers, as well as former legal counsel and current legal counsel); documentation provided by Sativa representatives; communication with representatives of other public agencies familiar with Sativa's operations; and publicly available information, staff identified a series of concerns in three broad categories: financial oversight concerns, operations and long-term planning concerns, and miscellaneous/transparency concerns. A short summary of the relevant issues, and the District's progress in addressing them, is provided in Exhibit "F," attached to this report.

Financial Oversight Issues. The issues associated with the District's oversight of its finances include the following:

- Audits. Section 30540 of the Water Code requires that county water districts "retain an auditor as an independent contractorto conduct an annual audit of the district's books, records, and financial affairs." In its initial review, LAFCO learned that the District's last independent audit of the District was prepared for Fiscal 2004-2005, meaning that the District had not hired an independent auditor to review its books for seven years. Based upon LAFCO's inquiries, in November of 2012 the District retained a Certified Public Accountant (Mark Cummins) to prepare audits for the "missing" years. In late 2013, Mr. Cummins completed his work, and Sativa's legal counsel provided LAFCO with copies of audits for Fiscal Years 2005-2006 through 2011-2012. In April of 2014, the District provided LAFCO with the financial audit for Fiscal Year 2012-2013.
- Annual Budgets. Based upon a request from Hogle-Ireland, Sativa provided a budget for Fiscal Year 2011-2012, which formed the basis of further inquiries from Hogle-Ireland and LAFCO. In meetings with LAFCO, District representatives conceded that this "budget" was created merely to satisfy LAFCO's inquiry, and in the normal course of operations the District does not adopt annual budgets. The first "catch-up" audit prepared by Mark Cummins (for FY 2005-2006) confirms this by noting that "[f]or the current fiscal year the district did not prepare [a] budget." (Sativa- Los Angeles County Water District, Independent Auditor's Report, Fiscal Year Ended June 30, 2006, Page 10)

Mark Cummins, the CPA who prepared audits for Sativa, noted the following:

“In addition to its primary purpose of allocating funds for District purposes, a budget is also a picture window for the public’s use in examining how their public dollars are being spent. The Sativa Budget is not detailed enough for this purpose.

“The entire Sativa budget was 2 pages. While it did include all of the District revenues and expenses, it offered virtually nothing to the public as far as information about the budget items. Moulton’s budget [the Moulton Niguel Water District, which Cummins used for comparative purposes] was 103 pages.” (District Management Review Letter, October 12t, 2013, Page 1.)

The comments by Mr. Cummins mirror the findings of LAFCO staff, who reviewed available budgets provided by Sativa representatives. The few budgets provided by Sativa representatives provide only a modicum of information compared to what LAFCO has identified in most other public agencies.

More recently, and although District staff has prepared budget reports that are lengthier, staff finds that there is relatively little additional substantive information beyond that provided in earlier budgets.

- Board-Member Compensation (Meetings). Sativa County Water District is a relatively small water district, both in terms of geography (0.28 square miles) and service connections (1,667). For Calendar Year 2011, Board-Members attended 26 Regular Meetings (bi-monthly), 4 Policy Meetings, 4 Safety Meetings, 4 Special Meetings, and 4 Planning Workshops (note that in some instances, board-members may have missed one or more of these meetings). This totals 42 “internal” meetings—nearly one per week over the course of the year—and is in addition to “outside” meetings (trade associations, conferences, seminars, and meetings with other public agencies) and an annual Christmas Bonus (see below). (Note: This was the only year (2011) for which Sativa provided the breakdown of Director compensation).

Pursuant to a resolution adopted in July of 2003, members of the Board of Directors are paid a \$150 stipend per meeting. The District’s Auditor compared the stipends for Sativa’s Board of Directors with a sample of ten similar water districts, and determined the following:

- “Sativa’s Directors attend 3.1 times as many meetings as the two most comparable districts by size in the survey.

- “Sativa’s Directors are paid a 50% higher stipend than the directors of the two most comparable districts by size in the survey.
- “Sativa’s Directors are paid 12% above the average directors stipend of all districts surveyed, most of which are far larger than Sativa.” (Forensic Audit – Final Report of Findings, October 1, 2013, Pages 7).

The District also has a policy restricting members of the Director to reimbursement “with a budget not to exceed \$2,000 per year,” and, further, that Directors can be reimbursed for a maximum of six meetings in any one month. Information provided by Sativa’s legal counsel suggests that a Director may have exceeded the annual reimbursement limit by \$1,277 in Calendar Year 2011; in that same year, it appears that no director was reimbursed for more than six meetings in any one month. Staff cautions that the lack of detail provided means that it cannot be determined, definitely, whether a Director violated the policy.

On April 8, 2014, the Board of Directors adopted a policy for ad hoc committees (identified as “Safety Committee, Planning Meeting, Policy Workshop, and Ad Hoc Special Meetings”) to “waive receipt of a stipend for special meetings held during this time.” (Memo from Sativa Los Angeles County Water District to LAFCO, Subject: Board Members Compensation, dated April 9, 2014). Staff notes that this action is very recent and comes after the issue was raised repeatedly by LAFCO and Sativa’s auditor.

Despite the issues raised by LAFCO and Mr. Cummins, staff notes that, in the most recent budget (FY 2012-2013), the budgeted for board of directors stipends for board meetings (\$19,500) and meetings/seminars (\$10,500) is unchanged from the previous year (FY 2011-2012).

- Christmas Bonuses to the Board of Directors. According to the records Sativa provided, each Board-Member was provided a \$1,500 Christmas bonus on November 29, 2011. In a meeting at LAFCO on November 19, 2011, Board Chair Johnny Johnson indicated that the District had been providing some Board-Members with the annual Christmas bonus since 1991. For Fiscal Years 2005-2012, Sativa’s auditor identified the total Christmas bonuses paid to directors as follows:

Johnny Johnson:	\$9,100
Ruben Hernandez:	\$9,100
Elizabeth Hicks:	\$9,100
Mamie Franklin:	\$9,100
April McCall:	\$7,100
Anita Emery:	\$1,000

Sativa's auditor further reported that "Mrs. Johnson [Sativa's Office Manager] said they [directors] have received such bonuses for the past 20 years." (Forensic Audit – Final Report of Findings, October 1, 2013, Page 5). As best as staff could tell, the origin of the Christmas bonuses for directors and staff goes back to a policy adopted by the Board in 1993 (Resolution 011-930). Since Mr. Cummins only reviewed Fiscal Years 2005—2012, and combined with statements by Mrs. Johnson and other Sativa representatives, staff notes that the actual amount of Christmas bonuses paid to members of the Board of Directors is unknown.

Once staff raised the Christmas bonus issue with Sativa representatives, and upon recommendation of Sativa's former legal counsel, several directors executed promissory notes in early 2013 and established repayment plans to pay back the amount of the Christmas bonuses for the years 2005-2012. Mr. Cummin's forensic audit notes that "Director Johnson and McCall are in compliance with the terms of the promissory notes, while former Director Hernandez and Director Hicks are behind on the payments" in the amount of \$750 and \$250, respectively." (Forensic Audit – Final Report of Findings, October 1, 2013, Pages 5-6).

In a memorandum to LAFCO on April 9, 2014, Sativa noted that "[t]o date, Director Johnson is current on his repayment of funds." The memorandum goes on to state:

"[F]ormer Directors Hernandez, Hicks and McCall are all delinquent in their payments. Legal counsel, Anthony Willoughby, referred this matter to the local District Attorney's office for criminal prosecution. The communication between legal counsel and the District Attorney's office is a confidential communication; however, without waiving any privileges, all individuals who have received illegal bonuses have been so referred. Additionally, at the Board of Directors meeting held on March 25, 2014, the District approved the allowance of legal counsel to pursue the reimbursement within the civil court.

"The Board of Directors has also adopted a policy that no future bonus payments will be made to Directors." (Memo from Sativa Los Angeles County Water District to LAFCO, Subject: Christmas Bonuses to Board of Directors, dated April 9, 2014).

Based upon a review of the records and information supplied to LAFCO, there is no indication Board Member and current District Chairman Luis Landeros received any Christmas bonus payments.

- Employment of Relatives. Mr. Johnny Johnson has served on the District's Board of Directors since 1981; for much of that period, he also served as the District's Board President. In 1986, he married Theresa Johnson, who is the District's Office Manager. Mrs. Johnson's adult daughter from an earlier relationship is also an employee of the District. Staff understands that the District has adopted a policy on

this issue—Policy 3090—which “allows for employment of relatives without requiring an outside search for the best available candidate.” (Forensic Audit – Final Report of Findings, October 1, 2013, Pages 12). District representatives cited a “legal opinion” which allowed the employment of relatives so long as the Director recuses himself or herself from votes involving relatives; despite multiple requests, no such written legal opinion was provided to LAFCO. As noted by the District’s auditor, “there are three family members in influential roles within Satava, namely the [former] Chairman of the Board [Johnny Johnson], the Office Manager, and the Administrative Manager. This has led to suspicion that this could put Satava’s assets at risk should there be collusion between or among related parties in relation to Satava’s finances.” (Forensic Audit – Final Report of Findings, October 1, 2013, Page 2).

In documents prepared for the District, County of Los Angeles representatives noted that the District employed relatives of a Director (Satava – Los Angeles County Water District, Independent Auditor’s Report, Fiscal Years Ended June 20, 2004, 2003, and 2002, issued August 3, 2005, prepared by the Los Angeles County Department of Auditor-Controller, Page 22). It is important to note that the County Auditor-Controller first raised this issue in writing in 2005.

As noted by the District’s former legal counsel, “[b]ecause Director Johnson has a community property in his wife’s salary, her employment as the District’s Office Manager would constitute such a prohibited conflict of interest if no exception applies and she would not be eligible for employment at the District.” (Letter from Jim Ciampa to Mark Cummins, December 17, 2013, Page 2). Staff was unable to ascertain whether Director Johnson signed checks for his spouse.

Some of the potential conflict issues have been addressed relatively recently. Director Johnson is no longer the Chair of Satava’s Board of Directors, as Director Landeros succeeded him in late 2013 and continues to serve as the Chair. With respect to Mrs. Johnson, the Office Manager, a memorandum from Satava to LAFCO states the following:

“On March 25, 2013 [sic, should be 2014], the Board of Directors eliminated the Office Manager position at the District, which was held by Mrs. Johnson. Mrs. Johnson was informed of the elimination of her position and was provided with a two week notice. As such, there are no longer any conflict of interest issues between Director Johnson and Mrs. Johnson.” (Memo from Satava Los Angeles County Water District to LAFCO, Subject: Conflict of [Interest] Issues, dated April 9, 2014).

Staff notes that the change relative to Mrs. Johnson comes nearly a decade after the County’s Auditor-Controller first raised the issue, and only after the issue was

repeatedly brought to the District's attention by LAFCO, the District's former legal counsel, the District's current legal counsel, and the District's auditor.

- Extraordinary Payments to Staff. The Office Manager was paid a total of \$2,717.90 for preparing an emergency assessment manual and a procedures manual for the District; a substantial portion of this was for copying charges of \$130 each for 21 manuals. As noted by the auditor, "We view these items as being required in the ordinary course of Sativa's business, which could either have been outsourced less expensively or should have been covered under Mrs. Johnson's obligations as Office Manager." (Forensic Audit – Final Report of Findings, October 1, 2013, Page 6).

Staff was formerly compensated with a \$150/day "stipend" for meetings that were more than 50 miles from the District's office (totaling \$6,900 for the years 2005-2012) as well as \$100 "bereavement checks" (totaling \$1,000 for the years 2005-2012) when relatives passed away. In a memorandum to LAFCO addressing staff payments, Sativa noted "At the April 8, 2014 board meeting, the Board of Directors for the Sativa Los Angeles County Water District adopted a policy prohibiting \$150/day stipends for meetings that are located more than 50 miles from the District." (Memo from Sativa Los Angeles County Water District to LAFCO, Subject: Extraordinary Payments to Staff, dated April 9, 2014).

Pursuant to Resolution Number 7-12003, adopted by the Board of Directors on July 1, 2003, the Recording Secretary (Ms. Johnson) was paid \$100 "for the purpose of recording and transcribing the minutes and orders of business for said meeting" for each board of directors meeting. LAFCO staff and the District's auditors separately noted that such duties would, in most public agencies, be a component of staff's responsibilities, and not something for which staff would receive additional compensation.

- Sale of District Automobile to Staff. In 2004, the District advertised the sale of an existing vehicle and solicited bids. The Board of Directors, after a closed session meeting, voted 3-1 with Director Johnson abstaining to sell the vehicle to District employee Ms. Williams for an amount less than three bids received from members of the public through an on-line service. The auditor went on to recommend that the District "adopt an Asset Disposal policy that requires solicitation of a minimum of three outside, arms-length bidders when selling District property with a book value exceeding \$500 in value." (Forensic Audit – Final Report of Findings, October 1, 2013, Pages 9).
- Sole-Source Contract. The District hired a construction company for the construction of a storage garage, and paid out \$130,816 on a contract valued at 191,187.50. As noted by the District's auditor, "Despite the large size of this contract, it was not bid out for tender. As custodians of the District's assets, the Board of Directors have a

high duty of care to ensure that major investments of the District's funds are made on a transparent and arms-length basis." (Forensic Audit – Final Report of Findings, October 1, 2013, Pages 9). The year of the contract is not known to LAFCO it was not stated in the Forensic Audit.

On December 3, 2013, the Board of Directors adopted a policy relative to purchasing, essentially requiring bids for work in excess of \$2,500, and requiring approval by the Board of Directors. (Memo from Satava Los Angeles County Water District to LAFCO, Subject: Sole Source Contracts, dated April 9, 2014).

- Missing Payroll Deductions. The District's Auditor identified more than \$12,000 in payroll deductions that were not made for stipends paid to District employees for Social Security, Medicare, and State Disability Insurance for "most of the period under review," which would be Fiscal Years 2008-2009 through 2011-2012. Roughly 50% of the payroll deductions are owed by employees, and 50% are owed by the District. (Forensic Audit – Final Report of Findings, October 1, 2013, Page 11). According to information provided recently by Satava representatives, efforts are underway to pay for the missing payroll deductions, and the amount will be re-paid by the end of 2014.
 - Accountability for Cash Receipts. Staff shared the sentiments expressed by the District's auditor, that District "staff with access to assets should not perform record-keeping functions related to those assets." The auditor went on to note that "[t]here has been no change in how the District collects and records its cash payments." (Forensic Audit – Final Report of Findings, October 1, 2013, Page 19). Staff notes that these issues were raised as early as 2005, (Satava – Los Angeles County Water District, Independent Auditor's Report, Fiscal Years Ended June 20, 2004, 2003, and 2002, issued August 3, 2005, prepared by the Los Angeles County Department of Auditor-Controller, Page 22)
- In a recent memorandum to LAFCO staff, Satava representatives noted that the "District has separated the duties of individuals with access to cash receipts." (Memo from Satava Los Angeles County Water District to LAFCO, Subject: Accountability for Cash Receipts., dated April 9, 2014).
- Credit Card Expenses and Documentation. The District's auditor identified some missing credit card statements, a lack of independent review of credit card spending, and a high percentage of "items unsupported by invoice [that] ranged from 14% (2005) to 43% (2007)" and goes on to note that "it is impossible to confirm whether or not charges were for business purposes" given the lack of documentation. (Forensic Audit – Final Report of Findings, October 1, 2013, Pages 4).

The lack of documentation is particularly troubling given that the District has an existing policy (Sativa Credit Card Policy, Policy Number 5030.02) which identifies as a “credit card violation” the “[f]ailure to turn in packing slips, receipts or other back up documentation to the SATIVA bookkeeper within 30 days of the purchase.” Said policy goes on to describe how the District’s treasurer must review and approve “periodic statements” and “[t]he bookkeeper must keep statement date and proof of reconciliation, including receipts and packing slips.”

According to information recently provided to LAFCO, the District has implemented measures to address these practices.

- Telephone Expenses. In the Calendar Year 2011 Budget provided by Sativa, LAFCO staff noted a telephone expense of \$14,197.52, which appeared to be a relatively large number for a small water district with 6 employees (the figure, for example, is substantially higher than what LAFCO pays for an office of 7 employees). In subsequent meetings, Sativa representatives indicated that the figure included Internet access as well as cell phones for all Board-Members and several employees. As noted by the District’s Auditor, “all Directors have cell phones with Sprint/Nextel,” all of which have “unlimited minutes plans fully paid for by Sativa, when they are not involved in the daily operation of Sativa’s business.” The auditor also noted “relatively high phone usage by Director Hicks and high data/Internet usage by Director Johnson, [and District employees] Ms. Williams, Mr. Dredd and Mr. Udeh.” (Forensic Audit – Final Report of Findings, October 1, 2013, Pages 9). In the 2012-2013 Budget adopted by the Board of Directors on February 26, 2013), the “Telephone/Communication” account is budget at \$18,272.00, which appears to remain relatively high for a small office.
- Audit Expenses. In the Calendar Year 2011 Budget provided by Sativa, LAFCO staff noted an expense of \$505.96 for a year (“2009-2010 Actual”) in which no audit had been prepared. In subsequent meetings, Sativa representatives indicated that the figure was incorrectly described, and was not an audit expense, but a retirement plan contribution.

Operations and Long-Term Planning Issues. Issues associated with the District’s operations and long-term planning include the following:

- Lack of Water Meters. Sativa County Water District does not have water meters for its customers. Based upon its independent research, staff has concluded that this is relatively uncommon for water districts in developed, urbanized areas—most districts without meters are in rural, remote, and/or agricultural areas that are sparsely populated. The lack of water meters makes it impossible for Sativa to implement a system of “tiered” water rates or implement water conservation measures that are

common in many water districts. This issue was raised in the MSR which LAFCO prepared and the Commission adopted on February 22, 2006. The absence of water meters presents several challenges:

- Impairs the District's ability to secure Federal and State water grants. To its credit, District representative indicate that they have applied for such grants, but further indicate that a consistent reason these grant applications have been rejected is the lack of water meters.
- Renders the District's water conservation efforts ineffective.
- Eliminates any incentive for residents to conserve water.

Again, LAFCO raised this issue in the November 2005 MSR. Based upon the responses provided to LAFCO inquiries—including, for example, cost estimates that ranged from a low of \$200,000 to a high of \$1.2 million—it does not appear that the District is making an effort to install water meters for its customers at any point in the foreseeable future.

Although State law changed in 1992 (AB 2672) to require the installation of water meters for districts with 3,000 or more connections; staff and legal counsel concur with the District's legal counsel that this law does not require the District to install water meters (the District has roughly 1,600 service connections). While not mandated, there is no question that installation of water meters is critical to the long-term operation of the District. It is also clear, from conversations with Sativa representatives, that the District's ability to qualify for many Federal and State grants is significantly impaired by the fact that the District does not have water meters.

Sativa recently applied for a \$1.2 million grant from the California Department of Public Health to install water meters. In November of 2013, the State notified Sativa that it had met the standards for the "pre-application" phase of the program, and Sativa is now engaged in the formal application process. It is unclear whether Sativa will receive this grant funding and, additionally, how long the process will take.

- Location of Pipelines. Sativa County Water District was formed in 1938. The District has installed water mains and connections to its customers over several decades since then. Most of these underground pipes were installed at the rear of properties, rather than in the public rights-of-way (streets) fronting private properties that is customary. In some instances, and as reported by Sativa representatives, property-owners have built homes, garages, and other accessory structures over these water lines, presenting obvious challenges relative to repairs and replacement. The location of water lines could prevent or delay Sativa staff from accessing lines in need of repair or inspection, could inconvenience residents, and, in extreme cases, might necessitate the relocation of water lines. In a meeting with LAFCO staff (February

12, 2013), Satava representatives indicated that they “didn’t know” whether the District had rights-of-way and easements for the District’s water lines on private properties. While District representatives noted recently that “most” of the pipelines are in public rights-of-way, such as streets and alleyways, they concur that the District has not maintained sufficient documentation concerning ownership and easement rights.

In the 2005 MSR, LAFCO staff noted that “[t]he District needs to locate water mains to streets and the front of properties to avoid structures being built over existing service lines.”

In a recent memorandum to LAFCO staff, Satava noted the following:

“The water lines that traverse private property . . . have been investigated and have been determined to belong to the County of Los Angeles. Therefore, no easement documents are required.” (Memo from Satava Los Angeles County Water District to LAFCO, Subject: Location of Water Lines, dated April 9, 2014).

Staff considers this Satava statement to be unclear and unsubstantiated. Satava provided no documentation concerning the ownership or easement interests in said rights-of-way by the County and the District. The same memorandum then goes on to state that the District “plans on relocating the water lines into the public “Right-of-Way,” and that the District “will look for funding through the re-allocation of funds within its fiscal year budget proposal,” and that the District “also plans on applying for state grants and lobbying in Sacramento for funds available to low income communities such as the Satava Water District.” (Memo from Satava Los Angeles County Water District to LAFCO, Subject: Location of Water Lines dated April 9, 2014).

A 2013 Water Master Plan prepared by CivilTec, a consultant to Satava, and recently sent to LAFCO in April of 2014, identified nearly \$4 million in costs associated with relocating water lines from the rear of properties into the public streets (rights-of-way) in front of properties. (Final Draft, Satava Los Angeles County Water District 2013 Water Master Plan, CivilTec Engineering, March 2014, Page ES-3). At this time the District does not have the funding for such an expensive undertaking.

- Emergency Preparedness. In 2007, the District installed an emergency connection (a 4” one-way water line) to the Compton Water Division, to be utilized in the event that Satava’s had an interruption of its water supply. As far as LAFCO staff is aware, the emergency connection has never been utilized. In recent conversations, District representatives noted that there is no “regulating valve” on this connection, which

means that there is no means of measuring the amount of water that would come through this connection.

The District does not have adequate reserves should they be needed in case of an emergency, such as well contamination, tank failure, water line rupture, or natural disaster.

Mark Cummins' audit report identified the issue of emergency preparedness and raised the following questions:

“What is the source of water for the emergency connection to Compton?”

“Has the emergency connection ever been tested?”

“How often are the emergency generators tested, if at all?” (District Management Review Letter, October 1st, 2013, Page 3.)

Staff was unable to locate District responses to these questions in any of the documentation provided.

- Water Rates. As noted on Table 7-1 in the MSR (page 35), Sativa's monthly water rate for a typical single-family home is \$55 per month, the same amount indicated on Sativa's website. This amount is substantially less than the rate charged by surrounding water agencies, which range from roughly \$88-\$90/month (Golden State Water Company and Park Water Company, two investor-owned utilities) to \$130/month (City of Compton Municipal Water Department). Because most of the District's territory qualifies as a Disadvantaged Unincorporated Community (“DUC”), in which the average household income is 80 percent or less than the statewide median household income (\$46,662.40) the issue of water rates is sensitive. However, the combination of rates lower than surrounding water agencies, coupled with the District's failure to undertake and comprehensive long-term planning efforts, is of concern. Over the next few decades, the District will undoubtedly encounter large one-time expenses, as do all water districts with an aging infrastructure. Many of these expenses are known, such as drilling new water wells and the installation of water meters. But there are potentially unforeseeable expense associated with unexpected well failures, emergency repairs to aging water lines, increased cost of purchased water, and increased treatment costs due to a changing regulatory climate. The District is ill-prepared for any of these eventualities, and as difficult as periodic rate increases may be for this community, they could be easier to accommodate than one or more sudden, large rate increase to address large, un-budgeted expense.

Mark Cummins noted the following:

“Of all the management deficiencies previously described in the [LAFCO Draft] MSR, the most harmful and egregious action of the Sativa Board as it pertains to the public’s interest is the decision to adopt a ‘Pay as you go’ system for setting customer’s water rates. This system includes only the District’s budgeted operating costs with very limited reserves, and does not include any provision for Asset Management techniques through Replacement and Refurbishment funds (R&R). Such an omission is virtually unheard of in today’s publicly-owned water districts.

“The District’s ‘Pay as you go’ system makes absolutely no adequate provisions for replacing or refurbishing facilities. A good example is the necessity to replace the District’s Well #4. The District closed that well in 2009 because it had traces of manganese and iron that exceeded water quality levels. Because there is no R&R, the District has been unable to replace the well. They have tried for the last three years to get a grant for the project, to no avail. The District applied for a \$950,000 grant to replace the well from Los Angeles County from money the County received in 2009 from the American Recovery and Reinvestment Act, but were denied as their project was not deemed to be a top priority project.

“A ‘Pay as you go’ system is a great public relations tool, as it artificially lowers water rates and keeps customers happy—until things start wearing out.” (District Management Review Letter, October 1st, 2013, Pages 1-2.)

In a recent memorandum to LAFCO staff, Sativa noted that “The District has not increased the water rates in approximately 5 years. As part of the FY 2013-2014 budget review, the District is considering a \$5 (9 percent) increase of the current water rates.” (Memo from Sativa Los Angeles County Water District to LAFCO, Subject: Raising Funds for Capital Improvements, dated April 9, 2014).

- No Significant Water Conservation Measures. According to information presented to Hogle-Ireland (interview of May 31, 2012), Sativa representatives “do not have any conservation programs.” The notes reflect that the District “does not have regulations regarding water usage that they enforce such as . . . filling/re-filling of swimming pools, washing cars, watering landscaping.” The notes do reflect that the District “distribute[s] water conservation related handout and conduct water use surveys twice per year,” an answer consistent with information provided to LAFCO in response to our survey questionnaire. As far back as LAFCO’s 2005 MSR, it was noted that “[t]he District does not provide water conservation services.”
- Long-Term Planning. Based upon conversations with District representatives, it appears that the District has made little or no effort to perform any long-term planning. There is no Capital Improvement Plan, no documented “sinking fund” for

anticipated infrastructure improvements, and no quantifiable reserves nor their equivalent. As noted by the District's auditor, "no reserve funds have been set up in the chart of accounts." (Forensic Audit – Final Report of Findings, October 1, 2013, Page 7). There is no long-term plan for the replacement of critical infrastructure (water tanks, pumps, and water lines) in a district with aging infrastructure. Although the District hired a qualified civil engineering firm (Psomas & Associates) several years ago to examine the condition of the District's water lines, it does not appear to have resulted in any further action to maintain, improve, or replace District infrastructure. (Despite staff's repeated requests, the District failed to provide a copy of the Psomas report).

For nearly two years, District representatives have, on multiple occasions, referred to a "master plan" that was being developed by an outside consultant (CivilTec Engineering). Although LAFCO staff has been in constant communication with District representatives for the last two years, such a document was not finalized nor made available. At a meeting on March 24, 2014, Sativa representatives were only aware of a draft report with comments from the District's consulting engineer from several months earlier.

On April 9, 2014, a copy of the CivilTec report was finally provided to LAFCO. The document, identified as a "Final Draft," identifies multiple deficiencies in Sativa's system, including:

- "No independent fire storage or emergency storage." (Page 5-1);
- Actual capacity of fire flow of "413 gpm [gallons per minute] to 1,164 gpm at 46 hydrant locations" when the "current requirement" is "fire flow of 1,250 gpm at each hydrant location." (Page 8-41); and
- Actual capacity of "zero" pumping capacity when the "current requirement" is "2,049 gpm" (Page 8-41).

The report estimates improvement costs that total approximately \$10.1 million.

Despite the delays in securing the report, staff views the release of the report as positive. The CivilTec report is the first comprehensive examination of Sativa's system to be prepared in years, if not decades, and it lays out a clear, comprehensive, and thoughtful approach to making system improvements. Having said that, staff remains concerned about Sativa's ability to finance these improvements, not to mention the fact that such improvements will take years, if not decades, to implement.

- Reserves. In several meetings, District representatives constantly referred to the amount of cash on hand (deposited in the District's bank account) and its investments

with the State of California Local Agency Investment Fund (“LAIF”) as “reserves.” District representatives also noted the “growth” in the State investment fund as an example of sound fiscal stewardship of District assets. The use of the word “reserves” mis-characterizes the nature of these funds, as they are, in essence, on-going funds of the District.

- District-Owned Vehicles. The District is relatively small, both in terms of geography (0.28 square miles) and service connections (1,667). The District owns and maintains three vehicles, two of which are trucks, utilized by field employees, as well as a van, utilized by office staff. As noted by the District’s auditor, “[t]here is no system for recording who is using Sativa’s vehicles, what they are used for, when, and the mileage covered during each use.” The auditor further noted “unexpected high usage patterns in the early years, and very low usage in the last 16 months or so, suggesting the possibility of an ongoing pattern of private usage until the last 16 months. The van goes home overnight and on weekends with the Administration Manager (Ms. Williams), who was unable to adequately explain these unusual variances.” (Forensic Audit – Final Report of Findings, October 1, 2013, Pages 8).
- General Manager. Among other requirements, state law requires that county water districts “appoint a general manager.” For years, the District operated without a general manager; based upon interviews with Sativa representatives, the last general manager left the employ of the district in 2006. Since then, according to statements he provided, Director Johnny Johnson served in the capacity of acting general manager of the district until relatively recently. This service by Director Johnson is prohibited by state law governing county water districts, which states that “[a] director shall not be the general manager, secretary, treasurer, or auditor.”

In mid 2013, and believed to be in response to questions from LAFCO, the District retained John Mundy, the retired general manager of the Las Virgenes Municipal Water District, as a consultant. According to Mr. Mundy, his service to Sativa is “winding down” and is expected to conclude in mid-2014.

In early 2014, the District entered into a contract with Romejan, Inc, a consulting firm, under which Ed Castaneda is serving as Sativa’s Interim General Manager. Staff notes that Romejan’s contract is short-term in nature and was only recently executed by Sativa.

Miscellaneous/Transparency Issues. Miscellaneous and transparency issues include the following:

- Website: After multiple inquiries from Hogle-Ireland and LAFCO about the lack of a District website, in November of 2012 the District finally created a website.

Although this is a step in the right direction for a public agency, staff notes the following deficiencies in the website:

- There is no map of the District's service territory.
- There is no calendar of Board Meetings for the current calendar year or fiscal year.
- There is no agenda (nor staff reports, draft resolutions, and back-up materials) for past or upcoming Board Meetings (in a letter dated February 4, 2013, the District's former legal counsel stated that "District staff will immediately begin posting agendas and will continue to do so").
- There are no copies of policies adopted by the Board of Directors.
- There are no copies of financial audits.
- There is relatively little information provided in Spanish translation. Although many of the District's residents are Spanish-speaking, only one small section of the website ("2008 Consumer Confidence Report) is available in English and in Spanish.
- As a result of elections in November in 2013, the composition of the Board's membership and the assignment of Board officers changed. As of mid-April of 2014, the website did not accurately reflect the current Board-members or Board officers.

Most, if not all of these features, can be found on the websites for other water districts.

On April 9, 2014, Sativa representatives provided a memorandum from a consultant identifying a proposed website for the District, to be modeled after the website of the Palmdale Water District. The memorandum provides no clear timeline/schedule of when the website changes will be implemented and available to the public. Sativa representatives have reported to LAFCO on multiple occasions about "progress" on its website with various consultants for the last two years without completing or maintaining a current website.

- Computer Systems. According to Sativa representatives, the District has four (4) computers, which are not networked to each other (the District does not have a server). The District's Auditor recommended that the District install a computerized accounting program (Forensic Audit – Final Report of Findings, October 1, 2013, Page 15). The lack of rudimentary computer hardware and software presents multiple challenges relative to documentation, management, and transparency.

- Published Budgets. The budget adopted by the Board of Directors in early 2013 is the first adopted by the District in more than a decade. The budget is not available on the District's website.
- Audits. Although the District has retained a CPA to prepare audits, copies of these audits are not available on the District's website.
- Threatened Litigation. In a letter dated September 13, 2012, following receipt of the Draft MSR and meeting with Hogle-Ireland and LAFCO staff, and described as "Response to Municipal Services Review," the District "Board of Directors" threatened to sue LAFCO, citing a "so called hostile take-over attributed to LAFCO and the MSR process (copy attached as Exhibit "E"). In numerous subsequent communications, this letter was not mentioned by the District, and District representatives indicated that they did not provide a copy to the District's new counsel.

In fairness to the District, it should be noted that the District's approach to LAFCO has moderated significantly since the issuance of the letter in September of 2012. Staff attributes this change to continued communication with LAFCO staff, District legal counsel's advice (both former counsel and current counsel), and changes on the composition and officers of the Board of Directors.

Staff credits the District's board for following through on the hiring of a Certified Public Accountant (Mark Cummins) to prepare a forensic audit, which was completed in October of 2013 (a copy of the forensic audit as Exhibit "D"). In the conclusion to the forensic audit, Mr. Cummins stated the following:

"The findings in this forensic report represent significant deficiencies in internal controls, proper accounting documentation, and appropriate Board policy. Significantly, our audit did not note any fraud or embezzlement in the course of our audit. Taken as a whole, the above areas are serious, but all can be resolved with proper attention and management by the Board." (Forensic Audit, Page 15)

As noted herein, many of the concerns in this report were addressed raised by LAFCO in the previous MSR prepared by staff in 2005 and adopted by the Commission in 2006. Other than some recent activity—the result of repeated inquiries by Hogle-Ireland, LAFCO staff, and the District's auditors over the past several months—it appears that the District has made very little effort to address many of these concerns. Further, other sources, such as the Los Angeles County Auditor-Controller's Office, raised some of these issues as far back as 2004.

California Environmental Quality Act (CEQA)

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

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 consultant and staff are recommending that the Commission adopt an SOI for the Satava 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.

Public Hearing Notice

Pursuant to the requirements of Government Code Sections 56427, the public hearing notice for the MSR and SOI Update was published on April 4, 2014, in the Daily Commerce. A copy of the public hearing notice was sent—both via e-mail and U.S. mail—on April 7, 2014, to representatives of the Satava County Water District, Central Basin Municipal Water District, City of Compton, Golden State Water Company, Los Angeles County Supervisor Mark Ridley-Thomas, and Park Water Company.

SOI Recommendation:

In terms of the District's current SOI Update determination, staff could recommend any of the following options:

- Consolidation with the Central Basin Municipal Water District (CBMWD). This was the Consultant's recommendation in the Draft MSR in August, 2012. In the event of a consolidation, and as the largest water agency in the region, CBMWD could summon considerable expertise, staffing, and resources. But because CBMWD is a wholesaler, not a retailer, it has no history of providing retail water service to individual customers (with 2-3 limited exceptions). The recent turnover amongst CBMWD's board of directors and staff raises additional concerns, as do other issues involving CBMWD's board, staff, outside consultants, and local elected officials.
- Consolidation with the City of Compton Water Division. The City of Compton operates a municipally-owned utility (MOU) that provides water service to residents and business-owners within the City of Compton. Staff notes that the City of Compton MSR, adopted

by the Commission on November 13, 2013, identified several concerns about on-going fiscal challenges facing the City of Compton; for this reason, staff has concerns about Compton taking on additional challenges within the context of existing budgetary issues. Additionally, a consolidation would result in an outcome whereby Satava customers—who, with limited exceptions, are not residents of the City of Compton—would have recourse on these issues only to a city council for whom they do not vote.

- Transfer of Retail Water Responsibilities to Golden State Water Company or Park Water Company. As investor-owned utilities (IOUs), both Golden State Water Company and Park Water Company are responsive to shareholders. By definition, the management of an IOU has a fiduciary duty to its board and shareholders to maximize profits, a duty which may or may not be compatible with what is best for Satava's existing customers. Additionally, such a transfer would deprive Satava customers of an elected board of directors.
- Adoption of a Zero Sphere of Influence (Zero SOI). The Commission could adopt a Zero SOI, a designation which includes no territory. This was the original recommendation in 2005 when this District was last reviewed. A Zero SOI assumes that the public responsibility and function of the agency should ultimately be re-assigned to another agency or alternate service provider; this could occur through a consolidation, dissolution, or other mechanism. Adoption of a Zero SOI precludes the District from annexing territory. Adoption of a Zero SOI signals, to other agencies and the public, that LAFCO has determined that the District is an under-performing public agency.

This would not be the first time that the Commission has adopted a Zero SOI. In 2005, the Commission adopted a Zero SOI for the Huntington Municipal Water District. The Commission dissolved the Huntington Municipal Water District in 2013.

- Adoption of a Coterminous Sphere of Influence (Coterminous SOI). The District currently has a Coterminous SOI, wherein the boundaries of the District and its SOI are the same. Adoption of a Coterminous SOI represents a public determination by the Commission that the District is able to provide adequate service to its customers over the long-term.

Staff has concerns about most of the above-referenced options. Although State law empowers the Commission to initiate a consolidation of the District with another public agency, staff cautions that such actions are subject to protest by landowners and registered voters; the outcome of protest, especially in such a small geographic area, is unpredictable. Transfer to a private water company would involve removing management of retail water service out of the public realm—a county water district—and placing it in the private realm—in an IOU. Staff considers a Commission reconfirmation of the existing Coterminous SOI to be an endorsement of the

District's management, which is contrary to the recommended determinations and current documentation.

Given the broad range of concerns about the District, as documented herein, and similar concerns found in audits prepared by Mark Cummins and the County of Los Angeles Auditor-Controller, staff is recommending that the Commission adopt a Zero SOI for the Sativa County Water District at this time.

It is staff's hope that the Zero SOI determination and the findings herein, as well as the recommendations from its own auditor and other professional consultants, will encourage the District's board of directors to implement necessary corrective plans and procedures. There is substantive guidance from these sources for the District. Additional sources of specific information and guidance are also available from statewide organizations of similar districts, such as the Association of California Water Agencies (ACWA) and the California Special Districts Association (CSDA). Because some of the issues addressed herein are beyond LAFCO's regulatory jurisdiction, the Executive Officer plans to send a copy of the Draft MSR and this staff report to the Los Angeles County District Attorney and the State Controller's Office.

The attached map and resolution reflect the staff recommendation.

Staff Recommendation:

In consideration of information gathered and evaluated for the service review of the Sativa County Water District, staff recommends that the Commission:

- 1) Open the public hearing and receive testimony on the MSR and SOI Update;
- 2) There being no further testimony, close the public hearing;
- 3) Determine that the MSR is a feasibility and planning study that is statutorily exempt from the California Environmental Quality Act (CEQA) pursuant to State CEQA Guidelines Section 15262; that 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 SOI Update will have a significant effect on the environment; and, further, that the MSR and SOI Update are organizational activities of governments with no direct nor indirect effects on the physical environment, pursuant to Section 15378 of the State CEQA Guidelines.
- 4) Adopt the attached Resolution RMD 2014-00, which includes the necessary determinations for an SOI Update pursuant to Government Code Section 56425, as well as the necessary determinations for an MSR pursuant to Government Code

Section 56430, consistent with the determinations identified in the staff report and portions of the Draft MSR and other documentation in the record;

- 5) Adopt a Zero Sphere of Influence for the Sativa County Water District, as identified in the attached map entitled “Sativa County Water District Sphere of Influence;” and
- 6) Direct the Executive Officer to mail copies of the resolution as provided in Government Code Section 56882

Attachments:

- | | |
|------------|---|
| Exhibit A: | Sativa County Water District Sphere of Influence Map |
| Exhibit B: | Hogle-Ireland, Inc. Sativa L.A. County Water District
Administrative Draft MSR August 2012 |
| Exhibit C: | November 2005 MSR (Excerpts)
November 2005 MSR Addendum of February, 2006 |
| Exhibit D: | Forensic Audit of October 1 st , 2013 by Mark Cummins, CPA |
| Exhibit E: | September 13, 2012 Letter from Sativa County Water District
Board of Directors to LAFCO |
| Exhibit F: | Sativa County Water District Progress on LAFCO Issues |

RESOLUTION NO. 2014-00RMD
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 CITY OF 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, 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;

WHEREAS, in August of 2012, staff transmitted a copy of the Draft MSR to the Sativa County Water District, and has considered input from Sativa 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, 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, the staff report for the MSR and SOI Update for the Santa Clara County Water District contains the determinations required by Section 56425 relative to the Municipal Service Review for the Santa Clara County Water District, incorporated into Section 2 of this resolution;

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

WHEREAS, a map of the updated SOI of the Santa Clara 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 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.
7. 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.
8. The Executive Officer is hereby authorized and directed to mail copies of this resolution as provided in Section 56882 of the Government Code.

PASSED AND ADOPTED this 14th day of May, 2014.

MOTION:

SECOND:

AYES:

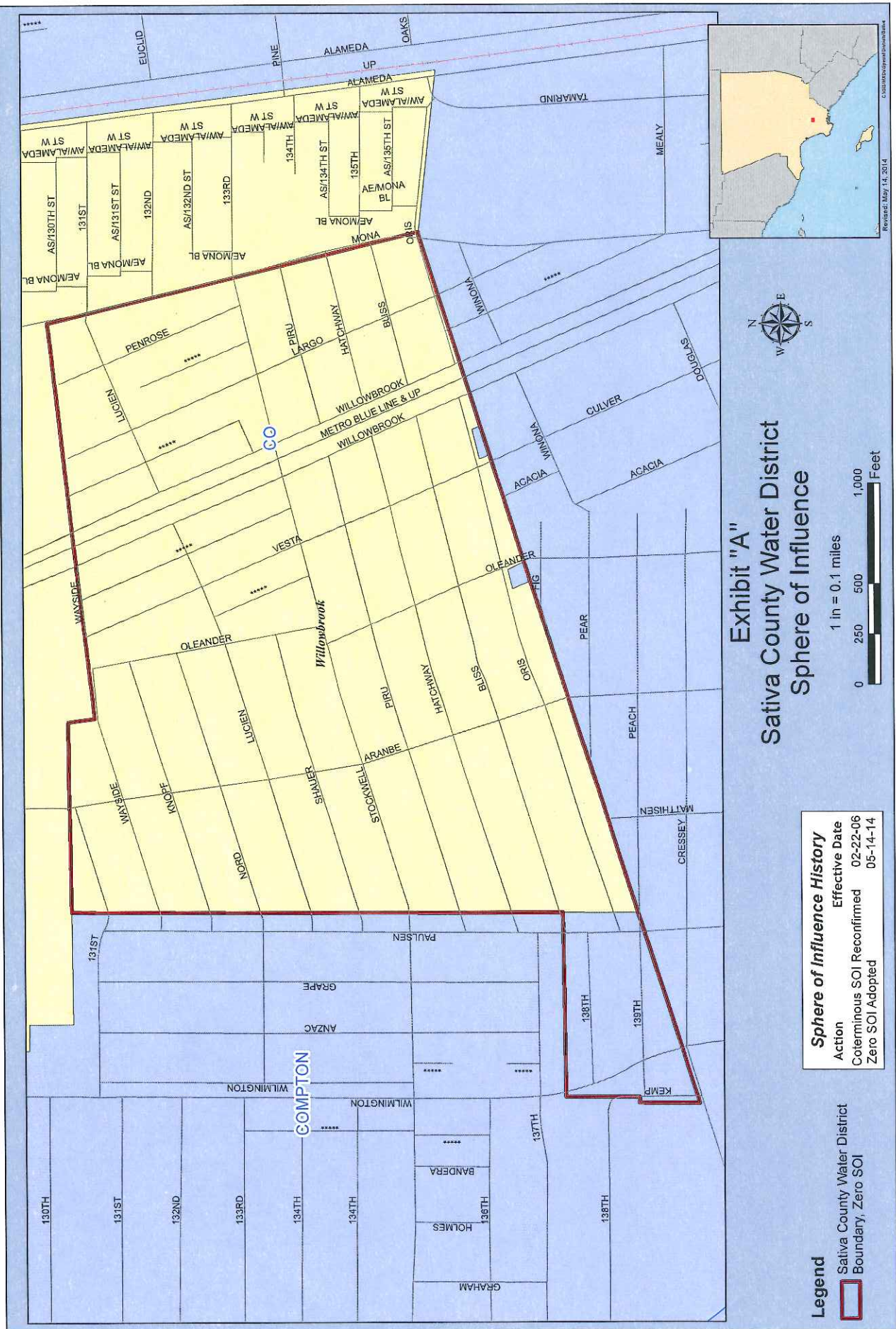
NOES:

ABSTAIN:

ABSENT:

MOTION PASSES:

PAUL A. NOVAK, Executive Officer



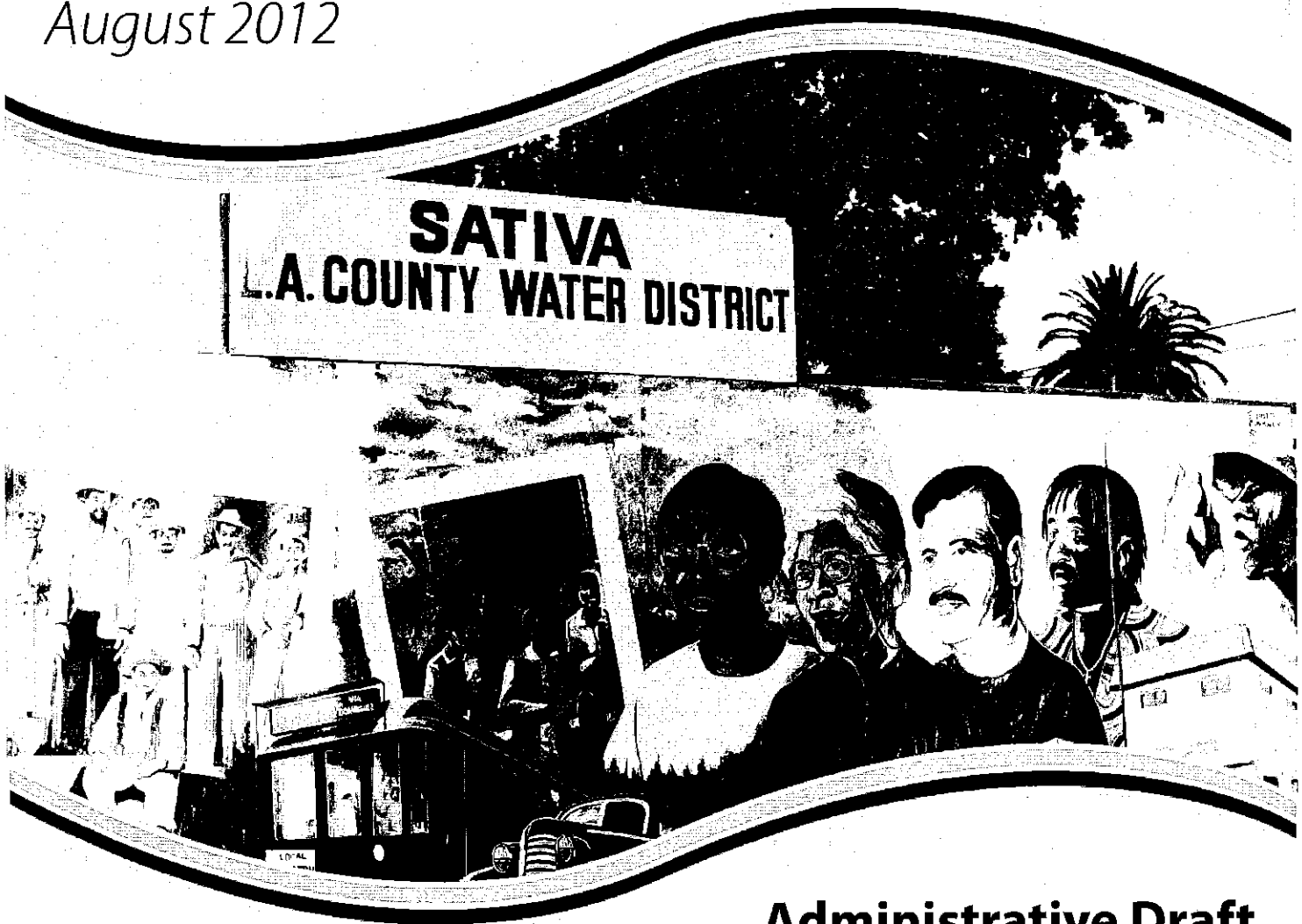
LAFCO

Local Agency Formation Commission
for the County of Los Angeles

Sativa L.A. County Water District

Municipal Service Review

August 2012



Administrative Draft

Prepared for:

**Local Agency Formation Commission
for the County of Los Angeles**
80 South Lake Avenue, Suite 870

Prepared by:

Hogle-Ireland, Inc.
2860 Michelle Drive, Suite 100
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Acknowledgements

Sativa Los Angeles County Water District Municipal Service Review

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Sativa MSR

**Sativa L.A. County
Water District**
Municipal Service Review

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Executive Summary

I. Executive Summary

A Municipal Service Review (MSR) is a comprehensive study to determine the adequacy of governmental services being provided by the local agencies under the Local Agency Formation Commission (LAFCO). The MSR is used by LAFCO, other governmental agencies, and the public to better understand and improve the provision of services and to identify opportunities for greater cooperation between service providers. The purpose of this MSR is to evaluate the Sativa Los Angeles County Water District (District) for Local Agency Formation Commission for the County of Los Angeles (LAFCO).

An MSR allows the LAFCO to evaluate how agencies currently provide municipal services within the MSR study area and to evaluate the impacts on those services from future growth and other changes that may occur in the study area over the next 10 to 20 years. The MSR report is also required to identify potential opportunities to address any shortfalls, gaps, opportunities for increased efficiency and/or impacts on services and governmental structure that may currently exist or are anticipated in the future. MSRs are also required to be conducted prior to, or concurrent with, sphere of influence (SOI) updates.

Beginning in 2001, Local Agency Formation Commissions (LAFCOs) were mandated to review and, as necessary, update the SOI of each city and special district. SOIs are boundaries, determined by LAFCO, which define the logical, ultimate service area for cities and special districts. No SOI can be updated, however, unless the LAFCO first conducts a MSR. The mandate to conduct MSRs is part of the Cortese-Knox-Hertzberg (CKH) Act of 2000. Per Section 56425 of the CKH Act, LAFCO must review and if necessary, update each SOI at least every five years.

The MSR and SOI update are one of many LAFCO responsibilities, but is often considered the most important as it provides the mechanism to shape the orderly and logical development of the local government agencies. The MSR process consists of three primary processes:

- **The Municipal Service Review Report** reviews the agency/focus area of service delivery. Additionally, the agency's infrastructure, governance functions, and capacity based on projected growth in the area are evaluated along with any identified issues, needs and/or deficiencies. The MSR process then requires responses to specific questions or "determinations" as described below:

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- ▷ Growth and population projections for the affected area.
 - ▷ Present and planned capacity of public facilities and adequacy of public services, including infrastructure needs or deficiencies.
 - ▷ Financial ability of agencies to provide services.
 - ▷ Status of, and opportunities for, shared facilities.
 - ▷ Accountability for community service needs, including governmental structure and operational efficiencies.
 - ▷ Any other matter related to effective or efficient service delivery, as required by the LAFCO Commission.
 - ▷ The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence.
- ▶ **The Stakeholder Input Process** provides a forum for representatives from the stakeholder agencies, to provide information in preparation of the MSR and to identify issues gaps or opportunities for efficiencies not otherwise reflected in this report. A summary of the stakeholder input and comments are included in **Section 3: Key Findings and Research**.
 - ▶ **The Sphere of Influence Update** is the third part of the MSR process. Based on the information in the MSR report, LAFCO Staff's recommendation, and stakeholder input the LAFCO Commission will make a decision to retract, expand, or maintain the existing SOI boundaries.

1.1 Sativa Los Angeles County Water District MSR Summary

This MSR evaluates the study area defined by the jurisdictional boundary of the District, which serves a 0.28 square mile area in the Willowbrook area of unincorporated Los Angeles County and a small portion of the City of Compton. The District is bounded on the west and south by the City of Compton. The District's boundaries are Mona Boulevard on the east, Otis Street on the south, Wilmington Avenue and Paulsen Avenue on the west, and 131st Street on the north.

District issues identified in this MSR include management inefficiencies, lack of financial strength, and failure to follow State requirements regarding independent audits. Refer to Section 7.3.

It is strongly recommended that the Board consider the dissolution of the Sativa Los Angeles County Water District; and increasing the Central Basin Municipal Water District's sphere of influence to include all of the Sativa Los Angeles County Water District's

Executive Summary



former sphere of influence. Please refer to **Section 10.1: Sphere of Influence (SOI) and District Recommendation.**

Growth and population projections

The District's service area is currently built out with a population of approximately 6,320 persons. There is no anticipation of any significant further growth.

Present and planned capacity of public facilities including infrastructure needs or deficiencies

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 inter-connection with the City of Compton.

The District has plans to drill a replacement well to increase water production supply and pressure. The District also plans to relocate water mains from the rear of customers' properties to the front of the properties, to avoid structures being built over existing service lines. Both projects are proposed to be funded through grants, loans, or rate increases.

Financial ability of agencies to provide services

The District has the financial capacity to continue to provide services on the same level as it has in the past with the current infrastructure. However, it lacks the ability to accomplish major repairs or upgrade District facilities, such as installing water meters, without substantially raising water rates or securing loans, or grants.

Status of, and opportunities for, shared facilities

There does not appear to be any opportunities for shared facilities, unless the District is dissolved and the successor agency utilizes its own equipment, staff, and Board of Directors.

Accountability of community service needs

The District is governed by a five-member Board of Directors, each elected by voters within five separate voting districts within the District. The governing board is responsible for a complete range of public governance actions and holds regularly scheduled meetings every other Tuesday to inform the public about the

Sativa MSR

District and recent water activities. The District's board meetings are publicly noticed through posting agendas at the District's administrative office located at 2015 E Hatchway Street.

In order to ensure that the District's operations and finances are made readily available to the public it is recommended that the District create a public website.

Any other matter related to effective or efficient service delivery

It is recommended that LAFCO consider the dissolution of the District and increasing the Central Basin Municipal Water District's SOI to include the District's former SOI.

The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence

Senate Bill 244, recently enacted on February 10, 2011, imposed state mandates on local governments, including cities, counties and LAFCOs. This bill requires LAFCO to make determinations regarding "disadvantaged unincorporated communities." A "disadvantaged community" is defined as a community with an annual median household income that is less than 80 percent of the statewide annual median household income. "Severely disadvantaged community" means a community with a median household income less than 60 percent of the statewide average (Water Code Section 79505.5).

The District is generally located within two census tracts one of which is considered to be a disadvantage community while the other is considered to be a severely disadvantaged community. Please refer to **Section 10: Determinations and Findings**.

2. Agency Profile

The District serves an approximately 180-acre or 0.28 square miles area in the Willowbrook area of unincorporated Los Angeles County and a small portion of the City of Compton. The District is adjacent, on the west and south, to the City of Compton. The District is generally bordered by South Mona Boulevard to the east, Oris Street to the south, North Paulsen Avenue to the west, and 131st Street to the north. The District is responsible for providing water to 1,661 service connections, of which only 1,631 are currently active. The District serves a population of approximately 6,320 people. The District's existing sphere of influence is coterminous with the District's boundaries. **Figure 2-1: Regional and Vicinity Map** depicts the District's service boundaries.

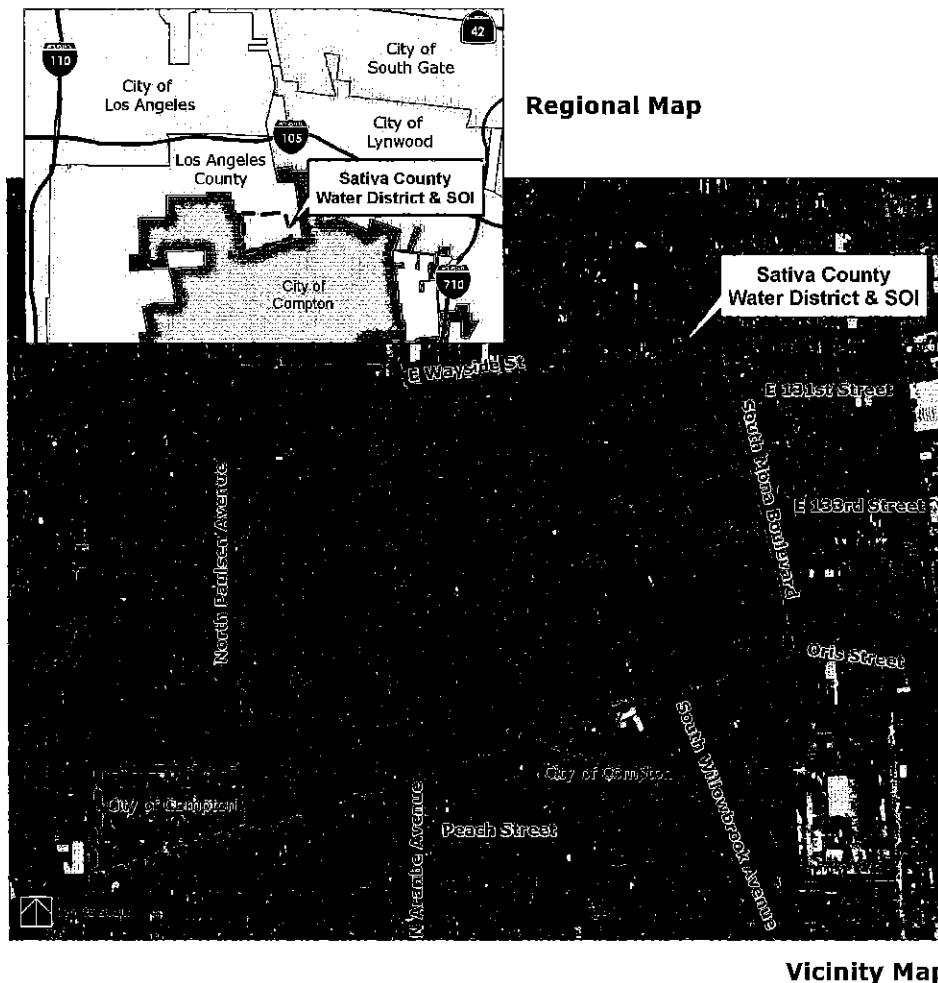


Figure 2-1:
Regional and Vicinity Map

Sativa MSR

As previously discussed, the District is primarily located within the unincorporated area of Los Angeles County with three separate areas that total to approximately 11 acres that lie within the City of Compton. There is an approximately 10.5 acre area that is bounded to the south, west, and north by the City of Compton and two areas, each less than a quarter of an acre in size, located north of Otis Avenue. The 10.5 acre area consists of 56 parcels primarily developed as single-family residences, a portion of North Wilmington Avenue and a vacant lot. The two less than a quarter of an acre areas include a park and a paved parking area that serves the Sacred Heart Church.

Apart from the area located within the City of Compton, the District's service area is 100% residential with only 12 vacant lots. Original lot sizes in the service area were 50' by 100' however, a large number of these lots have been subdivided to 25' by 100'. This increased density has created higher services demands for the District. There is no projected growth in the District through 2020.

2.1 History

The District was originally named Sativa Water and Electric, and was formed in 1913 and owned by Joseph Sativa. The present District was formed in 1938 under the County Water District Act (California State Water Code Section 30000 et seq.)

2.2 Sativa Los Angeles County Water District - Today

The District relies on groundwater drawn from the Central Basin through three wells located throughout the District, known as "wells # 2, 3, and 5". The District had a fourth well known as "well #4", which has been decommissioned due to high levels of contaminants.

The District also has a water inter-connection with the City of Compton to provide emergency water services. This metered water inter-connection consists of a 12" waterline in the City of Compton that transitions to a 8" waterline in the District's service boundary. The emergency metered water inter-connection that was established in 2007 and to this date has not been used.

The primary source of District revenue is water sales and service. The District has no long-term debt, with limited reserves, and utilizes a "pay-as-you-go" system for improvements.

The District does not have meters, and bills a flat monthly fee. Residents can pay monthly, quarterly, semi-annually, or annually. The last rate increase was approved by the District's governing board in 2009, when the monthly flat fee was raised to \$55.00.

The District is one of the few water districts in urbanized, developed areas in the State of California that does not have metered water connections. In a determination made by the District's legal counsel on March 21, 2006, it was concluded that the District is not required to install meters, pursuant to Section 525 of the California Water Code, as the District has less than 3,000 service connections and less than 3,000 acre-feet of annual water demand. However, if at some point in the future, the District directly or indirectly provides water to 3,000 customers or delivers more than 3,000 acre-feet annually that would trigger a requirement that the District install meters within ten years. Per Assembly Bill (AB) 2572 water meters must be installed on all **new** water service connections on and after January 1, 1992. Please refer to **Appendix A** to view a copy of the legal counsel's determination.

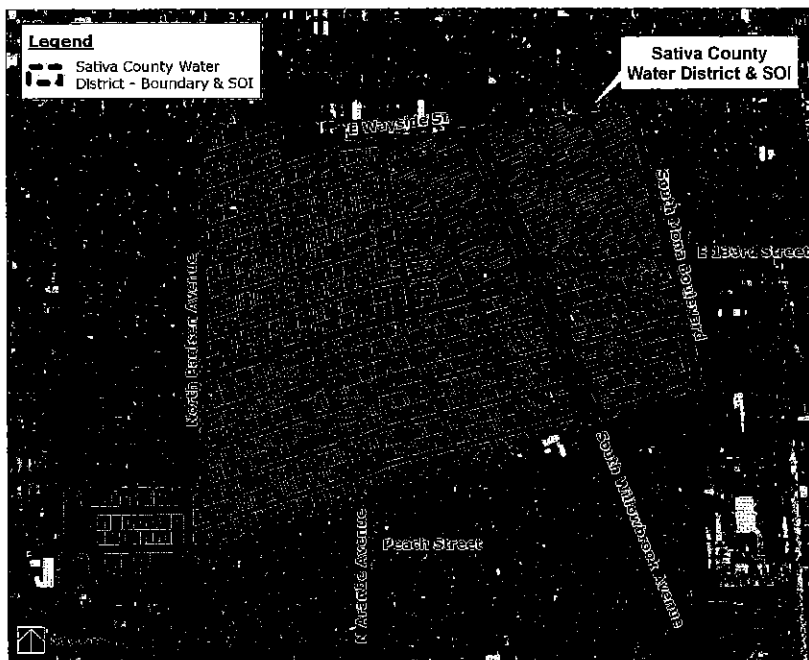


Figure 2-2:
District Service Area and
SOI

The District has Central Basin pumping rights of 474 acre-feet per year and leases additional water rights to meet the annual demand of 804 acre-feet. The District's pumping rights were determined through a 1965 court order. The District leases 330 acre-feet per year at \$255 per acre-foot to fulfill their demand. It

Sativa MSR

is anticipated that the District will continue to lease water to meet its existing and future demands until a replacement for well #4 can be drilled or alternative sources of water, such as recycled water can be obtained.

The water is held in four active tanks. Only three tanks are used at any given time and are rotated periodically.

As previously discussed, well #4 was closed in 2009 because the water pumped through that well had traces of manganese and iron that exceeded state water quality levels. The District investigated several methods to treat the water, but ultimately decided to discontinue use of the well as it was determined to be unsustainable.

Well #5, built in 1994, is a 910 ft. deep well that if need be could sustain the entire District demand.

The District has proposed a new well on property recently purchased adjacent to well site #4. Where it is proposed to dig a 910-ft deep well. However the District does not have the financial capacity to move this project forward. The District has tried to get a grant to build the well for the past three years.

The District applied for a \$950,000.00 grant from the Los Angeles County share of the money received from the 2009 American Recovery and Reinvestment Act to build the additional well. The application was denied as the project was not deemed to be a top priority project.

The District currently does not have any conservation programs. It distributes water conservation related handouts and conducts water use surveys twice per year.

**Table 2-1:
District Summary Chart**

Agency Information		Service Area Information				
Address:	2015 E. Hatchway Street Compton, CA 90222	Service Area: 2012 Population: Projected Population:	180 ac. or 0.28 sq. miles			
Contact:	Theresa Johnson		6,320			
Phone:	(310) 631-8176		2015 6,320			
Website:	No website		2020 6,320			
			2025 6,320			
		2030 6,320				
		2035 6,320				
Financial Information (FY 2011 - 2012)						
Revenues (including interest income):	\$1,312,185.46	Expenses:	\$1,032,418.35			
Net Income at year end:	\$279,767.11	Capital Improvement Budget:	\$0.00			
System Information						
Number of Employees:	6 staff members, 5 people on board of directors					
Number of Groundwater Wells:	3 operating wells - #s 2, 3, and 5 1 inactive well - # 4					
Pumping Rights in Central Basin:	474 Acre-feet per year (AFY) - 1965 court order					
Leased Water:	330 AFY @ \$225 per AF					
Miles of Pipe:	8 miles					
Number of Pump Stations:	3					
Number of Pressure Zones:	1					
Storage Capacity:	50,000 AF					
Typical Monthly Residential Water Bill (Flat Rate)						
Fixed Distribution and Customer Charge:	NA	Water Charge:	NA	Monthly Bill:	\$55.00	
Service Area Water Supply and Demand						
Water Supply (AFY)	2010	2015	2020	2025	2030	2035
Groundwater	474	474	474	474	474	474
Leased Water	330	330	330	330	330	330
Total Supply	804	804	804	804	804	804
Demand Projection	804	804	804	804	804	804
Planned Water Conservation	0	0	0	0	0	0
Total Demand	804	804	804	804	804	804

Table Notes:

1) Sativa Los Angeles County Water District LAFCO Supplemental Questionnaire - July 25, 2012

Sativa MSR

**Sativa L.A. County
Water District**
Municipal Service Review

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3. Key Findings and Research

The purpose and intent of municipal service review is to gather data and information to document an agencies capacity to provide efficient and cost-effective water services to property owners, residents, and businesses within the District's service boundaries. To meet this requirement, LAFCO and the Hogle-Ireland and Mocalis Group team prepared this service review based on sound, defensible data and information, with a focus on ensuring the future provision of safe and efficient water services, and through an open and inclusive process with input from the affected and surrounding agencies.

In order to create a comprehensive, future-focused service review, the project team met with representatives from the District, City of Compton Municipal Water Department, and the Central Basin Municipal Water District (CBMWD). The purpose of these discussions was to encourage the affected agency and stakeholder groups to:

- ▶ Identify new strategic approaches and joint opportunities for regional collaboration.
- ▶ Discuss service, infrastructure and governance efficiencies, deficiencies and/or opportunities for improvement.
- ▶ Introduce other pertinent information that may have been overlooked in the preparation and approval of this municipal service review report.

3.1 Affected Agency and Stakeholder Groups

During May 2012, the project team met with the following stakeholders:

Sativa MSR

**Table 3-1:
Affected Agency and Stakeholder Groups**

Agency	Representative	Title	Meeting Date
Sativa Los Angeles County Water District	Theresa Johnson	Manager	5/16/2012
	Johnny Johnson	Board President	
	Luis Landeros	Board Member	
	April McCall	Board Secretary	
	Elizabeth Hicks	Board Treasurer	
City of Compton Municipal Water Department	Alex Santos	Production Supervisor	5/21/2012
	Kambiz Shoghi	General Manager	
Central Basin Water District	David Hill	Water Resources & Planning Manager	6/19/2012

During each of the meetings the affected agency and related stakeholders were presented a letter (please see **Appendix B**) to introduce the MSR process and have a frank discussion regarding the provision of existing and future water services. After each of the meetings, representatives were provided with a questionnaire to solicit additional information regarding growth and population projections, present and planned capacity of public facilities, opportunities for shared facilities, and any additional information that was not discussed during the in-person meetings. Copies of the completed questionnaires are included in **Appendix B**.

The stakeholder agencies were able to provide valuable information about their past and present interactions with the District, interconnections between the stakeholder agencies and the District, existing and future population projections, and the operability of the District in relationship to their own water service provisions.

Key findings from each of the stakeholder interviews include:

Central Basin Municipal Water District

- ▶ CBMWD does not have a direct connection with the District for water or recycled water.
- ▷ The District does not have a connection to the Metropolitan Water District.
- ▶ CBMWD is primarily a water wholesaler however retail water service is provided within CBMWD's statutory authority.

- ▷ CBMWD provides retail services to a select area of unincorporated Los Angeles County.
- ▶ CBMWD could provide effective management for retail water service to the District's customer base. However, an evaluation of infrastructure and potential cost implications would be needed and subject to approval by CBMWD's Board of Directors.
 - ▷ CBMWD's high quality financial rating would allow access to adequate sources of funding for potential improvements.
 - ▷ The CBMWD service area includes multiple Los Angeles County unincorporated areas, almost all of which are served by investor owned utilities (IOU). The District's area is bordered by two IOU's including Golden State Water Company and Park Water Company and the City of Compton (non-IOU).
- ▶ The fact that the District does not have individual property meters severely limits the ability of the District to implement and measure the positive impact of conservation measures.
 - ▷ It is very expensive to install meters, with costs ranging from hundreds of thousands of dollars to millions of dollars.
 - ▷ As the District was incorporated in 1938, much of the existing mainlines are probably pre-World War II, and have probably reached the limit of their life expectancy.

City of Compton Municipal Water Department

- ▶ The City of Compton has a water interconnection with the District. The waterline varies in diameter with a 12" water line in the City of Compton that transitions to an 8" waterline within the District's boundaries.
- ▶ The City of Compton has a positive working relationship with the District with no past conflicts.
- ▶ The City of Compton has the ability to service the District in the event that the District is dissolved.

**Sativa L.A. County
Water District**
Municipal Service Review

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Growth and Population Projections

4. Growth and Population Projections

The District is primarily located within the unincorporated area of Los Angeles County adjacent to the north end of the City of Compton. The District encompasses an approximately 180 acre area or approximately 0.28 square miles. Of this 180 acre area, approximately 169 acres lie within the unincorporated area of Los Angeles County, while 11 acres lie within the City of Compton.

4.1 Regional Summary

In accordance with the 2012 Southern California Association of Governments (SCAG) Regional Transportation Plan (RTP), the unincorporated area of Los Angeles County had a 2008 population of 1,052,800 persons and a projected 2035 population of 1,399,500 persons. This population increase of 346,700 represents a growth rate of approximately 32% percent from 2008 to 2035. It is important to recognize that the unincorporated area of Los Angeles County encompasses an approximately 2,600 square mile area. The unincorporated area of Los Angeles County is unofficially grouped into 137 non-contiguous areas, some of the unincorporated areas are as small as a few blocks, some are urban centers with more than 150,000 residents and some, with sparse populations, cover hundreds of square miles in the high desert.

Given the vast size and varying demographics of the unincorporated area of Los Angeles County, a more realistic estimate of the future population projections of the District can be derived by evaluating the population projections of the cities surrounding the District including Compton and Lynwood.

Based on the SCAG RTP population, household, and employment projections the cities surrounding the District are projected to experience moderate to little growth over the next 23 years. **Table 4-1: City of Compton and Lynwood Population Growth Projections** provides a breakdown of the anticipated population, households, and employment projections for each of these two cities.

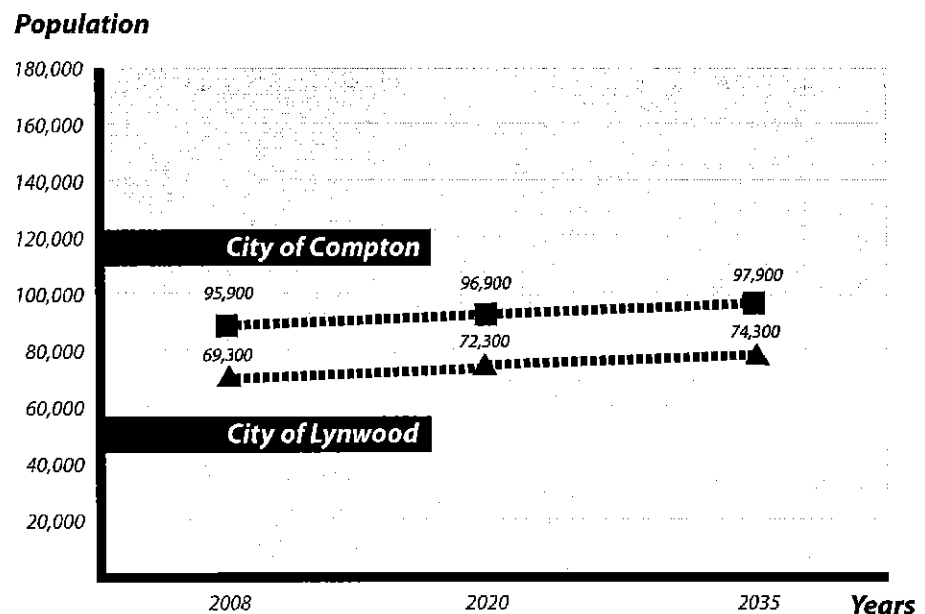
**Table 4-1:
City of Compton and Lynwood Population Growth Projections**

	SCAG 2008 Regional Transportation Plan (RTP)	SCAG 2020 RTP Projection	SCAG 2035 RTP Projection	Overall Increase
City of Compton				
Population	95,900	96,900	97,900	2,000
Households	22,900	23,100	23,100	200
Employment	30,600	31,200	32,200	1,600
City of Lynwood				
Population	69,300	72,300	74,300	5,000
Households	14,600	15,300	15,700	1,100
Employment	13,200	13,800	14,500	1,300

Table Notes:

1) Southern California Association of Governments (SCAG) 212 Regional Transportation Plan (RTP) Growth Forecast

**Figure 4-1:
SCAG RTP Estimated
Population Projections**





Growth and Population Projections

4.2 Local Summary

As it exists today, the District's service area is primarily built out with an estimated population of 6,320 persons and 1,631 active service connections. There are only 12 vacant lots within the District's service area. While there are no plans for future redevelopment within the District's service area, several of the original lots, which were sized at 50' x 100' have been subdivided into lots sized at 25' x 100'. These subdivisions have created higher densities and as result increased water demand. 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. Any development that would occur within the District's service boundaries would occur as a result of residential subdivisions and/or redevelopment projects.

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Water District**
Municipal Service Review

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Infrastructure Needs and Deficiencies

5. Infrastructure Needs and Deficiencies

5.1 Water Sources

The District serves a 180 acre or 0.28 square mile area in the Willowbrook area of unincorporated Los Angeles County and a small portion of the City of Compton. The source of the District's water supply is exclusively ground water.

5.2 Water Supply and Demand

The District is responsible for providing water to 1661 service connections, of which only 1631 are currently active connections, serving a population of approximately 6,320 persons. The service area is 100% residential. There are currently only 12 vacant lots in the service area. Original lot sizes in the service area were 50' x 100'. A large number of those lots have been subdivided to 25' x 100', creating higher densities and higher demand in excess of original allocation rights.

The District has Central Basin pumping rights of 474 acre-feet per year and an annual water demand of 804 acre-feet. To meet the excess demand created by the lot subdivisions, the District leases additional water rights of 330 acre-feet per year at a rate of \$255 per acre-foot. The District also has a standby and emergency intertie meter connection with the City of Compton that was established in 2007 and to this date has not been used.

There is no significant projected growth in the District through 2035.

5.3 Existing and Proposed Supplies and Facilities

The District's water supply consists solely of groundwater, which is pumped through District wells in the Central Basin. The District has three operating wells and one inactive well, # 4, all located on District owned property. Well # 4 was abandoned and sealed in 2009. The District has plans to drill a replacement well on the lot adjacent to well number 4, which will be a large well to increase water production supply and pressure. The District also plans to relocate water mains from the rear of customers' properties to the front of the properties, to avoid structures being built over existing service lines. Both projects are proposed to be funded through grants, loans, or rate increases. The District is anticipated to rely on a combination of groundwater and leased water to meet its consumer demand through 2035.

As the District has no metered connections, it severely limits the District's ability to actively encourage and monitor conservation measures. Although the District has an exemption from installing meters (please refer to **Appendix A**), incentives for reducing demand through conservation can be measured only with meters in place. Without meters, neither the consumer nor the District can measure the positive impacts of conservation including the possibility for decreased water demands and the potential for cost savings for both the customer and the District.

Table 5-2: Service Area Water Supply and Demand provides a summary of the District's water supplies as well as projected water demands.

**Table 5-2:
Service Area Water Supply and Demand**

Service Area Water Supply and Demand						
Water Supply (AFY)	2010	2015	2020	2025	2030	2035
Groundwater	474	474	474	474	474	474
Leased Water	330	330	330	330	330	330
Total Supply	804	804	804	804	804	804
Demand Projection	804	804	804	804	804	804
Planned Water Conservation	0	0	0	0	0	0
Total Demand	804	804	804	804	804	804

Table Notes:

1) Sativa Los Angeles County Water District LAFCO Supplemental Questionnaire – July 25, 2012



Financing Opportunities or Constraints

6. Financing Opportunities or Constraints

The District is funded through service charges and fees. Revenues are accounted for through an enterprise fund, and are adequate for expenses. The District has no long term debt associated with the water system improvements.

6.1 Revenues

The District's operating revenue is generated through water sales and service. In addition to operating revenue, the District also collects interest income. For the fiscal year 2011-2012, the District has estimated total operating revenue of \$1,312,185.46 and interest income of \$3,191.09 for total revenue of \$1,315,376.55.

6.2 Expenses

The expenses that the District incurs on an annual basis are divided into four categories including: Operating Expenses, General and Administrative costs, water treatment, and Other Operational Expenses. A brief description of each of these categories is provided below.

Operating Expenses

The District's Operating Expenses include purchasing leased water and pumping costs, which includes the electricity used to pump water from the Central Basin. For FY 2011-2012 the District estimates water purchasing costs of \$211,989.86 and pumping costs of \$66,109.52 for a total of \$278,099.38.

General and Administrative Costs

The District's General and Administrative Costs includes but is not limited to the board of directors stipend, employee pay and benefits, office repair and maintenance, utilities, equipment, and general maintenance. For FY 2011-2012 the District estimated a total of \$687,921.41 for General and Administrative Costs.

Water Treatment

In order to ensure that the water pumped from the District's ground water wells is potable and treated in accordance the State of California water quality requirements, the District has estimated \$8,850.52 for water treatment costs for FY 2011-2012.

Other Operational Expenses

For FY 2011-2012 the District has estimated \$61,216.10 in Other Operational Expenses, which includes the depreciation of District owned assets and facilities.

The District's total expenses for FY 2011-2012 are \$1,035,609.44.

6.3 Net Income

For FY 2011-2012 the District has estimated total revenues of \$1,315,376.55 against total expenses of \$1,035,609.44, for a net income of **\$279,767.11**. It is important to recognize that for FY 2009-2010, the District had total revenues of \$1,029,669.68 against total expenses of \$1,019,173.59, for a net income of \$10,496.09. This stark difference of **\$269,271.02** in net income between the actual FY 2009-2010 and estimated FY 2011-2012 is accounted for by increased revenues and decreased expenditures. Most notably, the abandonment costs for well #4 in FY 2009-2010 at \$66,575.42 and Professional fees in FY 2009-2010 at \$43,496.33. In addition, the District has estimated an increase of revenue of \$286,127.03 from FY 2009-2010 to FY 2011-2012, which could be accounted for by the District's rate increase from \$41.00 per service connection to \$55.00 per service connection that took effect in 2009.

The project team has followed up with the District to obtain a more complete explanation as to how the District's net income can increase so significantly within a two-year time period. However, as of this writing the project team has not been able to receive a response from the District.

Table 6-1: Sativa Budget Summary provides a summary of the District's FY 2009-2010, FY 2010-2011, and FY 2011-2012 budgets. A complete copy of the District's budget for each of the aforementioned fiscal years can be found in **Appendix C**.



Financing Opportunities or Constraints

**Table 6-1:
Sativa Budget Summary**

Revenue			
	Actual 2009-2010	Budget 2010-2011	Budget 2010-2011
Operating Revenue	1,026,058.43	1,192,895.87	1,312,185.46
Interest Income	3,611.25	2,900.99	3,191.09
Total Revenue	1,029,669.68	1,195,796.86	1,315,376.55
Expenses			
Operating Expenses	240,184.84	252,383.10	277,621.41
General and Administrative Costs	712,274.40	625,383.10	687,921.41
Water Treatment	12,681.35	8,045.93	8,850.52
Other Operational Expenses	54,033.00	55,561.00	61,216.10
Total Expenses	1,019,173.59	941,373.13	1,035,609.44
Net Income			
	10,496.09	254,423.73	279,767.11

Table Notes:

1) Sativa Los Angeles County Water District LAFCO Supplemental Questionnaire – July 25, 2012

6.4 Annual Audit and Budget

In accordance with California Government Code 26909(a)(2):

“When an audit of a special district’s accounts and records is made by a certified public accountant or public accountant, the minimum requirements of the audit shall be prescribed by the Controller and shall conform to generally accepted auditing standards and a report thereof shall be filed with the Controller and with the county auditor of the county in which the special district is located. The report shall be filed within 12 months of the end of the fiscal year or years under examination.”

The Los Angeles County Auditor-Controller last prepared an audit of the District on August 3, 2005 for the fiscal years 2002, 2003, and 2004. A financial audit of the District has not been performed since then. It is highly recommended that the District perform an annual audit, not only to ensure compliance with the California Government Code but to demonstrate to their customers, the Los Angeles County Auditor-Controllers office, and LAFCO that the finances and expenditures of the District and being prepared in accordance with State Law.

Table 6-1: Sativa Budget Summary provides an overview of the District’s budget for FY’s 2009-2010, 2010-2011, 2011-2012 while the entire budget for each of the aforementioned fiscal years can be found in **Appendix C**. In evaluation of the District’s budget

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there were several questionable expenses that were found. Each of these expenses are briefly described below:

- ▶ The District has a budget expense of \$39,370 for fiscal year 2011-2012 for their board of directors meeting stipend. However, as there are five board members who meet 26 times per year and receive \$150 per meeting, the stipend should be closer to \$19,500 rather than more than double at \$39,370. It is important to note that per email correspondence between the project team and Theresa Johnson, Office Manager, on July 5, 2012 Ms. Johnson indicated that board members receive no additional compensation such as health insurance apart from the \$150.00 per meeting. Furthermore, Ms. Johnson did not indicate if the Board attends any additional meetings apart from the 26 regularly scheduled meetings. Please refer to **Appendix B**.
- ▶ The budget includes an audit expense of \$505.96 for fiscal year 2009-2010; however, the District's last audit was prepared on August 3, 2005 for the fiscal years 2002, 2003, and 2004. It is uncertain as to if an audit report was prepared and the results of this audit.
- ▶ For fiscal year 2011-2012 the District has estimated auto fuel expenses of \$5,403.33 or about \$450.00 per month. As the District is approximately 0.28 square miles and does not have meters that need to be read, the estimated fuel charges are questionable.
- ▶ For fiscal year 2009-2010 the District had payroll taxes of \$13,105.91. These taxes jumped significantly to \$30,489.08 in fiscal year 2010-2011 and are estimated at \$33,537.99 for fiscal year 2011-2012. It is unknown why the District's payroll taxes increased so significantly especially considering that the District's staff has not increased.
- ▶ The District's estimated telephone expenses for fiscal year are estimated at \$14,197.52 or about \$1,200 per month. This number appears to be high considering that there are six employees who work for the District and that the District's 0.28 square mile service area is all within one area code.

6.5 Financial Ability of Agency to Provide Services

Based on the analysis provided above, the District has the financial capacity to continue to provide services on the same level as it has in the past with the current infrastructure. However, it lacks the ability to accomplish major repairs or upgrade District



Financing Opportunities or Constraints

facilities, such as installing water meters, without substantially raising water rates or securing loans.

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Water District**
Municipal Service Review

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7. Economies of Service

7.1 Cost Avoidance Opportunities

As previously discussed, the District does not have meters and charges a flat rate of \$55.00 per service connection. This rate of \$55.00 per service connection was last updated in 2009.

It is important to recognize that the District is adjacent to, within, and within close proximity to several water agencies that have the capacity to provide services to the District in the event that the District were dissolved. These water districts include the City of Compton Municipal Water Department, Central Basin Municipal Water District, as well as Golden State Water Company and Park Water Company. Both Golden State Water Company and Park Water Company are investor owned utilities (IOUs) that are governed by the California Public Utilities Commission. Each of these water agencies are briefly described below.

City of Compton Municipal Water Department (CCMWD)

The City of Compton Municipal Water Department (CCMWD) provides water service to approximately 80% of the City of Compton as well as some unincorporated areas. The City is a member agency of the Metropolitan Water District. The CCMWD receives 80% of its water from ground water wells and 20% from the Metropolitan Water District.

The CCMWD updated their water rates on July 1, 2012. The updated water rates includes rates for areas within the incorporated area of the City of Compton and rates for areas that are served by the CCMWD service area, but within the County of Los Angeles. The monthly meter fee and charge for the amount of water used for the unincorporated area of Los Angeles County are 50% higher than the rates charged for customers within the incorporated area of the City of Compton.

The CCMWD charges \$45.81 per month for a 3/4" water connection in the unincorporated area of Los Angeles County. The CCMWD charges \$4.07 per hundred cubic feet (HCF) of water used when 20 or less HCF of water is used. When 21 or more HCF of water is used the CCMWD charges \$4.70 per HCF.

Central Basin Municipal Water District (CBMWD)

Central Basin Municipal Water District (CBMWD) was established by a vote of the people in 1952 to protect the Central

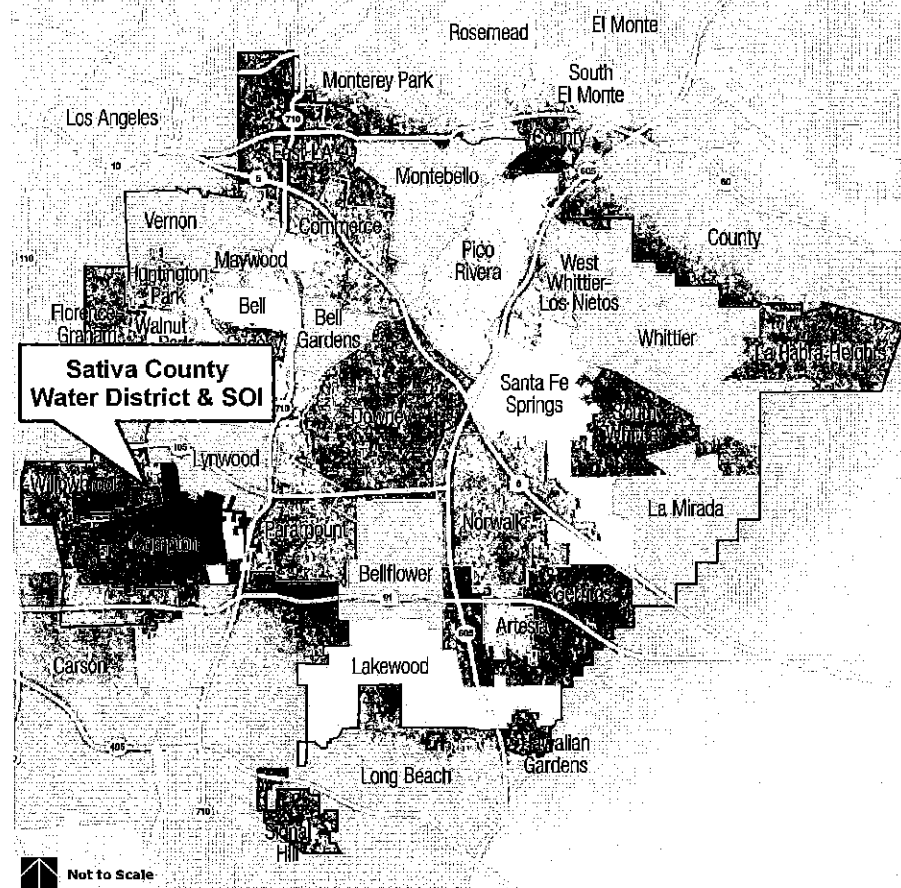
Sativa MSR

Groundwater Basin from over pumping. Today, CBMWD wholesales potable water to 26 cities, mutual water companies, investor-owned utilities, water districts and private water companies in the region. In addition, CBMWD supplies recycled water to the region for municipal, commercial, and industrial use. CBMWD supplies imported and recycled water to its customer agencies to help protect the Central Groundwater Basin and develop a more balanced portfolio of water supplies.

CBMWD is governed by a five member Board of Directors elected from within the service area. Each Director serves a four-year term once elected.

CBMWD's service area covers approximately 227 square miles and includes 24 cities and several unincorporated areas in Southeast Los Angeles County including the District. CBMWD maintains an official population of approximately 1.65 million people according to the Southern California Association of Governments (SCAG), but due to the undercounting of the area's immigrant population, the number is believed to be closer to two million. Please refer to **Figure 7-1: Central Basin Service Area** to view CBMWD's service area in relationship to the District's service area.

Figure 7-1:
Central Basin Service Area





CBMWD is one of the 26 member agencies of the Metropolitan Water District. CBMWD's Board of Directors appoints two representatives to serve on the 38-member Metropolitan Water District Board of Directors.

Although CBMWD is primarily a water wholesaler, CBMWD could provide effective management for retail water service to Sativa's customer base, since retail service is provided within their statutory authority. CBMWD does not have established retail water rates and would need to establish these rates based on their cost to produce and sell water in the event that the District was to be dissolved.

- CBMWD is primarily a water wholesaler however retail water service is provided within CBMWD's statutory authority.

Golden State Water Company (GSWC)

The Golden State Water Company (GSWC) is an IOU that distributes water to communities throughout California. GSWC relies on a myriad of complex infrastructure systems including numerous wells, pumping stations, thousands of miles of mains and service lines. The GSWC has been in operation for over 80 years and is a wholly owned subsidiary of American States Water Company. The GSWC currently has a service area directly to the north of the District. Please refer to **Figure 7-2: GSWC and PWC Service Areas** below to view the District's service area in relationship to GSWC and Park Water Company's (PWC) local service areas.

The GSWC updated its rates on January 1, 2012. The GSWC charges a fixed service charge of \$20.95 per month for a 3/4" water connection. The GSWC charges \$3.466 for the first 11 hundred cubic feet (HCF) of water used, 3.986 for the next four HCF of water used, and \$4.583 for any water used over 15 HCF.

Park Water Company (PWC)

Park Water Company (PWC) is an IOU that provides water service to approximately 28,000 accounts. PWC's service area is divided into three separate water systems including: Compton/Willowbrook (Compton West), Lynwood/Rancho Dominguez (Compton East), and Bellflower/Norwalk.

PWC obtains its water supply from three sources including: imported water, groundwater, and recycled water. PWC's potable

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imported and recycled water supplies are purchased from the CBMWD. PWC's groundwater supply is pumped from the adjudicated Central Groundwater Basin. PWC currently has a service area directly to the east of the District.

The PWC updated its rates on January 27, 2012. The PWC charges a fixed service charge of \$25.50 per month for a 3/4" water connection. The GSWC charges \$3.449 for the first 12 hundred cubic feet (HCF) of water used and \$3.947 for any water used over 12 HCF.

Please refer to **Figure 7-2: GSWC and PWC Service Areas** below to view the District's service area in relationship to GSWC and PWC's local service areas.

Figure 7-2:
GSWC and PWC Service
Areas

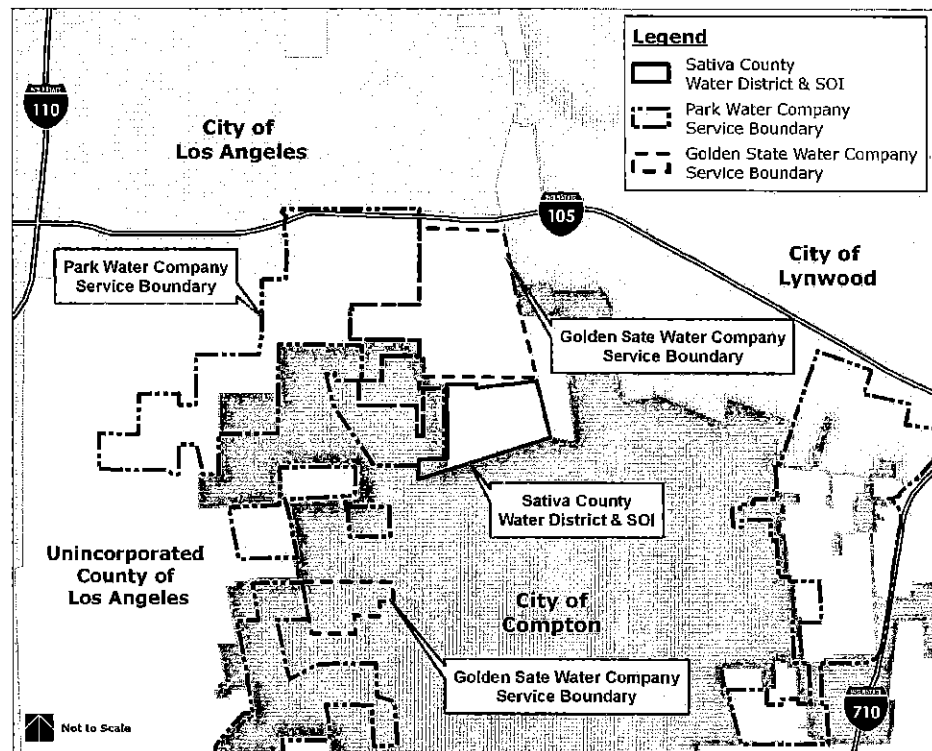


Table 7-1: Water District Rate Comparison provides a summary of the charges anticipated from CCMWD, GSWC, PWC, and the District assuming that 18 HCF of water is used at a single-family residence with a 3/4" connection. Based on the District's 1,631 active water connections and an annual demand of 804 AFY, it is assumed that each connection within the District uses 18 HCF per year. It is important to note however, that as the District does not have meters, it does not charge a monthly meter fee as the other adjacent and nearby water agencies do. Furthermore,



the District's reserves for capital improvements are far less than the adjacent and nearby water agencies.

**Table 7-1:
Water District Rate Comparison**

CCMWD		GSWC	
Rate Tier	Rate as of July 1, 2012	Rate Tier	Rate as of June 2012
Tier 1 (0-20 HCF)	18 @ \$4.70 = \$84.60	Tier 1 (0-11 HCF)	11 @ \$3.466 = \$38.13
Tier 2 (20+ HCF)	N/A	Tier 2 (11-15)	4 @ 3.986 = \$15.94
		Tier 3 (15+)	3 @ 4.583 = \$13.75
Fixed Distribution and Customer Charge	\$45.81	Fixed Distribution and Customer Charge	\$20.95
Total	\$130.41	Total	\$88.77
PWC		Sativa Los Angeles County Water District (District)	
Rate Tier	Rate as of January 27, 2012	Rate Tier	Rate as of 2009
Tier 1 (0-12 HCF)	12 @ \$3.449 = \$41.39	Fixed Rate	\$55.00
Tier 2 (12+ HCF)	6 @ 3.947 = \$23.68		
Fixed Distribution and Customer Charge	\$25.50		
Total	\$90.57	Total	\$55.00

Table Notes:

1) Water usage is billed by hundred cubic feet (HCF). 1 HCF = 748 gallons. One billing unit is equivalent to one HCF (748 gallons).

Based on the analysis above, there does not appear to be any cost avoidance opportunities for the District as it is presently constituted. However, in the event of District dissolution, there would be an opportunity for the succeeding agency to obviate a substantial portion of the District's current expenses, including but not limited to such expenses as Board of Directors' stipends and a major part of employee wages and benefits. There would also be a greater opportunity to install metered connections and encourage water conservation.

7.2 Opportunities for Shared Facilities

There does not appear to be any opportunities for shared facilities, unless the District is subject to dissolution and the successor agency utilizes its own equipment, staff, and Board of Directors.

7.3 Evaluation of Management Efficiencies

An evaluation of the District's management efficiencies reveals a very disturbing and pervasive pattern of unacceptable actions or lack of actions regarding District responsibilities. Consider the following:

(From the December 14, 2005 Staff Report of the Local Agency Formation Commission for the County of Los Angeles (LAFCO), page 2):

"The (Sativa) 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."

(From the Independent Auditor's Report, County of Los Angeles, Department of Auditor-Controller, August 3, 2005):

"In previous internal control reports, we noted a lack of separation of duties over the cash receipts and disbursements function performed by office staff. The District needs to properly separate the cash receipts and record-keeping functions. There has been no change in how the District collects and records its cash payments. 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. All three employees have access to both cash and the accounting records.....We recommend the District hire an outside consultant, either an expert bookkeeper or an accountant, to assist the District with its bookkeeping."

The Los Angeles County Auditor-Controller's office last performed an audit for the District on August 3, 2005 for the fiscal years 2002, 2003, and 2004, which was the last audit prepared by them for the District. It should be noted that the Auditor-Controller's office subsequently informed the District that the Auditor-Controller's office would not have the resources to conduct future audits of the District, and that the District should have a 3rd party consultant prepare their annual audits, as provided by the California Government Code.

California Government Code Section 26909(a)(2) states:

"(2) Where an audit of a special district's accounts and records is made by a certified public accountant or public accountant, the minimum requirements of the audit shall be prescribed by the Controller and shall conform to generally accepted auditing standards and a report thereof shall be filed with the Controller and with the county auditor of the county in



which the special district is located. The report shall be filed within 12 months of the end of the fiscal year or years under examination."

The District budget reflects audit expenses of \$505.96 in FY 2011-12. According to the Auditor-Controller's office, the District has not filed any audit reports with them since the last audit was performed by the Auditor-Controller's office in 2005. What was being audited in FY 2011-12, and who got the results?

The District's history of inaccurate or non-existent records has greatly reduced the ability of the project team to make accurate findings or forecasts from official records without referring questions of substance to the District's staff. The District's staff has been very uncooperative in providing accurate information in a timely manner, if at all. This mirrors the experience of LAFCO's staff, as described in the LAFCO Staff Report of December 14, 2005.

Additionally, when information has been provided, it often is not accurate or reliable. An example can be found on page 2 of the Agency Profile sheet produced by the District on July 5, 2012 as part of the information it provided in response to LAFCO's Supplemental Request for Information. It states in the opening paragraph that the District's service area is approximately one-half square mile. A few lines further down, it states that the District's service area is 2 1/2 square miles, a difference of 500 percent. However, based on the project team's review of the most recent Geographic Information Systems (GIS) "shapefile" of the District's service area it is estimated that the District's service area is approximately 180 acres or 0.28 square miles.

Similarly, it states on that same page that the District has approximately 1,488 service connections, but on page 8 of the same report it states that there are 1,580 service connections.

Another example is found on page 7 of the report, under Average Annual Demand. The District states that it presently has 6,320 residential service connections, but that by the year 2015 the District will have shrunk to only 1,606 connections, leaving a customer base 25% of the District's original size. **This is surely not the case.**

Another example is found in the District's current budget for Board meeting stipends. The current total budgeted amount is \$39,370.00 and the Board members are paid \$150.00 for each Board meeting they attend. Board meetings are scheduled for 26 regular meetings a year. 26 meetings X 5 Board members X

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\$150.00 = \$19,500.00 for Board stipends per year. But the adopted budget states \$39,370.00 for Board stipends.

The project team emailed the District's office manager on July 31, 2012, and specifically asked about Board meetings:

"6. We understand that the Board meets twice a month for a total of 26 meetings. Are there any other meetings that the Board attends? Is so, can you please specify?"

The District's answer: "The Board meets every other Tuesday. Totalling 26 regular meetings."

The project team remains unable to determine where the other \$19,870.00 in Board stipends goes.

A review of the budget raised questions about other budget items, including bank charges, fuel costs, telephone expenses, auto expenses, audit expenses, professional fees, and payroll taxes.

It seems only a forensic auditor can provide accurate answers to these questions.



8. Government Structure Options

The purpose of evaluating government structure options as part of the Municipal Service Review (MSR) is to encourage the current and future orderly formation of local government agencies, create logical boundaries, and promote the efficient delivery of services. This MSR is an informational document that will be used by the Local Agency Formation Commission for the County of Los Angeles (LAFCO) and staff, agencies and organizations, stakeholders, and the public to discuss future governance options for the District. One of the required components to be addressed in the MSR is a list of all possible government structure options including an analysis of all possible advantages and disadvantages of agency reorganization.

There are several advantages and disadvantages that may occur from reorganization including:

Advantages

- ▶ Reduction in cost or fees due to economies of scale
- ▶ Improved service delivery in terms of both water delivery and administrative functions including customer service and billing
- ▶ Simplification of jurisdictional boundaries.

Disadvantages

- ▶ Political opposition
- ▶ Loss of local control and accountability
- ▶ No or limited cost savings
- ▶ Discontinuity of services during the reorganization process

The Commission is not required to implement any of the governmental structure options described in this report. However, the Commission must update or reaffirm the sphere of influence of the District, which as it exists today is concurrent with the District's boundaries.

It is important to note that at the time this report was prepared, the District had no plans to expand or retract its sphere of influence or service boundary.

8.1 Options

The LAFCO Staff and Commission should consider the following three options when evaluating the sphere of influence (SOI) for the Sativa Los Angeles County Water District: Maintain the status quo; expand the SOI; reduce the SOI, and having water services

Sativa MSR

provided by the City of Compton Municipal Water Department (City) or the CBMWD.

Maintain the Status Quo

This option would maintain the existing District boundaries and current SOI. In this scenario, the District would continue to provide water services in the same manner as it does today, maintain the existing infrastructure, and carry out administrative functions including customer service and billing.

Residents, landowners, and business owners within the District will continue to pay the same uniform \$55.00 monthly flat rate. As the District's service boundaries are built-out, there are no anticipated increases in population and water demands that would have an impact on the ability of the District to continue to provide water services.

Expand the Sphere of Influence

The District currently does not have plans to expand its SOI or existing service boundary. Considering that the District does not have water rights or infrastructure that could be expanded beyond their jurisdictional boundaries, an expansion of the District's SOI is highly unlikely.

Reduce the Sphere of Influence

As previously discussed, the District's SOI boundary is coterminous with the District's service area. Reducing the District's SOI to a zero SOI would provide the basis for the future dissolution of the District.

Potential Agency Merger

As previously discussed, the District is located adjacent to the City of Compton, and in fact supplies water to a small area within the City. During meetings with the City and CBMWD, both agencies indicated that they would have the ability and capacity to provide water services to the District in the event that the District was dissolved. However, considering that the City is currently experiencing serious financial problems, it seems an illogical decision to merge the District into the City, particularly since the District may be facing substantial facilities upgrades in the near future, such as installing District-wide water meters.



Local Accountability and Governance

9. Local Accountability and Governance

The District is governed by a five-member board of directors, elected from within each of the five electoral districts in the District. Members for each of the districts must reside in the district they represent and are elected by voters within that district. All board members serve a four-year term.

Table 9-1: Sativa Los Angeles County Water District Governance below provides a summary of the governance and local accountability of the District.

**Table 9-1:
Sativa Los Angeles County Water District Governance**

Date formed:	1913	
Statutory Authorization:	County Water District Act (California State Water Code Section 30000 et seq.)	
Board Meetings:	Twice a Month	
Board of Directors	Title	Compensation
Johnny E. Johnson	President	\$150.00 per meeting. No other benefits including health insurance are provided to board members
Ruben Hernandez	Vice President	
April McCall	Secretary	
Elizabeth Hicks	Treasurer	
Luis Landeros	Board Member	

Table Notes:

1) Sativa Los Angeles County Water District LAFCO Supplemental Questionnaire – July 25, 2012

The District has water rights and owns a complete water infrastructure, including an office and maintenance facilities, wells, storage tanks, and a distribution system, not including water meters. The governing board is responsible for a complete range of public governance actions and holds regularly scheduled meetings twice a month to inform the public about the District and recent water activities. The District's board meetings are publicly notified through newspaper publications and are open to the public.

Sativa MSR

The District was originally named Sativa Water and Electric, and was formed in 1913 and owned by Joseph Sativa. The present District was formed in 1938 under the County Water District Act (California State Water Code Section 30000 et seq.)



Determinations and Findings

10. Determinations and Findings

California Government Code Section 56430 provides that LAFCOs, upon receipt and consideration of an MSR, are required to adopt written findings addressing each of the following seven topics:

1. Growth and population projections for the affected area.
2. Present and planned capacity of public facilities and adequacy of public services, including infrastructure needs or deficiencies.
3. Financial ability of agencies to provide services.
4. Status of, and opportunities for, shared facilities.
5. Accountability of community service needs, including governmental structure and operational efficiencies.
6. Any other matter related to effective or efficient service delivery, as required by the LAFCO Commission.
7. The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence.

Below is a summary of what each determination will assess as well as an overview of the findings for each determination.

1. Growth and population projections for the affected area.

This determination requires an analysis of current and future population and demographic characteristics related to city and special district service plans and delivery. Local and regional growth projections should be analyzed for compatibility with planned facilities.

The District is fully built out with a population of approximately 6,320 people. There is no future growth projected in the District. The existing water infrastructure and facilities are adequate to continue to serve the District.

The cities adjacent to the District are projected to experience moderate to little growth from 2012 to 2035.

Table 10-1: City of Compton and Lynwood Population Projections provides a breakdown of the anticipated population growth for those cities.

**Table 10-1:
City of Compton and Lynwood Population Projections**

City Name	SCAG 2008 regional Transportation Plan (RTP) Population	SCAG 2035 RTP Population	Population Increase	Annual Growth Rate through 2035
Compton	95,900	97,900	2,000	0.08%
Lynwood	69,300	74,300	5,000	0.27%

Table Notes:

¹Southern California Association of Governments (SCAG) 212 Regional Transportation Plan (RTP) Growth Forecast

2. Present and planned capacity for public facilities and adequacy of public services, including infrastructure needs or deficiencies.

The purpose of this determination is to evaluate existing infrastructure to determine existing sufficiency and future demand. The analysis will address future planned expansions within the MSR study area, both locally and regionally.

The existing facilities are adequately serving the existing District, and, given the fact that the District is fully built out, have the future capacity to continue to adequately serve the District. The only facility not presently provided is water meters. The District is also planning on replacing Well No. 4, which was taken out of service in 2009.

3. Financial ability of agencies to provide services.

The purpose of this determination is to analyze the present and future ability of the District to financially support the current and long-term municipal service needs.

Based on the analysis provided in **Section 6: Financing Opportunities or Constraints**, the District has the financial capacity to continue to provide services on the same level as it has in the past with the current infrastructure. However, it lacks the ability to accomplish major repairs or upgrade District facilities, such as installing water meters, without substantially raising water rates or securing loans.

Determinations and Findings

**4. Status of, and opportunities for, shared services.**

The purpose of this determination is to analyze potential opportunities, if any, for enhancing operational efficiencies by sharing services and/or facilities.

An increased level of efficiency and effectiveness can be reached by dissolving the District and having the CBMWD provide water services to the District's service area. The revenues collected by the District can be transferred to CBMWD to fund water resources, infrastructure repair and maintenance, and administrative functions. In accordance with Section 56430(b) of the Cortese-Knox-Hertzberg Local Government Reorganization Act, "the commission may assess various alternatives for improving efficiency and affordability of infrastructure and service delivery within and contiguous to the sphere of influence, including, but not limited to, the consolidation of governmental agencies."

5. Accountability for community service needs, including governmental structure and operational efficiencies.

The purpose of this determination is to evaluate the current and alternative government structure of the District. This evaluation includes opportunities for public participation provided by the District.

The District is governed by a five-member Board of Directors, each elected by voters within five separate voting districts within the District. The governing board is responsible for a complete range of public governance actions and holds regularly scheduled meetings every other Tuesday to inform the public about the District and recent water activities. The District's board meetings are publicly notified through posting agendas at the District's administrative office located at 2015 E Hatchway Street.

In order to ensure that the District's operations and finances are made readily available to the public it is recommended that the District create a public website. At a minimum the website should provide the following information:

- ▷ Board member names and contact information,
- ▷ Date, time, and location of board meetings,
- ▷ Meeting minutes from past board meetings,

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- ▷ Agendas for upcoming board meetings,
- ▷ Relationship between the District and adjacent cities,
- ▷ A description of how water service is currently provided to the area,
- ▷ The most current water rates, and
- ▷ Conservation measures to help reduce water consumption.

6. Any other matter related to effective or efficient service delivery, as provided by Commission policy.

The purpose of this determination is to provide an analysis of any other matters as related to the data analysis provided in the previous sections of this report, the affected and stakeholder agency interviews, and distributed questionnaires.

Please refer to **Section 10.1: Sphere of Influence (SOI) and District Recommendation** below.

7. The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence.

Senate Bill 244, recently enacted on February 10, 2011, imposed state mandates on local governments, including cities, counties and LAFCOs. This bill requires LAFCO to make determinations regarding "disadvantaged unincorporated communities." Disadvantaged unincorporated communities are defined as territory that constitutes all or a portion of a "disadvantaged community" including 12 or more registered voters or some other standard as determined by the LAFCO Commission. A "disadvantaged community" is defined as a community with an annual median household income that is less than 80 percent of the statewide annual median household income. "Severely disadvantaged community" means a community with a median household income less than 60 percent of the statewide average (Water Code Section 79505.5).

The legislation will impact LAFCO operations in three respects:

1. Municipal Service Review (MSR) determinations.
2. Sphere of Influence updates on or after July 1, 2012
3. Annexation approval restrictions of territory adjacent to disadvantaged communities.

Determinations and Findings



Item numbers one and two are further described below, however as this MSR does not concern the approval of an annexation, item number three will not be discussed in this report.

1. Municipal Services Reviews - §56430

The Commission is required to prepare specific written determinations on infrastructure needs or deficiencies related to sewer, water, and fire protection services in any disadvantaged unincorporated community within or contiguous to the sphere of influence of a city or special district that provides those services.

2. Spheres of Influence - §56425

After July 1, 2012 the Commission is required to adopt additional determinations for an update of a sphere of influence of a city or special district that provides public facilities, or services related to sewer, water, or fire protection. The Commission must make determinations regarding the present and probable need for those public facilities and services in any disadvantaged unincorporated communities within the existing sphere of influence.

In accordance with the 2010 United States Census, the median statewide household income is \$54,459. Eighty percent of the median statewide household income is \$43,567. As the District does not conform to city boundaries, census tracts were used to determine the median household income. The unincorporated areas of the District includes two census tracts identified as tract # 5414 and 5415. It is important to note that these census tracts are not contiguous with the District's service boundary and encompass a much larger area as shown in **Figure 10-1: Census Tract Locations** below. Census tract # 5414 has an annual average household income of \$30,417 or 56% of the statewide annual median household income, making it a severely disadvantaged community. Census tract # 5415 has an annual average household income of \$40,202 or 74% of the statewide annual median household income, making it a disadvantaged community. Each of these two census tracts along with the surrounding census tracts are further described in **Table 10-2: Census Tract Annual Median Household Income** below.

Sativa MSR

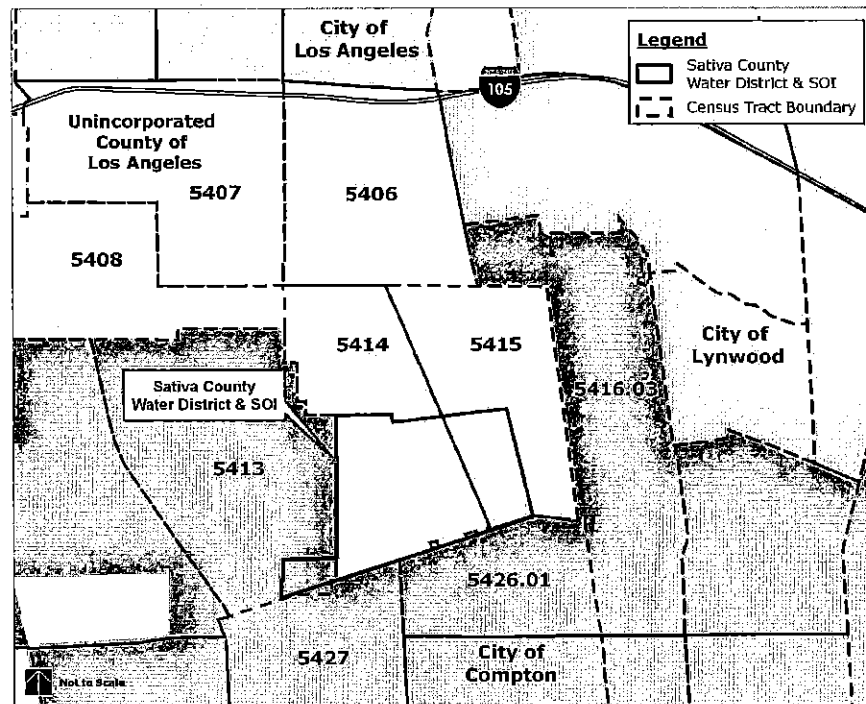


Figure 10-1:
Census Tract Locations

Table 10-2:
Census Tract Annual Median Household Income

Census Tract	Statewide Annual Median Income	Annual Median Household Income	Percentage of Annual Statewide Annual Median Income
5406	\$54,459.00	\$31,366.00	58%
5407		\$36,814.00	68%
5408		\$33,000.00	61%
5413		\$40,202.00	74%
5414		\$30,417.00	56%
5415		\$52,500.00	96%
5416.03		\$42,014.00	77%
5426.01		\$37,363.00	69%
5427		\$40,938.00	75%

Table Notes:

1) 2010 United States Census



10.1 Sphere of Influence (SOI) and District Recommendation

It is strongly recommended that the Commission consider the dissolution of the Sativa Los Angeles County Water District; and increasing the Central Basin Municipal Water District's sphere of influence to include all of the Sativa Los Angeles County Water District's former sphere of influence. This determination is based on the following findings:

- ▷ The District's use of a "pay as you go" financial approach has resulted in lower customer rates, but has failed to achieve a responsible method of assuring that the system facilities can be maintained at the level required of a public water system.
- ▷ The District does not have the present financial ability to fund major facilities replacements that will be required for an aging system. Because the customer base is so small, any loans or rate increases to pay for needed system replacements will result in unacceptably high costs to the customers. A significant portion of the District's existing budget could be obviated if the District were subject to dissolution, and that money could be used by the successor agency towards creating a system replacement fund. In addition, a large agency such as CBMWD can more effectively spread future costs at less impact upon its larger base of customers.
- ▷ The District's management deficiencies have been adequately documented previously herein. The fact that one-third of the District's employees are related to the Board President leads to an unavoidable appearance of nepotism. Because of the District's demonstrated inability or unwillingness to provide accurate, timely answers to official inquiries, the family linkage between a policy maker and staff is very troubling.

In order to establish a basic level of confidence in the reliability of District records, it is also recommended that the Commission order a forensic audit of the District's financial records.

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**Sativa L.A. County
Water District**
Municipal Service Review

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Appendix A – Meter Legal Determination

Appendix A – Meter Legal Determination

**CONFIDENTIAL/ATTORNEY-CLIENT PRIVILEGE
AND WORK PRODUCT COMMUNICATION
NOSSAMAN LLP
MEMORANDUM**

TO: Sativa Los Angeles County Water District

FROM: Alfred Smith and Melissa A. Poole

DATE: March 21, 2006

RE: Applicability of Recent Legislation Requiring Installation of Water Meters (AB 2572 - Kehoe)
280841-0001

Issue: Does AB 2572, which requires the installation of water meters, apply to Sativa Los Angeles County Water District ("Sativa")?

Short Answer: If Sativa does not directly or indirectly provide water to more than 3,000 customers or deliver more than 3,000 acre-feet of water annually, the requirement to install water meters on all service connections prior to 2025 does not apply. If at some point in the future Sativa directly or indirectly provides water to 3,000 customers or delivers more than 3,000 acre-feet annually that would trigger a requirement that Sativa install meters within 10 years. As Sativa is likely aware, existing law (renumbered by AB 2572) requires Sativa to install water meters on all new water service connections on and after January 1, 1992.

Analysis:

Assembly Bill 2572 (Kehoe) of the 2003-2004 Legislative Session amended the California Water Code to require all urban water suppliers that do not receive water from the Central Valley Project to install water meters on all municipal and industrial service connections located within its service area before January 1, 2025. Cal. Water Code §527(a)(1)¹. In addition, once meters are installed, urban water suppliers are required to "charge each customer that has a service connection for which a water meter has been installed based on the actual volume of deliveries as measured by the water meter." §527(a)(2)(A). Section 527(b) provides that an urban water supplier required to install meters may recover the costs associated with the purchase, installation and operation of the water meters by raising rates, fees, or charges. Urban water suppliers that do receive water from the Central Valley Project are also required to install meters on a more expedited time schedule. §526.

¹ All references are to the California Water Code.

Sativa MSR

Memorandum
March 21, 2006
Page 2

Section 528(c) provides that the term "urban water supplier" is defined pursuant to Section 10617 which provides that an "urban water supplier" is "a supplier, either publicly or privately owned, providing water for municipal purposes either directly or indirectly to more than 3,000 customers or supplying more than 3,000 acre-feet of water annually." "Customer" is defined as "a purchaser of water from a water supplier who uses the water for municipal purposes, including residential, commercial, governmental, and industrial uses." §10612. Thus, if Sativa does not directly or indirectly provide water to more than 3,000 customers or deliver more than 3,000 acre-feet of water annually, the requirement to install water meters on all service connections prior to 2025 would not apply. However, if Sativa's activities would classify it as an "urban water supplier," the requirement to install meters prior to 2025 would apply.

AB 2572 amended and renumbered Water Code section 110. Pursuant to AB 2572, former section 110 is now Water Code section 525. Section 525, originally enacted in 1991, requires "every water purveyor who ... delivers water service to any person shall require, as a condition of new water service on and after January 1, 1992, that a suitable water meter to measure the water service shall be installed." "Water purveyor" is defined in Section 512 as "any person who furnishes water service to another person." Section 525 is therefore distinguishable from section 527 discussed above, because section 525 applies to all water purveyors, whereas section 527 applies only to water suppliers with over 3,000 customers or water suppliers delivering more than 3,000 acre-feet per year. Section 525 also only applies to "new" installations, whereas 527 applies to all connections within the service area.

Section 525 is properly interpreted to apply to all "new" connections installed on or after January 1, 1992; but it does not appear to apply when service is merely changed. Section 523 provides: "The Legislature finds and declares that the California goal for measurement of water use is the achievement by January 1, 1992, of the installation of water meters on all new water service connections after that date." In addition, the legislative history supports this interpretation of the statute.² Thus, pursuant to Section 525, as to connections installed on or after January 1, 1992, Sativa is to require as a condition of new water service the installation of a water meter.

Section 528 sets forth provisions applicable to "water purveyors" who become "urban water suppliers", i.e. the purveyor reaches the point where it delivers water to more than 3,000 customers or delivers more than 3,000 acre-feet of water annually. A "water purveyor" that becomes an "urban water supplier" after January 1, 2005, is required to install water meters on all municipal and industrial service connections and charge each customer with a meter based on the actual water delivered within 10 years of meeting the definition of an urban water supplier. §528.

It also should be noted that in fulfilling the requirements of the statute, Section 521(g) provides that "an urban water supplier should take any available necessary step consistent

² AB 2572 Assembly Water Parks & Wildlife Committee Analysis ("Existing law requires the installation of a water meter as a condition of water service to any connection installed after 1992.") Similarly, the Legislative Counsel's Digest provides: "Existing law generally requires the installation of a water meter as a condition of water service provided pursuant to a connection installed on or after January 1, 1992."

Appendix A – Meter Legal Determination

Memorandum
March 21, 2006
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with state law to ensure that the implementation of this chapter does not place an unreasonable burden on low-income families.”

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**Sativa L.A. County
Water District**
Municipal Service Review

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Appendix B – Agency Correspondence

Appendix B – Agency Correspondence



June 19, 2012

Art Aguilar, General Manager
Central Basin Water District
6252 Telegraph Road
Commerce, CA 90040

Dear Mr. Aguilar:

Our meeting with you on June 19, 2012 is for the purpose of reviewing the last Mandatory Service Review (MSR) of the Sativa County Water District, dated November 1, 2005. State law requires an updated MSR every five years, and the Los Angeles Local Agency Formation Commission has retained Hogle-Ireland to prepare an updated MSR for the Sativa County Water District.

Some of the agencies we will be meeting with concerning the Sativa County Water District include the City of Compton and the Sativa County Water District.

What we hope our meeting with you will produce is a frank discussion on what may have happened or transpired concerning the Sativa County Water District since its last MSR, which should be considered in an updated MSR.

In case you do not have a copy of the last MSR, we can provide you with a digital copy upon your request.

If you should have any questions prior to the meeting, please call me at our Irvine Office at 949-553-1427.

Sincerely,

Keith Carwana, Project Manager
Hogle-Ireland, Inc.

Sativa MSR



May 21, 2012

Bryan Batiste, City Manager
City of Compton
205 S. Willowbrook Avenue
Compton, CA 90220

Dear Mr. Batiste:

Our meeting with you on May 21, 2012 is for the purpose of reviewing the last Mandatory Service Review (MSR) of the Sativa County Water District, dated November 1, 2005. State law requires an updated MSR every five years, and the Los Angeles Local Agency Formation Commission has retained Hogle-Ireland to prepare an updated MSR for the Sativa County Water District.

Some of the agencies we will be meeting with concerning the Sativa County Water District include the Central Basin Municipal Water District and the Sativa County Water District.

What we hope our meeting with you will produce is a frank discussion on what may have happened or transpired concerning your City and the Sativa County Water District since its last MSR that may affect your City, which should be considered in an updated MSR.

In case you do not have a copy of the last MSR, we can provide you with a digital copy upon your request.

If you should have any questions prior to the meeting, please call me at our Irvine Office at 949-553-1427.

Sincerely,

Keith Carwana, Project Manager
Hogle-Ireland, Inc.

www.hogleireland.com

2860 Michelle Drive, Suite 100 | Irvine, CA 92606
t: 949.553.1427 | f: 949.553.0935

Appendix B – Agency Correspondence



May 16, 2012

Theresa Johnson, Manager
Sativa County Water District
2015 E Hatchway St.
Compton, CA 90220

Dear Ms. Johnson:

Our meeting with you on May 16, 2012 is for the purpose of reviewing the last Mandatory Service Review (MSR) of the Sativa County Water District, dated November 1, 2005. State law requires an updated MSR every five years, and the Los Angeles Local Agency Formation Commission has retained Hogle-Ireland to prepare an updated MSR for the Sativa County Water District.

Some of the agencies we will be meeting with concerning the Sativa County Water District include the Central Basin Municipal Water District and the City of Compton Municipal Water Department.

What we hope our meeting with you will produce is a frank discussion on what may have happened or transpired with the Sativa County Water District since its last MSR.

In case you do not have a copy of the last MSR, we can provide you with a digital copy upon your request.

If you should have any questions prior to the meeting, please call me at our Irvine Office at 949-553-1427.

Sincerely,

Keith Carwana, Project Manager
Hogle-Ireland, Inc.

www.hogleireland.com

2860 Michelle Drive, Suite 100 | Irvine, CA 92606
T: 949.553.1427 | F: 949.553.0935

Sativa MSR

**Sativa L.A. County
Water District**
Municipal Service Review

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Appendix B – Agency Correspondence



June 19, 2012

David Hill, Water Resources & Planning Manager
Central Basin Water District
6252 Telegraph Road
Commerce, CA 90040

Dear Mr. Hill:

As you may be aware as part of the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 LA LAFCO is mandated to conduct Municipal Service Review (MSR) every five years. LA LAFCO has retained Hogle-Ireland, Inc. in conjunction with the Mocalis Group I, LLC to prepare a MSR for the Santa Clara County Water District. The LAFCO Commission must make determinations on six (6) topics required under the CKH Act for purposes of adopting the MSR:

1. Growth and population projections in the affected area
2. Present and planned capacity of public facilities and adequacy of public services, including infrastructure needs or deficiencies.
3. Financial ability of agencies to provide services.
4. Status of, and opportunities for, shared facilities.
5. Accountability for community service needs, including governmental structure and operational efficiencies.
6. Any other matter related to effective or efficient service delivery, as required by Commission.

To assist us with the completion of the MSR and to better understand issues related to the provision of service in the area we are asking for you to provide, to the best of your ability, responses to the questions listed on the following page.

Thank you for your assistance,

Keith Carwana
Project Manager
Hogle Ireland, Inc.

Jim Mocalis
President
Mocalis Group I, LLC

www.hogleireland.com

2860 Michelle Drive, Suite 100 | Irvine, CA 92606
t: 949.553.1427 | f: 949.553.0935

Sativa MSR

1. How much population growth is anticipated within the agency service area and sphere of influence over the next 5, 10, 15 years?

Central Basin's 2010 UWMP indicates a population increase in the service area of about 2% every 5 years or about a .5% annual increase. So considering the 2010 population at 1.65 million, the population is expected to increase to 1.68 in 2015, 1.72 in 2020 and 1.75 in 2025. The Sativa District is a built out community with little opportunity for growth, so increase in population would be minimal at best.

(Source - Page 2-2 and 2-3, Central Basin 2010 UWMP)

2. How much is municipal service demand anticipated to increase within the agency's sphere of influence over the next 5, 10, 15 years?

The region saw its largest imported water demand period in FY 2006-07 when Central Basin sold 68,100 AF plus another 51,150 AF for groundwater replenishment, for total imported water sales of 119,200 AF. With groundwater withdrawal in Central Basin of 149,000 AF, total municipal demand reached 268,000 AF. However, with the economic downturn in late 2008 and the recent 4-year drought, imported sales have fallen off substantially. In FY 2011-12, Central will import about 38,000 AF, plus another 13,000 AF for replenishment, for a total of about 51,000 AF. Groundwater withdrawals are down to about 139,000 AF for a total demand of about 190,000 AF. Quite a difference!

So going forward, we would expect municipal demand to pick up as the economy recovers. Total expected municipal and groundwater replenishment demand for imported water for 2015 is expected to be 72,025 AF; for 2020, about 73,685 AF; and for 2025, about 75,670 AF. Groundwater is expected to remain steady at 145,000 AF annually. We do not expect the Sativa District's water demand to increase; however, because the Sativa District does not maintain water meters for any of the properties in its service area, water demand can only be measured on the macro level. A lack of water meters also minimizes the ability to measure any benefits of conservation measures. (Source - Table 2-3, Page 2-4, 2010 UWMP)

3. What is the current adequacy of service provided within the agency boundaries?

All municipal and industrial demands within the Central Basin service area are being met. Imported water provides a substantial back-up supply for the region, if needed. Metropolitan Water District maintains a six-month emergency supply of surface water storage should imported sources be disrupted for any reason.

Adequacy of existing service for the Sativa District is probably reasonable unless one of their wells break down which could put its supplies at risk and require imported water purchases. Since there is no connection to the MWD system, imported water is not really a viable option.

4. To what extent are the service providers able to meet anticipated growth in demand?

Appendix B – Agency Correspondence

Growth in the Central Basin service area is quite minimal over the next 5, 10 and 15 years, so any increase in demand can be easily managed by most retail agencies. For the Sativa District, it is mostly a built out service area, so a substantial increase in demand is highly unlikely.

5. What are the present and planned land uses within the existing sphere of influence?

The region is mostly built out so any changes in land use will only be through redevelopment. Rehabilitation of underutilized property could result in higher water usage.

6. What contiguous unincorporated areas could potentially be included in the agency's sphere of influence?

The Central Basin service area has multiple Los Angeles County unincorporated areas, almost all of which are served by investor owned utilities (IOU). The Sativa District area is bordered by two IOU's and the City of Compton.

7. Which service provider(s) is (are) best equipped to serve the unincorporated areas contiguous to the agency boundaries?

At this point, water service for most of the unincorporated areas of Los Angeles County within Central Basin's service area is being provided by IOU's. These include the Golden State Water Company and Park Water Company. Also bordering Sativa is the City of Compton (non-IOU). Central Basin Municipal Water District could provide effective management for retail water service to Sativa's customer base, since retail service is provided within our statutory authority. However, an evaluation of infrastructure and potential cost implications would be needed and subject to approval by the Central Basin Board of Directors. Plus, Central Basin's high quality financial rating would allow access to adequate sources of funding for potential improvements.

8. What is the current capacity of public facilities and adequacy of public services that the local agencies are providing?

Unknown.

9. What opportunities exist for service providers in and near the agency boundaries to share public facilities to more effectively and efficiently deliver services?

Always possible, but the two IOU's are competitors for new services. Therefore, we would expect these agencies to provide competing proposals for service to the California Public Utilities Commission. Again, Central Basin could take over management duties for the Sativa District.

10. Do the service providers of interest have adequate public facilities and other infrastructure to accommodate anticipated growth in service demand in the area?

Sativa MSR

Most service providers do have adequate facilities and infrastructure. However, the delivery capability varies from service area to service area.

11. What cost avoidance opportunities, financing constraints and financing opportunities exist in providing water service to the area of interest?

The main issue will be condition of the infrastructure. Since Sativa District was incorporated in 1938, much of the existing mainlines are probably pre-WWII, and have probably reached the limit of their life expectancy. The other issue is the need for water meter installation. The area in question has an exemption from installing meters, but incentives for reducing demand through conservation can only be measured with meters in place. So costs could be hundreds of thousands of dollars.

12. How do cost avoidance opportunities, financing constraints and financing opportunities affect the optimal service delivery to areas contiguous to the agency?

Central Basin offers conservation programs for residents in all areas of the District service area as method of cost avoidance to limit the impact of taking imported water, including Sativa. The fact that Sativa does not have individual property meters, however, severely limits measuring the positive impacts of conservation. Without a means of determining savings, access to funding assistance could be limited because of reporting requirements of grants. However, long-term financing opportunities are probably improved because of the ability to raise the flat rate of all residential properties to pay for the bonds sold to provide the needed funding for larger capital improvements. This could be accomplished through Central Basin due to its excellent financial rating.

IOU's have the ability to spread infrastructure costs throughout a larger service area (with California PUC approval).

The PUC allows IOU's to break down their service areas into "districts" to allow for local conditions and costs to determine the rates. Thus, each district has its own rate case to make to the PUC. So yes, IOU's can and do spread costs throughout each of their "districts."

13. What opportunities for rate restructuring exist?

A volumetric commodity charge would be appropriate to allow property owners the ability to control their water usage and thus benefit themselves, but without individual meters, this is probably unworkable. The flat rate would have to be increased to cover system improvements.

14. What government structure options exist relevant to the provision of water service in the areas of agencies, and what are the advantages and disadvantages of consolidating or reorganizing service providers?

Appendix B – Agency Correspondence

The Sativa service area lies within unincorporated Los Angeles County. Potentially, Los Angeles County itself could provide water service as it does through their network of "Waterworks Districts." However, it is unknown if this is even logistically possible for Los Angeles County. Other government structure options include water service from the City of Compton, Central Basin Municipal Water District, and the IOU's (Golden State Water Company and Park Water Company).

Advantages for the residents would include having a water agency that provides greater assurance for meeting state and federal water quality standards. A disadvantage for other agencies to take over water service would include the burden of unknown infrastructure improvements.

15. To what extent are service providers in the area of interest accountable to the population being served?

If an Investor Owned Utility (IOU) is determined as the best agency to take over water service in the Sativa service area, then the California Public Utilities Commission (CPUC) becomes the authority responsible for insuring the public's right of redress for any management or major billing issues. This is typical for many cities and areas across the state that is served by an IOU. If a city, such as Compton is chosen as the best option for providing service, then the Compton City Council becomes the local authority. If Central Basin is chosen as the best option, then the Central Basin Board of Directors becomes the major authority. The latter two options increase local control.

16. What governance structures currently exist among the service providers of interest?

Please see the answer for question #14.

17. What is the consultant's evaluation of current and potential management efficiencies as they relate to optimal service provision and optimal spheres of influence?

Unknown.

Sativa MSR

**Sativa L.A. County
Water District**
Municipal Service Review

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Appendix B – Agency Correspondence

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Sativa Water Di

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SATIVA LOS ANGELES COUNTY WATER DISTRICT

July 5, 2012

AGENCY PROFILE

The District was incorporated on December 30, 1938 in the State of California. The District supplies domestic water service to a portion of the Willowbrook area, an unincorporated area of the County of Los Angeles. The service area is approximately 2.5 square mile and contains approximately 1,580 customer's service connections.

Contact Information

Mailing/Site Address: 2015 E Hatchway Street, Compton, CA 90222-3519

Website:

Phone Number: (310) 631-8176 (FAX) (310) 632-5492

Staff:

Theresa Johnson Title: Office Manager

Toshia Williams Title: Administrator Manager

Patrick Udeh Title: Chief Plant Operator

Jonathan Dredd Title: Assistant Plant Operator

Rosa Hernandez Title: Office Clerk

Peter Ovalle Title: Field/Maintenance Worker

Contact's E-mail Address: theresajhn068@aol.com

Types of Service: Water

Population Served: 6,320

Size of Service Area: 2.5 square miles

Date of Formation: December 30, 1938

Governing Body: Sativa Los Angeles County Water District Board of Directors

Johnny E. Johnson, Board President
Ruben Hernandez, Board Vice President
April McCall, Board Secretary
Elizabeth Hicks, Board Treasurer
Luis Landeros, Board Member

- Number of Directors: 5
- Nature/ Length of Terms: 4 years, staggered terms
- Is governing body landowner or population? Population based.
- Are Directors elected or appointed? Elected.
- Are elections or appointments at large or by district? District

Directors of Sativa Los Angeles County Water District receives \$150 per day for each day's attendance at meetings of the Board or the each day's service rendered as a member of the Board by request of the Board.

Public Participation: The public is notified of District meeting through posting agendas: 1) at the District's Administrative Office located on Hatchway Street.

Sativa MSR

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Sativa County Water District - Municipal Service Review Follow-Up
 Keith Carwana to you + 1 moreshow details
 Sativa_Audit_Cover_Letter.pdf (1.5 MB)

Good afternoon Ms. Johnson,

Thank you again for completing the LAFCO questionnaire and providing us with a copy of your FY 2010-2011 and 2011-2012 budget. After reviewing the completed materials we had a few follow up questions we were hoping that you could help us address. We are working on completing a draft copy of our Municipal Service Review this week and would appreciate it if you could provide us with responses before then. If it is easier to discuss the responses over the phone, we will be available whenever it is most convenient for you.

1. In the budget, what is the column heading titled "Actual 2010" showing? Is it the FY 2009-2010 or the FY 2010-2011 budget?
FY 2009-2010"
2. What is the size of the District's service area? The Agency Profile provided states that it is approximately one-half square mile and also 2.5 square miles. However measuring the District's boundaries we receive a size of approximately 0.28 square miles.

2.5 Miles

3. Is the District's service area strictly residential? Are there any commercial, industrial, or institutional sites that consume larger amounts of water? Are they charged the same \$55 flat rate?

Yes strictly residential. No commercial or industrial or institution sites in the district.

4. Where does the District lease their water from? What are the terms of the lease agreement?

The district lease it water from various outside entities the term each fiscal year.

5. Do Board members receive health insurance or any other benefits apart from the \$150.00 they receive per day for each day's attendance at meetings of the Board?

No.

6. We understand that the Board meets twice a month for a total of 24 meetings. Are there any other meetings that the Board attends? If so, can you please specify?

The Board meets every other Tuesday. Totaling 26 regular meetings.

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7. On page seven of the returned questionnaire (question #23), can you please clarify why the average annual water demand fluctuates from 6,320 AFY today to 1,606 AFY in the year 2015 and 1,633 AFY in the year 2020?

ESTIMATED**2012 AVERAGE ANNUAL SERVICE WATER DEMAND: 760 A/F****2015 AVERAGE ANNUAL SERVICE WATER DEMAND: 760 A/F****2020 AVERAGE ANNUAL SERVICE WATER DEMAND: 760 A/F**

8. In the budget, can you please clarify what account number "610.00, Bank Charges" is?

Account number 610.05 bank charges: bank debits to account

9. If we understand correctly, there are 5 board members representing each of the District's 5 service divisions. Can you provide us with a map showing each of the 5 service divisions?

Sativa has district not divisions. Member live within District and are elected by registered voters within the District's Boundaries.

10. What is the estimated charge to drill a well to replace well #4, which as we understand was abandoned in 2009?

Estimate cost to drill replacement Well is approximately \$700,000

11. In the budget, can you please clarify why account number "610.19, Field Supplies" fluctuates from \$51,909.06 in 2010 and then decreases to \$25,194.01 in FY 2010-2011 and further decreases to \$2,713.41 in FY 2011-2012?

Verification needed -- possible equipment was added into supplies

12. In the cover letter from the 2005 County Auditor's report (please see attached), it was mentioned that there are two employees that are related to each other and to the President of the District's Board of Directors. Can you please identify these employees and whether or not they have access to the cash and/or accounting records?

Yes. The Office Manager and Administrator Manager are related to Board President.**Board President – access to cash or accounting records. No****Office Manager – has access to the records for cash, but does not have access to the actual cash.****Administrator Manager – has access to cash & cash receipts****Office Clerk - has access to the cash in the register**

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Thank you again for your help and please do not hesitate to contact me should you have any questions or would like to further discuss.

Keith Carwana

Project Manager

Hogle-Ireland, Inc.

A Land Planning & Development Consulting Firm

Irvine | Riverside | Pasadena

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w: www.hogleireland.com

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Appendix B – Agency Correspondence

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LAFCO LOCAL AGENCY FORMATION COMMISSION FOR THE COUNTY**MUNICIPAL SERVICE REVIEW – WATER SERVICE****Supplemental Request for Information****GENERAL INFORMATION**

Agency	SATIVA L.A. COUNTY WATER DISTRICT		Contact Person	THERESA JOHNSON, OFFICE MANAGER	
Address	2015 E. HATCHWAY STREET		City	COMPTON	Zip Code 90222-3519
Telephone	310-631-8176	Fax	310-632-5492	Agency Website	

Email Address of Contact Person

Please provide a map showing the agency's boundaries, all areas served, pressure zones, water mains, and storage facilities. Show any private or mutual water companies within your sphere of influence (SOI) if their boundaries are known.

1. Is your agency a water wholesaler?

☒ No

☐ Yes, our agency replenishes groundwater basins with pumping rights held by cities, mutual water companies, private companies, and/or investor-owned utilities.

☐ Yes, our agency sells imported water to cities, mutual water companies, private companies, and/or investor-owned utilities.

Please name other agencies you provide water to. Email Address of Contact Person

None

2. What is the source of your wholesale water?

Sativa do not have wholesale water. The District is a retail special district and relies on groundwater for its source of supply is from three wells located on District's owned land, and five storage tanks. These storage tanks have a capacity of 10,000 gallons each, which is estimated to be equivalent of seven days of normal usage. Normal operating procedure for the District is to utilize two wells while maintaining the third well in a reserve status except during peak usage days (estimated to occur five to seven times per year). This is standard procedure which allows for sufficient reserve capacity in case of pump failure or other disruption in the operation of a well.

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LAFCO LOCAL AGENCY FORMATION COMMISSION FOR THE COUNTY

3. How many acre-feet of water are provided to each agency?

None

4. Please describe the range of services the agency provides and to whom services are provided.

None

5. Does your agency deliver, supply, treat, or replenish water at the wholesale level? ☐ Yes ☒ No

6. If the agency provides services to municipalities, mutual water companies, and private companies, please list then and briefly describe those services.

No

Appendix B – Agency Correspondence

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LAFCO LOCAL AGENCY FORMATION COMMISSION FOR THE COUNTY

7. Does the agency's water service extend beyond the City's boundaries or District service boundaries?

☐ Yes ☒ No

If yes, please explain why?

8. Is the City or District obligated by law or by contract to provide service beyond its boundaries, or to another agency? Please explain.

No

Please answer questions 9 and 10 only if you provide service to another agency by contract.

9. Does the City/District contract agency jointly plan for future demand?

10. Which agency is responsible for upgrade and maintenance of infrastructure?

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LAFCO LOCAL AGENCY FORMATION COMMISSION FOR THE COUNTY

11. Are there any area land use plans and growth patterns that may be affecting service demand?

No.

12. Indicate whether there are geographic areas in other jurisdictions which you are frequently called upon for water supply assistance. Describe these areas and why your agency may be better suited to provide service.

The Los Angeles Public Works to fill Water Sweepers on occasion.

13. List any water retailers that provide service to customers within your agency's boundaries and describe why they are providing service

None

14. How is water allocation to a particular agency determined?

Pumping Allocations are Issued to the District through Central Basin.

Appendix B – Agency Correspondence

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LAFCO LOCAL AGENCY FORMATION COMMISSION FOR THE COUNTY

15. Does your agency receive service from another agency or have a reciprocal/joint service agreement with another agency? Explain.

No, but we do have an inter connection with the Compton for emergency purposes only.

16. List service-related joint powers authority or joint decision-making efforts in which the agency participates, and any savings derived through these partnerships.

None

17. Does your agency face revenue/operating constraints that affect the level of service and condition of infrastructure of your agency?

The District operates its water utility as an enterprise activity. The District has no long term debt associated with water system improvements.

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LAFCO LOCAL AGENCY FORMATION COMMISSION FOR THE COUNTY

18. Are there any financing constraints in meeting future demand needs?

No.

19. Please describe water conservation programs that are being implemented?

Watering restriction with fines, and consist patrol of the District for water waste. Leaks which are the District's responsibility are repaired within 3 days, if not immediately. Leaks that are the customer's responsibility must be repaired within 3 day of awareness.

20. Describe current water demand and peak demand by zone or sub-area. If master plan has been provided, you may cite page number.

Chief Plant Operator has to provide this information to you. Refer to meter readings. (Example Summer months peaks. Winter may reduce)

Appendix B – Agency Correspondence

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LAFCO LOCAL AGENCY FORMATION COMMISSION FOR THE COUNTY

21. Provide the total number of water service connections by type for the following areas:

<u>Within Service Boundary</u>	<u>Outside Boundary within</u>	<u>SOI Outside of SOI</u>
Domestic & Commercial	Domestic & Commercial	Domestic & Commercial
Agriculture	Agriculture	Agriculture
Reclaimed	Reclaimed	Reclaimed
Other	Other	Other

22. Provide the following information:

Average Daily Demand (MGD)

Maximum Daily Demand (MGD)

Miles of Pipe

Number of Pump Stations

Number of Pressure Zones

Storage Capacity

Population Served

AVERAGE ANNUAL DEMAND

23. Please provide the following information for forecasted service demand:

<u>Existing</u>	<u>Year 2015</u>	<u>Year 2020</u>
Residential	Residential	Residential
Commercial/Industrial	Commercial/Industrial	Commercial/Industrial
Municipal	Municipal	Municipal
Other	Other	Other
Unaccounted for	Unaccounted for	Unaccounted for

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LAFCO LOCAL AGENCY FORMATION COMMISSION FOR THE COUNTY

GROUND WATER

24. Please provide the percentage of groundwater derived from the following sources:

Central Basin	<input type="text" value="1.00%"/>	Raymond Basin	<input type="text" value="0.00%"/>	Sylmar Basin	<input type="text" value="0.00%"/>
Hollywood Basin	<input type="text" value="0.00%"/>	San Fernando Basin	<input type="text" value="0.00%"/>	Verdugo Basin	<input type="text" value="0.00%"/>
Chino/Spadra/Six Basins	<input type="text" value="0.00%"/>	Santa Monica Basin	<input type="text" value="0.00%"/>	West Coast Basin	<input type="text" value="0.00%"/>
Main San Gabriel Basin	<input type="text" value="0.00%"/>	Saugus Formation & Alluvial Aquifer	<input type="text" value="0.00%"/>		

25. Please provide the percentage of water Imported from the following sources:

Los Angeles Aqueduct	<input type="text" value="0.00%"/>	Metropolitan Water District	<input type="text" value="0.00%"/>
State Water Project	<input type="text" value="0.00%"/>	Other	<input type="text" value="0.00%"/>

26. Describe the process and requirements for property owners that request your agency to provide service within your boundaries. Indicate the number of new hookups by type for the most recent year.

Owner must have California ID, Proof of ownership or rental agreement and pay required deposit amount (currently \$110.00). Number of New Installations: 1

27. Explain how connection fees are established, and which additional costs are covered through connection fees or other levies on new Do existing customers subsidize new capacity? Explain.

Connection fees are established by Board's approval.

Appendix B – Agency Correspondence

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LAFCO LOCAL AGENCY FORMATION COMMISSION FOR THE COUNTY

28. Is your agency planning construction of any new facilities? If so, please provide a detailed description of the project(s) and how it is being funded. * Note: If you have already provided this information in the Capital Improvement Plan (CIP), reference the CIP.

The Capital Improvement Project is reviewed annually as part of the budget process.

29. Does your agency have water storage facilities? If yes, please indicate the net change in stored amounts for the past three years.

No.

Storage Tanks:

Well 2 – have one 10,000 gallon tank

Well 3 - have two 10,000 gallon tanks

Well 4 - have one 10,000 gallon tank

Well 5 – have one 10,000 gallon tank

Total: 5

30. How are infrastructure upgrades, replacement, and maintenance funded? Describe policies for depreciation and replacement of infrastructure?

District infrastructure upgrade, replacement, and maintenance are funded through district funds.

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LAFCO LOCAL AGENCY FORMATION COMMISSION FOR THE COUNTY

31. Does the agency have franchise agreements with other water retailers that provide service within the agency's boundaries?

No.

32. Has your agency exceeded state and federal drinking water quality maximum contaminant levels in the last 5 years? If so, please explain.

No.

33. Are there any regulatory standards that apply to the services your district provides? Are they published and where can they be obtained?

No.

34. Are there industry standards that apply to the services your district provides? Are they published and where can they be obtained?

Yes. The California Health Department

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LAFCO LOCAL AGENCY FORMATION COMMISSION FOR THE COUNTY

35. Does your district have level of service standards? Please explain.

Standards are in compliance with the California Health Department, Drinking Water standards.

36. How does the department/district monitor and track its workload?

Sativa uses performance evaluation and productivity monitoring to track workloads and improvement. The District has 2 staff operators with Treatment and Distribution certification, the Chief Plant Operator and Assistant Plant Operator.

37. How many employees does your agency have? Provide a list of title positions held and the number of employees in each position.

Full Time Employees

6

Part Time Employees

0

Contract Employees

0

Seasonal Employees

0

The District have (1) Chief Plant Operator, (1) Assistant Plant Operator, (1) Field Maintenance, (1) Administrator (1) Office Manager and (1) Office Clerk.

Sativa MSR

**Sativa L.A. County
Water District**
Municipal Service Review

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Appendix C – Sativa Budget

Appendix C – Sativa Budget

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SATIVA LOS ANGELES COUNTY WATER DISTRICT PROPOSED BUDGET – FISCAL YEAR 2011-2012

ACCT. NO.		ACTUAL 2009-2010	BUDGET 2010-2011	BUDGET 2011-2012
	OPERATING REVENUE			
410.01	WATER SALES AND SERVICE	995,176.86	1,163,885.56	1,280,274.12
420.00	OTHER OPERATING REVENUE	30,881.57	29,010.31	31,911.34
	TOTAL OPERATING REVENUE	1,026,058.43	1,192,895.87	1,312,185.46
	OPERATING EXPENSES			
510.01	WATER PURCHASE/REPLENISH	171,400.70	192,718.05	211,989.86
510.02	PUMPING COSTS (ELECTRICITY)	68,784.14	60,099.56	66,109.52
	TOTAL EXPENSES	240,184.84	252,817.61	278,099.38
	GENERAL AND ADMINISTRATIVE			
610.02	ABANDONMENT COSTS (WELL #4)	66,575.42	-	-
610.03	AUTO EXPENSE (FUEL)	7,270.04	4,912.12	5,403.33
610.00	BANK CHARGES	6,431.64	4,345.75	4,780.33
610.07	BLANKET BOND	1,156.00	374.00	411.40
610.09	BOARD OF DIRECTORS (STIPEND)	39,015.35	35,791.47	39,370.62
610.10	DONATIONS	100.00	-	-
610.11	DUE AND SUBSCRIPTIONS	3,860.47	3,527.42	3,880.16
610.13	ELECTION/COMMUNITY EXPENSES	41.04	-	-
610.04	AUDIT EXPENSES	505.96	-	-
610.15	EMPLOYEE BENEFITS	5,563.10	6,419.62	7,061.58
610.17	EQUIPMENT RENTAL	15,824.49	12,474.05	13,721.46
610.19	FIELD SUPPLIES	51,909.06	25,194.01	2,713.41
610.20	HEALTH SERVICE FEES	10,158.67	15,016.00	16,517.60
610.21	GROUND EXPENSES	4,075.00	2,500.00	2,750.00
610.22	INSURANCE - WORKERS COMP	18,233.00	20,407.70	22,448.47
610.23	INSURANCE - HEALTH & LIFE	51,162.90	71,818.68	79,000.55
610.24	INSURANCE - GENERAL LIABILITIES	9,265.10	10,511.55	11,562.71
610.25	MAINTENANCE - GENERAL PLANT	33,866.98	30,005.98	30,306.58
610.29	OTHER EXPENSES	43,736.21	37,964.78	41,761.26
610.31	PAYROLL TAXES	13,105.91	30,489.08	33,537.99
610.27	OFFICE REPAIR/MAINTENANCE	-	18,026.19	19,828.81
610.30	CASUAL	-	-	-
610.33	PENALTIES	215.28	453.86	499.25
610.35	POSTAGE	8,662.35	9,167.01	10,083.71
610.37	PROFESSIONAL FEES	43,496.33	13,555.27	14,910.80

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Sativa MSR

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SATIVA LOS ANGELES COUNTY WATER DISTRICT PROPOSED BUDGET -- FISCAL YEAR 2011-2012

610.41	SALARIES AND WAGES	254,316.25	247,550.34	272,305.37
610.43	SECURITY	7,684.01	8,445.85	9,290.44
610.45	SEMINARS	775.00	100.00	110.00
610.46	MEETINGS	50.00	-	-
610.49	OFFICE SUPPLIES	2,133.03	1,064.68	1,171.15
610.53	TELEPHONE	11,791.84	12,906.84	14,197.52
610.57	UTILITIES	1,293.97	2,360.85	2,596.94
	TOTAL EXPENSES	638,428.94	625,383.10	660,221.44
520.00	WATER TREATMENT	12,681.35	8,045.93	8,850.52
		652,404.26	633,429.03	669,071.96
620.01	DEPRECIATION	54,033.00	55,651.00	61,216.10
	TOTAL	706,437.26	689,080.03	730,288.06
410.00	TOTAL REVENUES	1,026,058.43	1,192,895.87	1,312,185.46
510.00	SOURCE OF SUPPLY & PUMPING	(240,184.84)	(252,383.10)	(277,621.41)
510.00	GENERAL AND ADMINISTRATIVE	(712,274.40)	(625,383.10)	(687,921.41)
520.00	WATER TREATMENTS	(12,681.35)	(8,045.93)	(8,850.52)
620.00	OTHER OPE EXP - DEPRECIATION	(54,033.00)	(55,651.00)	(61,216.10)
	OPERATING INCOME	6,884.84	251,432.74	276,576.02
115.00	INTEREST INCOME (NON-OP REV)	3,611.25	2,900.99	3,191.09
	NET INCOME	10,496.09	254,333.73	279,767.11
150.00	RESERVE/RESTRICTED FUND	(10,496.09)	(254,333.73)	(279,767.11)
	TOTAL	-	-	-

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Sativa L.A. County Water District

Municipal Service Review



Prepared for:

LAFCO

Local Agency Formation Commission
for the County of Los Angeles

Prepared by:



Hogle-Ireland
Planning & Development Consulting

FINAL REPORT

MUNICIPAL SERVICE REVIEW

Water Service – Gateway Region

Prepared for:

Local Agency Formation Commission

for

Los Angeles County
700 North Central Avenue, Suite 350
Glendale, CA 91203

Prepared by:

Dudek and Associates, Inc.

605 Third Street
Encinitas, CA 92024

November 2005

**Los Angeles LAFCO
Municipal Service Review Report
Water Service – Gateway Region**

**Exhibit "C"
2005 MSR (Excerpts)**

4 and 5. Cost-Avoidance Opportunities and Opportunities for Shared Facilities

Most agencies are avoiding future costs through maximizing the use of local resources and limiting use of imported supply. The agencies each have planning documents that enable them to efficiently plan for operations and future system improvements.

Agencies are sharing facilities where appropriate, particularly in regards to emergency intertie connections and recycled water.

6. Management Efficiencies

The agencies demonstrated a number of methods for achieving management efficiencies including performance measurements and the use of strategic plans and objectives accompanied by work plans.

7. Opportunities for Rate Restructuring

Rate structures in use include both flat and tiered; several of the cities have increased rates within the past few years or are considering a rate increase. A comparison of rates based on a 5/8" meter and water usage of 20 hundred cubic feet indicate that they are within an acceptable range. The City of Signal Hill has the highest rates in the study area. Sativa-Los Angeles CWD charges a flat rate as they have no metered accounts. Central Basin MWD uses the rate structure established by Metropolitan and includes a surcharge of \$37 per acre foot for treated water. Recycled water rates are reviewed annually and are based on an inverted tier structure such that higher volumes are sold at a discounted price.

8. Government Structure Options

Some agencies are providing service to connections outside of their boundaries. Out of agency agreements that were in place prior to January 1, 2001 do not require LAFCo approval per Government Code §56133 (e).

The Water Replenishment District is evaluating the possibility of annexing area that overlies the Central Groundwater Basin where no active groundwater management is occurring. This may result in more effective management of the groundwater resources; however it would impose a new charge for groundwater use in the area annexed.

Due to the size of its service area, condition of the infrastructure, and financial resources, it is recommended that LAFCO consider adopting a zero sphere of influence for the Sativa-Los Angeles County Water District. The District is adjacent to the City of Compton.

Exhibit "C"

Sativa-Los Angeles County Water District 2005 MSR (Excerpts)

Agency Information		Service Area Information	
Address:	2015 E. Hatchway Street Compton, CA 90222	Service Area	0.5 sq miles
Contact:	Theresa Johnson, Office Manager	Population Served:	5,952
Phone:	(310) 631-8176; (310) 632-5492 fax	Projected Population:	
Email/Website:	None	2010	5,952
		2015	5,952
		2020	5,952
Type:	Retail Water		

System Information	
No. of Employees:	NP
No. of Connections per Employee	
Average Daily Demand (MGD)	NP
Maximum Day Demand (MGD)	NP
No. of filed Complaints in past 12 Months	NP
Miles of Pipe:	NP
No. of Pump Stations:	NP
No. of Pressure Zones:	NP
Storage Capacity	50,000 gal

Financial Information (FY 2005-2006) (in thousands)					
Revenues:	\$732.1	Expenses:	\$660.0	Reserves:	\$133.1
				CIP:	0

Typical Monthly Residential Water Bill (3/4" meter, 20 ccf)			
Meter Chg	0	Water Chg:	\$41.00
		Monthly Bill:	\$41.00

Service Connections	Within Boundary	Outside Boundary/Within Sphere	Outside Sphere	Total
Domestic	1,488	0	0	1,488
Agriculture	0	0	0	0
Recycled	0	0	0	0
Other	0	0	0	0
Total	1,488	0	0	1,488

Supply Information (AF/Yr)					
	Existing	2005	2010	2015	2020
Imported	0	0	0	0	0
Groundwater	828	828	828	828	828
Surface	0	0	0	0	0
Recycled	0	0	0	0	0
Total	828	828	828	828	828

Average Annual Demand Information (AF/Yr)					
	Existing	2005	2010	2015	2020
Residential	828	828	828	828	828
Comm/Ind.	0	0	0	0	0
Landscape/Irr	0	0	0	0	0
Other	0	0	0	0	0
Total	828	828	828	828	828

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**Exhibit "C"
2005 MSR (Excerpts)**

Pico Water District

The Pico Water District relies on groundwater for its source of supply. The District holds pumping rights for 3,624 acre-feet per year. In the future, the District will require new development to secure additional water rights as a condition of approval. The District does not provide water conservation services and expects that water demand will increase to 3,900 acre-feet per year due to redevelopment within its service area.

The District has seven wells; six are in good condition and have no contamination. The seventh well is no longer used due to high iron levels and radon. The storage reservoir was constructed in 1959 and is in good condition.

Satwa – Los Angeles County Water District

The Satwa-Los Angeles CWD is dependent on groundwater for its source of supply. Satwa has pumping rights for 474 acre-feet per year and leases additional water rights to meet demand of 828 acre-feet. The District does not provide water conservation services. The District has four treatment plant locations and has three active wells with one inactive well. The treatment facilities were constructed in 1938 and are reported in good condition. The District received a grant from the Central Basin MWD for reconstruction of a water tank. The District noted that water mains need to be upgraded, relocating services from the rear of properties and alley ways in order to prevent structures being built over service lines. This would also improve access for routine service and emergencies.

Water Replenishment District of Southern California

The Water Replenishment District is responsible for groundwater management in the West and Central Groundwater Basins. As such, it provides groundwater recharge programs as well as seawater intrusion barriers and groundwater cleanup.

The District has an extensive Capital Improvements Program that includes ASR wells, pipelines, desalter expansion, spreading grounds, water treatment facilities and rubber dams on the San Gabriel River. The District partners with other agencies on a number of its projects in order to leverage resources.

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**Exhibit "C"
2005 MSR (Excerpts)**

Sativa – Los Angeles County Water District

DETERMINATIONS	
1) Population and Growth	The Sativa-Los Angeles County Water District serves a half-square mile area in the unincorporated Willowbrook area. The area is built-out and the District is not projecting any growth.
2) Infrastructure Needs and Deficiencies	<p>The Sativa-Los Angeles County Water District relies on groundwater for its supply. The District has 3 operating wells and one inactive well.</p> <p>The District needs to relocate water mains to streets and the front of properties to avoid structures being built over existing service lines.</p>
3) Financing Constraints and Opportunities	The Sativa-Los Angeles County Water District's primary source of revenue is water sales and charges and has no long term debt. The District has limited reserves and uses a pay-as-you-go approach for improvements, which may be a constraint for implementing infrastructure improvements.
4, 5) Cost Avoidance Opportunities and Shared Facilities	No opportunities were noted.
6) Management Efficiencies	The Sativa-Los Angeles County Water District uses performance evaluations and productivity monitoring to improve efficiencies.
7) Rate Restructuring	The Sativa-Los Angeles County Water District does not have metered accounts. The District uses a flat rate structure and pricing is not differentiated between account types. Monthly service rates were increased 2.5% on July 1, 2005.
8) Government Structure Options	<p>The Sativa-Los Angeles County Water District was formed in 1938 pursuant to the County Water District Act (Water Code §30000 et seq.) The District's sphere of influence is coterminous with its boundaries. The District's service area lies within the current sphere of influence of the City of Compton.</p> <p>Due to the size of its service area, condition of the infrastructure, and financial resources, it is recommended that LAFCO consider adopting a zero sphere of influence for the Sativa-Los Angeles County Water District. There may be efficiencies and economies by reorganizing with another service provider.</p>

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**Exhibit "C"
2005 MSR (Excerpts)**

9) Local Accountability and Governance	The Sativa-Los Angeles County Water District is governed by a Board of Directors elected at large by voters within the District. The District provides public notice of meetings.
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Addendum

Sativa Los Angeles County Water District

On January 9, 2006 the Sativa Los Angeles County Water District provided Los Angeles LAFCO with additional information regarding the District's operations and finances. The following summarizes the information provided and includes revised determinations to be considered by the Commission.

Growth and Population. As of November 2004, the District had 1,504 active services within its 0.5 square mile service area. In addition, there were 38 vacant lots with another 35 inactive services. The District assumes 4 persons per household, and projects an average annual growth rate of approximately 4%. This yields an estimated population of 8,928 people in the service area in Year 2020. The service area is essentially built-out, with growth resulting from infill or redevelopment at a higher density. Because of the service area characteristics, the District's actual growth rate may not reach the projected 4%. However, any level of growth will result in increased demands on the aging system and higher water use, and the District will be required to lease additional water rights in order to supply increased demand.

Infrastructure. Since 1996 the District has completed \$277,455 in water system improvements, including renovating three pumphouses, installing security fencing at three wells, and renovating water tanks at four well sites. The District received a "Safe and Clean Water" grant that funded the tank renovations. The District was formed in 1938 and notes that most of the existing water mains were installed over 30 years ago. A number of the mains are located at the rear of properties where they are inaccessible. The District plans to replace an existing older distribution main in the street and relocate other mains to the front of properties. As of January 2006, the estimated cost to relocate water mains to eliminate rear of property services is \$760,300 and the replacement of the aged water distribution main is \$1,134,900. In July 2005 the District submitted an application for project funding to the Safe Drinking Water – State Revolving Fund. At this time the District has not received confirmation on whether the application has been approved.

Sativa has three active wells and one inactive well; the well was taken out of service due to water quality issues. The District has an estimated water supply of 828 acre-feet per year, comprised of 474 acre-feet in allowable pumping rights with the remainder provided through leased water rights. In 2002-2003, the District purchased an additional 270 acre-feet above and beyond what

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was budgeted in order to meet demand. The District estimates demand at 749 acre-feet per year. The projected supply and demand volumes through Year 2020 provided by the District did not reflect any anticipated increase, which does not correlate with the District's growth projections.

Sativa's water system has five steel pressure tanks with a total combined storage volume of 50,000 gallons. The District indicated that the maximum day demand is 3.168 million gallons, which is more than 63 times their available storage capacity. There are currently no emergency interties with adjacent water systems. With the maximum day demand and limited storage, there could be a critical shortage if one of the wells had to be taken out of service for even a short period of time. The District is currently negotiating with the City of Compton to establish an emergency one-way connection from the Compton system to Sativa.

Rates. Sativa does not have water meters and therefore charges a flat monthly rate that is not based on actual usage. Consequently, there is little incentive for the ratepayers to conserve water or repair leaks. The rate is adjusted as necessary in conjunction with the cost of leased water rights and preparation of the annual budget. Existing State law generally requires the installation of a water meter as a condition of water service provided to a connection installed on or after January 1, 1992. With the adoption of AB 2572 in September 2004, urban water suppliers are required to install water meters on all municipal and industrial services by January 1, 2025. In addition, the bill requires that water rates be based on volume for all metered accounts as of January 1, 2010. Furthermore, the legislation requires that, as of January 1, 2010, an urban water supplier that applies for financial assistance from the State for a wastewater treatment project, drinking water treatment project, or water use efficiency project, or a permit for a new or expanded water supply, must demonstrate that the applicant meets the requirements of AB 2572, such as water meters and volume-based rates. The legislation authorizes an urban water supplier to recover the cost of providing services related to the purchase, installation, and operation of a water meter from rates, fees, or charges. These are major water service changes that will require significant lead time to be implemented successfully and cost-effectively.

Finances. Sativa operates as a utility enterprise district and accounts for its operations in a proprietary fund. The District's primary source of revenue is generated from water sales and service. Per the management analysis accompanying the adopted 2003-2004 budget, the District has had consistent, positive net income for the period of 1997 through 2001, averaging \$79,475 per year. As of June 30, 2001, the District's long-term liabilities consisted of \$12,055 in capital leases, and customer deposits and grant proceeds held in a restricted account. According to the June 30, 2001 audited financial statement, the District had \$281,530 in cash and investments, including \$160,040 in the Local Agency Investment Fund. Per the District's records, at June 30,

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2004 the cash balance was \$278,062, with the District owing \$88,005 in current liabilities and no long-term liabilities. The District uses a pay-as-you-go approach for infrastructure improvements, which requires building cash reserves in advance of project construction. The District is receiving interest earnings on its reserves, budgeted at approximately \$7,500 for 2003-2004.

REVISED DETERMINATIONS	
1) Population and Growth	<p>The Sativa-Los Angeles County Water District serves a half-square mile area in the unincorporated Willowbrook area. The District is projecting growth at an annual rate of approximately 4% through Year 2020. The area is built-out and growth will be due to infill and redevelopment at higher densities. Growth will result in increased demands on the aging system and higher water use, and the District will be required to lease additional water rights in order to meet increased water demands.</p>
2) Infrastructure Needs and Deficiencies	<p>The Sativa-Los Angeles County Water District relies on groundwater for its supply. The District has three operating wells and one inactive well, which was closed due to water quality issues.</p> <p>The District has completed infrastructure improvements in the past 10 years, including upgrades to the pumphouses, storage tanks and well site security.</p> <p>The District is currently seeking funding to replace an aging distribution main and relocate existing rear-property water mains to the front of properties.</p> <p>The Sativa water system currently has no connections to adjacent water systems. The District is negotiating an emergency interconnection with the City of Compton's water system.</p> <p>The District's connections are currently unmetered. The District will be required to install meters on all of its service connections by January 1, 2025.</p>
3) Financing Constraints and Opportunities	<p>The Sativa-Los Angeles County Water District's primary source of revenue is water sales and charges. The District uses a pay-as-you-go approach for improvements using cash reserves and grant funding, and has no long term debt.</p> <p>The District is building cash reserves in preparation for upcoming</p>

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	infrastructure projects.
4, 5) Cost Avoidance Opportunities and Shared Facilities	An emergency interconnection with the adjacent Compton water system would improve the reliability of Sativa's water system.
6) Management Efficiencies	The Sativa-Los Angeles County Water District uses performance evaluations and productivity monitoring to improve efficiencies.
7) Rate Restructuring	<p>The Sativa-Los Angeles County Water District does not have metered accounts and uses a flat rate structure. Pricing is not differentiated between account types. Monthly service rates were increased 2.5% on July 1, 2005.</p> <p>The District will be required to implement volume-based pricing by January 1, 2010 in accordance with the requirements of AB 2752.</p>
8) Government Structure Options	<p>The Sativa-Los Angeles County Water District was formed in 1938 pursuant to the County Water District Act (Water Code §30000 et seq.) The District's sphere of influence is coterminous with its boundaries. The District's service area lies within the current sphere of influence of the City of Compton.</p> <p>There are no other service providers that could readily provide service to Sativa customers. The District has planned for continued system maintenance and improvements and has the financial resources to implement the plans, with funding augmented by grants or low-interest State loans. The District's sphere of influence should remain coterminous with its service area boundaries.</p>
9) Local Accountability and Governance	<p>The Sativa-Los Angeles County Water District is governed by a Board of Directors elected at large by voters within the District. The District provides public notice of meetings.</p> <p>With changes in legislation, the District Board of Directors will be implementing new policies and procedures to ensure that the District is compliant with State law.</p>

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FORENSIC AUDIT – FINAL REPORT OF FINDINGS
CONCLUSION OF FORMAL FIELD WORK ON FORENSIC AUDIT

Findings as of October 1st, 2013

Board of Directors

Sativa Los Angeles County Water District
2015 E. Hatchway Street
Compton, CA, 90222-5492

Dear Board of Directors,

We have completed our forensic audit of the fiscal years ending June 30th of 2008-2009, 2009-2010, 2010-2011 and 2011-2012. In addition, we expanded the scope back to 2004 as issues were discovered in the scope of our engagement. The scope of the forensic audit was detailed in our original proposal in addition to the items requested by Sativa in an RFP for another forensic audit they have requested. Details of the scope of the audit, methodology, areas tested and specific examples of findings can be found below.

All of the areas listed in the Sativa RFP were covered, with the exception of the Quantification of Reserves as opposed to cash on hand. This area will be covered during our financial audit, which is currently underway.

The issues discussed below for remediation by management are recommended to take place beginning in FYE 2014. **However, we are requesting that the District respond to these comments no later than December 15, 2013 in regards to what they plan to do to remediate these areas.**

SCOPE

The scope of the Forensic Audit of Sativa Los Angeles County Water District ("Sativa") was influenced by the following circumstances:

- 1) Sativa is a public agency that is funded by income from the sale of retail water services to its customers. Because of this, it has a high duty of care to safeguard its assets and cause the business to operate for the primary benefit of its customers.
- 2) LAFCO has commissioned consulting firm Hogle-Ireland, Inc. to perform a Municipal Service Review of Sativa to try to determine whether Sativa should stay in business or be merged into a larger water supply agency. In August 2012 Hogle-Ireland produced a report that expresses some frustration at not being able to obtain the answers it was looking for in relation to a number of items and noted that a forensic audit would be needed to obtain these answers.
- 3) Media coverage has highlighted the Board's authorization of Christmas bonuses for the directors, and that there are three family members in influential roles within Sativa, namely the Chairman of the Board, the Office Manager and the Administrative Manager. This has led to suspicion that this could put Sativa's assets at risk should there be collusion between or among related parties in relation to Sativa's finances.

In designing the scope of the forensic audit, our main objective was to undertake a detailed investigation of all aspects of Sativa's business that could be vulnerable to misappropriation or mismanagement of assets during the 2009 – 2012 financial years, with a more general review of transactions for the 2005 – 2008 financial years.

AREAS TESTED & METHODOLOGY

The audit work performed included:

- 1) Reviewing all Board minutes for financial years 2005 - 2012 and highlighting any events or business practices mentioned that were non-compliant with good business practice or which did not fully safeguard Sativa's assets. In such cases audit staff followed up with appropriate directors, staff or management and reviewed third-party documentation and client records for further information.

- 2) Reviewing all credit card statements and supporting invoices/receipts looking for non-business related expenses, or excessive spending on seminars or other business items. Follow up enquiries were made primarily with the Office Manager and Administrative Manager.
- 3) Reviewing the Cash Disbursements Journal for FYE 2005 – 2012 for all items that were unusual in appearing possibly non-compliant with good business practice or an illegal use of Sativa's assets. All unusual items were then traced to third-party source records (e.g. invoices, contracts, bank statements, etc.) and enquiries made of appropriate directors, staff or management where clarification was needed.
- 4) Surveying a selection of 10 other water districts to establish benchmarks against which to compare expenditure by Sativa on Directors' stipends and meeting related expenses. Phone interviews were conducted with water district General Managers to determine the amount of their district's director stipend, the frequency of meeting attendance by directors, and whether their district has a General Manager, as Sativa does not have a permanent General Manager. Water districts were categorized by size and Sativa compared with districts of similar size, as well as with the entire population interviewed.
- 5) Review of vehicle service records and interviews with the staff who have custody of the relevant vehicle/s in relation to the management and appropriate usage levels of company vehicles. By tracking odometer readings at each service date, we were able to determine usage patterns over the life of a vehicle.
- 6) Review of the "Other Expenses" account categorization looking for items that may have been wrongly categorized. Other Expenses was one of the larger expense items due to credit card expenses not having been re-categorized by the nature of each expenditure.
- 7) Reviewed the Policy and Procedures Manual looking for policies that are non-compliant with good and normal business practice, and also the absence of policies that would better safeguard Sativa's business and assets.
- 8) Review of Sativa's Reserves to identify its components.

FINDINGS

The above procedures resulted in the following findings:

1. Credit Cards

During the forensic audit, we spent considerable time reviewing all credit card records for the fiscal years 2005 through 2012. The main findings from this investigation were:

(i) Credit Card Statements

Credit card statements are missing for Admin Manager for June 2005 and June 2012. Also, there was a missing statement for Mr. Udeh, the District's Chief Plant Operator, for August 2011. Otherwise, all statements were present for Chief Plant Operators, who charge expenses relating to field work every month. Statements are only kept for Directors for the months expenses were charged making it difficult to know whether there are any statements missing which include spending by the card holder.

It is standard business practice to retain all business credit card statements on file for audit purposes, whether or not there are charges for that month.

Recommendation: That the District's Credit Card policy be amended to stipulate that all credit card statements be kept on file whether charges were incurred that month or not for completeness of records, and that this be management practice from now onward.

(ii) Lack of Support for Credit Card Charges

During our review of business credit card records, we found that it is quite normal for there to be missing invoices and, while there was evidence of a review of credit card expenses by the Treasurer (Director Hicks) from December 2005 until January 2007 (with the exceptions of February and March 2006), there was no evidence of systematic Board review of credit card spending. For the Admin Manager, whose credit card limit is \$10,000, the percentage of items unsupported by invoice ranged from 14% (2005) to as high as 43% (2007). By dollar amount this ranges from 15% (2009) to 41% (2007).

Apart from December 2005 until January 2007 we were advised by the Office Manager (Ms. Johnson) that Director Hicks typically spends 10-15 minutes before each Board meeting reviewing the items to be paid, but not the credit card statements and any attached invoices.

While the vendors where credit cards were used are generally regular suppliers, without supporting invoices, it is impossible to confirm whether or not charges were for business purposes. However, we were able to confirm, by review of Board minutes, that all travel and seminar expenses charged to Sativa credit cards were Board authorized. We did, however, note that the purchase of a TV in 11/2008 for the Administrative Manager's office, at a cost of \$575.92, does not appear to be for business purposes.

It is standard business practice for business credit cards to be used only for expenditures incurred during the course of, and which are supportive of, the employer's business. It is not sound stewardship of the District's assets for the Board to approve payment of charges that are not proven to be business related.

Recommendation: That Credit Card Policy be amended to stipulate that:

- (i) Each card user is responsible for reconciling his/her monthly statement to supporting invoices, and that the credit card holder be held responsible for all charges where there is no supporting invoice or other valid third-party evidence supporting the amount and business nature of the charge.
- (ii) Card holders are also responsible for any delays in payment of monthly statements caused by incomplete reconciliations.
- (iii) The Treasurer is to review monthly credit card statements to ensure:
 - a. All expenditures are for business purposes; and
 - b. All items are supported by an invoice and that any ongoing charges were previously approved and are still appropriate.
- (iv) The Treasurer's credit card statement is to be reviewed by the Chairman of the Board.

2. Christmas Bonuses

Sativa's Directors received the following Christmas bonuses during the FY 2005 – 2012, although Ms. Johnson said they have received such bonuses for the past 20 years. However, the amount of bonuses paid to Sativa's Directors during FY 2005 – 2012 were:

Johnny Johnson:	\$9,100
Ruben Hernandez:	\$9,100
Elizabeth Hicks:	\$9,100
Mamie Franklin:	\$9,100
April McCall:	\$7,100
Anita Emery:	\$1,000

We also note that the Christmas bonuses for Christmas 2010 were not formally approved by the Board. In the Board minutes of 11/23/10, Board members agreed that the Christmas should be discussed during the next Board meeting scheduled for 12/7/10. However, no mention was made in the 12/7/10 Board minutes either of discussion of Christmas bonuses or their approval. The bonuses were paid 12/18/10 and the next Board meeting of 12/21/10 did not address bonuses either.

Following legal guidance from the District's attorney, the four of Sativa's current Directors who received Christmas bonuses agreed by Board resolution dated 2/12/13 to issue promissory notes establishing a repayment plan in relation to Christmas bonuses paid Decembers 2009, 2010 and 2011 only (no Christmas bonus was paid Christmas 2012), totaling \$3,950 each for Directors Johnson, Hernandez, Hicks, and McCall. A copy of the Board resolution formalizing this is on file. We note that Director Johnson and McCall are in compliance with the terms of

the promissory notes, while former Director Hernandez and Director Hicks are behind on their payments to the following extent as at September 30, 2013:

	<u>Shortfall</u>
Hicks:	\$750
Hernandez:	\$250

Recommendation: That the bonus situation be described in the following note to the 2009 - 2012 financial statements:

"In February 2012 the Directors learned that the payment of Christmas bonuses they had authorized themselves were illegal under California law. While Christmas bonuses have been paid to Directors for the past 20 years, Sativa's auditors verified payments totaling \$44,500 since December 2004. On February 12, 2013, Directors Johnson, Hernandez, Hicks and McCall agreed to repay Sativa Los Angeles County Water District the \$3,950 in Christmas bonuses they received since December 2009 on the basis that at least \$1,050 would be repaid by September 30, 2013, \$2,100 by March 31, 2014, \$3,150 by September 30, 2014 and the balance of a further \$800 by March 31, 2015. No formal agreement for repayment of bonuses has yet been reached with Director Franklin who had also benefited substantially from the bonuses but who was no longer a Director at the date of this meeting.

As at the date of issuance of this audit report, Director Johnson has repaid \$1,200 of the amount owed, Director McCall has repaid \$1,100, Director Hernandez has repaid \$800, and Director Hicks has repaid \$300."

We also recommend that the amount owed under this arrangement be accounted for starting FY 2013 using the following journal entry:

Dr. Amounts Owed by Directors
 Cr. Retained Earnings

3. Extra Payments for Preparing Manuals

We note that the Office Manager (Mrs. Johnson) was paid as an independent contractor for preparing Sativa's Emergency Response/Security Vulnerability Assessment Manual and also Sativa's Policies and Procedures Manual. She invoiced Sativa \$650 for the Emergency Response Manual (13 x \$50) and \$2,717.90 (\$1,560 and \$1157.90) for 21 manuals at \$130 each, less a small deduction. We view these items as being required in the ordinary course of Sativa's business, which could either have been outsourced less expensively or should have been covered under Mrs. Johnson's obligations as Office Manager. While Mrs. Johnson's invoices were paid by the Board, there is no Board minute authorizing her to provide these services on an independent contractor basis.

It is not normal business practice for a business to pay its Office Manager both a salary, and as an independent contractor for preparing documents needed in the ordinary course of business.

Recommendation: That the Board arrange with the Office Manager for the repayment of the amounts invoiced less reasonable costs of reproducing these manuals, such as would be incurred were Staples, FedexKinkos or similar to reproduce these items.

4. Reserve Fund for Capital Improvements

Sativa currently does not have a reserve fund set up in the books, nor funds set aside or restricted for capital improvements. We are aware that Sativa is currently going through the process of preparing a Master Plan that includes future capital improvements needed to maintain the assets required to deliver water to its customers, but financially no reserve funds have been set up in the chart of accounts, nor has there been a financial policy approved, relating to how such a plan will be funded.

Recommendation: That the District set up a Capital Improvements Account in its books which would record the balance of a new bank account that would act as a sinking fund exclusively for capital improvements to Sativa's water distribution system. A Policy would be established by the Board directing the monthly or quarterly payment of funds into this sinking fund. Note also that during the 2012 financial statement audit we identified that the balance of restricted funds associated with customer deposits had been overstated by approximately \$100,000 freeing up these funds should the Board wish to allocate some or all of them to the new Capital Improvements Account.

5. Review of Directors' Stipends

In order to assess the appropriateness of the level of fees being paid Sativa's Directors, we contacted a sample of 10 water districts to survey them with regard to their Directors' frequency of meeting attendance and the stipends they are being paid. The results were:

1. Sativa's Directors attend 3.1 times as many meetings as the two most comparable districts by size in the survey.
2. Sativa's Directors are paid a 50% higher stipend than the directors of the two most comparable districts by size in the survey.
3. Sativa's Directors are paid 12% above the average directors' stipend of all districts surveyed, most of which are far larger than Sativa.

4. While Sativa currently has a management consultant (John Mundy), Mr. Mundy mentioned that, in his opinion, Sativa cannot afford a full-time General Manager, so it appears that Directors will continue to need to be far more involved than the directors of the other districts surveyed in their water district's management, requiring a higher level of meeting attendance than required by the other districts.

While the absence of a full-time General Manager has led to greater involvement by the Board of Directors in the District's management, as a public body, we believe it to be prudent for Sativa Los Angeles County Water District to amend its policy relating to meeting attendance by its Directors and staff.

Recommendations: That this Policy stipulate clear criteria for determining which meetings should be attended, why and by whom. These criteria should include, but not be limited to:

1. That all meetings attended be necessary for the successful operation of Sativa's business.
2. The establishment of limits on the numbers attending, with all attending reporting back in writing to the Board, with these reports kept in Sativa's official records.

We further recommend that, should Sativa appoint a full-time General Manager, the existence of Standing Committees and Director attendance at seminars be re-evaluated, with the objective of reducing unnecessary expenditure on Directors' attendance at meetings and seminars.

6. Vehicle Management

There is no system for recording who is using Sativa's vehicles, what they are used for, when and the mileage covered during each use. Periodic odometer readings from service invoices since purchase of the Sativa Van show unexplained high usage patterns in the early years, and very low usage in the last 16 months or so, suggesting the possibility of an ongoing pattern of private usage until the last 16 months. This van goes home overnight and on weekends with the Administration Manager (Ms. Williams) who was unable to adequately explain these unusual variances.

Recommendations:

1. That mileage logs be used for all District vehicles that document who uses the vehicle, the purpose of the trip, the time it's taken out and returned, and the odometer reading before it leaves the District and upon return.
2. That vehicles be kept securely on Sativa premises overnight.

3. That the Board of Directors adopt a Vehicle Usage policy that expressly prohibits personal use of District vehicles, includes consequences for doing so, and implements the above recommendations.

7. Disposal of Assets

In October 2004 the Board decided to replace its Ford Focus. It had listed the car on BidBox and solicit bids. The Board meeting of 11/30/04 describe Ms. Williams objecting to this, as she had offered to buy the car at the trade-in value that was the opening bid for the public offer of the car. The Board went into closed session and by a vote of 3 to 1, with Director Johnson abstaining, they agreed to ignore the three higher bids they'd received through Bid Box and sell the Ford Focus to Ms. Williams for \$3,000.

The Board of Directors have a high duty of care to the District and its customers to manage the District's assets prudently in accordance with generally accepted business practices. This normally includes disposing of redundant assets on an "arm's length" basis at market value.

Recommendation: That the Board adopt an Asset Disposal policy that requires solicitation of a minimum of three outside, arms-length bidders when selling District property with a book value exceeding \$500 in value.

8. **Procurement** – We reviewed the process of hiring H. L. Greenwood Construction Company for the construction of a storage garage adjacent to Well #4. The amount paid to date is \$130,816 with the total contract valued at \$191,187.50. Despite the large size of this contract, it was not bid out for tender.

As custodians of the District's assets, the Board of Directors have a high duty of care to ensure that major investments of the District's funds are made on a transparent and arms-length basis.

Recommendation: That a Procurement policy be developed and authorized by the Board for substantial purchases, including construction projects. This policy should include the normal business practice of requiring that at least three bids be received for purchases above a prescribed threshold. We recommend that this threshold be no more than \$10,000.

9. Bereavement Checks

Sativa Los Angeles County Water District has adopted the practice of sending \$100 "bereavement checks" to staff, Directors or their families when they become aware of the passing of someone in their family. Office Manager (Mrs. Johnson) explained that this is in lieu of flowers. Total dollar amount of bereavement checks during 2005 – 2012 was \$1,000.

While it is common practice for commercial businesses to send flowers to employees and Directors in relation to a family bereavement, it is not to send "bereavement checks".

Recommendation: Given the infrequent nature of this occurrence and the small amounts involved, we recommend that the Board pass a Board resolution discontinuing its practice of bereavement checks but allowing for the sending of flowers in relation to family bereavements of staff or Directors.

10. Seminars

The Board has a policy of limiting annual expenditure on seminars per Director or staff member to no more than \$2,000. While it does not appear that any of the staff or Directors exceeded the \$2,000 annual spending limit during the period audited, this is not easily monitored as the various seminar costs are not aggregated on a seminar by seminar basis, nor are seminar related expenditures tracked on an attendee basis. We did note one seminar of the California Special Districts Association that did not appear to have been formally Board authorized. Otherwise, all seminars were Board authorized.

It is a well-known business maxim that "you can only manage what you can measure". In this case, while there is a policy in place concerning annual seminar expenditures, there is no mechanism in place to measure those expenditures.

Recommendation: That records be kept for each Director and also for each staff member who attends seminars tracking all seminar related expenditures on their behalf including but not limited to travel, accommodation, rental cars, taxis, meals and registration fees. This approach can be easily implemented using Quickbooks, Peachtree or other small business accounting software, and will help the Board ensure that its \$2,000 annual spending limit for seminars is not exceeded by Directors or staff.

11. Stipends for Staff

Sativa's Board has approved a policy of paying staff a \$150/day stipend when they are required to attend meetings during the weekend, and \$150/day plus expense reimbursement when they attend a meeting or seminar further than 50 miles from Sativa's offices, even when occurring mid-week, when the staff member is being paid their normal salary as well. Total cost of stipends paid to staff for mid-week seminar attendance during 2005 – 2012 was \$6,900.

It is neither normal business practice, nor appropriate use of the District's funds to pay daily stipends to staff when they attend mid-week seminars, when they are also being paid their salary.

Recommendation: That the Board pass a Board resolution amending Policy 5090 to make it clear that staff are not to be paid stipends for attendance at mid-week events.

12. Payroll Deductions

We note that, for most of the period under review, no payroll deductions were made or accounted for in relation to staff stipends. We estimate that there are total payroll deductions owing by staff of \$6,133.05 and a further \$6,133.05 by Sativa Los Angeles Water District. It is our understanding that, as the party responsible for remitting its staff's payroll deductions, Sativa has a current liability of \$12,266.10 plus any penalties due for non or late payment.

Recommendation: That Sativa Los Angeles County Water District contact the relevant agencies administering Social Security, Medicare and SDI and immediately arrange to pay the arrears in relation to payroll deductions that should have been remitted relating to staff stipends. We further recommend that the Board make arrangements with staff (past and present if possible) to recover the staff's share of these unpaid deductions.

13. Cell Phone Policy

The Board has authorized 1/6/09 that all Directors have cell phones with Sprint/Nextel and on 3/17/09 that they all be on unlimited minutes plans fully paid for by Sativa, when they are not involved in the daily operation of Sativa's business. Also, from a review of the April and May 2013 invoices, we note relatively high phone usage by Director Hicks and high data/Internet usage by Director Johnson, Ms. Williams, Mr. Dredd and Mr. Udeh. Mr. Dredd is a field worker whose work requirements would not appear to include anything requiring Internet use. And Ms. Williams and Mr. Udeh have desktop computers for doing so. We also question why Director Johnson would have consistent Sativa related commercial reasons to use his phone to access the Internet.

Recommendations:

- (i) That the Board re-evaluate the cell phone plan with Sprint/Nextel and revise it to include staff only, with the plan for phone communication only.
- (ii) That the Board adopt a Cellphone usage policy which prohibits use of District cell phones for non-Sativa business, and prohibits Internet connection using Sativa's phones.

14. Other Expenses

The majority of the postings to "Other Expenses", and also the larger items are the checks paid for Sativa business credit card usage. This has approximated \$40,000 in more recent years and these expenses need to be reclassified into their appropriate expense categories in order to provide an accurate picture of Sativa expenditures.

We also note that several permit costs relating to the construction activities at Wells # 3 and 4 were expensed into Other Expenses, totalling \$5,994.04.

Recommendation:

1. That all credit card expenses be broken out and posted on a monthly basis to the appropriate expense accounts. In particular Ms. Williams' card contains seminar fees and flight bookings for these seminars, and all seminar related payments should be reclassified to the Seminars account number 610.45.
2. That construction related permits be posted to Construction in Progress where the related work is in progress at year end, and reversed into the appropriate asset account when the projects are completed.

15. Review of Current Board Policies

As part of the forensic audit, we reviewed the District's current Policies and Procedures Manual with the objective of identifying any policies that do not reflect current standard business practices. Our findings and recommendations are as follows:

Policy 1050 (Hours of Work and Overtime) authorizes payment of overtime to non-salaried employees more than 8 hours in a day during a 10 hour, 4 day week.

Recommendation: Based on applicable law and the fact the District is no longer working a ten hour per day, four day per week work schedule, the District should update this policy to provide that overtime is payable for more than 40 hours worked in a single work week.

Policy 2010 (Continuity) embeds seniority into the District's employment policies and does not reward productivity or ingenuity.

Recommendation: That the Board rescind Policy 2010.

Policy 3010 (Promotion) appears to make promotion automatic and not require performance improvement.

Recommendation: That the Board amend Policy 3010 to introduce performance that consistently exceeds job requirements as a necessary factor when determining promotions.

Policy 3090 (Nepotism) allows for employment of relatives without requiring an outside search for the best available candidate.

Recommendation: That the Board amend Policy 3090 to state that Board members and the General Manager not be allowed to hire a relative for employment by the District.

Policy 4050 (Administrative Manager) requires the Administrative Manager, along with the Chief Plant Operator, to conduct an inventory of field assets every 6 months. The most recent Field Inventory was conducted 1/31/12, and Ms. Williams and Ms. Johnson advise that the Field Manager is now solely responsible for the Field Inventory, although there appears to have been no change to Policy 4050.

Recommendation: We recommend that the Board clarify Policy 4050, in particular whether the Administrative Manager is still to be involved with conducting the Field Inventory. We also recommend that the Board ensure a Field Inventory is conducted in the near future.

Policy 5020 (Budget Preparation) requires the Board to approve an annual budget at its regular second meeting in May. According to Ms. Johnson, the Board has not approved a budget during the period being examined (2005 – 2012). However, we are aware that Interim General Manager John Mundy is coordinating preparation of a budget for the 2013/2014 fiscal year.

Recommendation: We recommend that the Board authorize transfer of the District's accounting systems to a computerized system such as Quickbooks or Peachtree, which will simplify the budgeting process and allow for monthly or quarterly comparisons between budget and actual performance.

Policy 5030 (Credit Cards) - There is no requirement for independent review of credit card statements by someone independent of the credit card holder. Also, there is no accountability required of those who do not provide receipts. As discussed earlier in this report, the Water District should not be paying for items charged on the credit cards that do not have 3rd-party documentary support.

Recommendation: That the Board amend Policy 5030 to require an independent review of credit card statements to ensure compliance with this policy. We suggest that this be done by the Treasurer, and that the Treasurer's credit card statement be reviewed by the Chairman.

Policy 5040 (Fixed Asset Accounting Control) - We reviewed the recorded inventory of Field and Office assets. Field Inventory was most recently taken 1/31/12 and Office Inventory 2/1/12. This was compiled and submitted to Director Hernandez 3/23/12. I noticed from a quick review that the inventory summary still included the 1992 GMC Pick-up which had been disposed of during 2004, and did not include the Nissan truck purchased in 2007. No computerized inventory system is maintained, just paper based.

While there is evidence of some office assets being numbered, these numbers are not able to be reconciled to the Fixed Asset records.

Recommendation: That Policy 5040 be implemented by converting the District's accounting system to Quickbooks or another suitable computerized small business accounting system, and moving from a paper based to a computerized Fixed Asset registry. Once all fixed assets are in such a system, it can be updated as additions and disposals are made, producing current figures whenever needed. The purpose of periodic physical fixed asset inventories would then be to check on the accuracy of the computerized system, rather than being needed to produce the fixed asset numbers, as is currently the case. Once a computerized asset registry is in place, we recommend a fixed asset inventory be performed at or around each balance date, rather than the currently prescribed 6 monthly fixed asset inventory which, as noted above, is not being adhered to.

Policy 5050 (Expense Authorization) – At the time of our forensic audit, there was no system in place for expenses to be tracked against budget.

Recommendation: That the Board authorize conversion of District's accounting system to Quickbooks, Peachtree or another suitable computerized system to allow easy production of budget vs actual comparisons.

Policy 5090 (Remuneration and Reimbursement for Management & Employees) - Staff have been paid \$150/day for attending mid-week out of town seminars despite their also having been paid salary for the days they are away. The Managers are also being paid the Directors' per diem for all meetings held after hours Friday or on Saturdays, when it is normal for Managers to sometimes work outside normal office hours without receiving additional compensation.

Recommendation: That the Board amend Policy 5090 to make it clear that salaried staff may receive expense reimbursements, but are not to receive stipends or other forms of payment for attendance at meetings or seminars.

Policy 7070 (Mail) – Ms. Hernandez (Office Clerk) confirmed that no daily record is kept of mail received in the office, which increases the potential for inbound mail to be mislaid or lost before it can be responded to.

Recommendation: That the Office Clerk maintain a list of mail so that there is a way to track all mail received by the District, by date received, sender and who it went to.

CONCLUSION

In total our firm spent 280 man hours on this forensic audit and our auditor was stationed at the District for approximately two months going through its records in detail. In our opinion, the District's staff were fully cooperative throughout, and appeared to answer our enquiries in good faith.

In the October 1, 2013 Report on Internal Controls FYE 6/30/09 – 6/30/11 Internal Audit Report the following Conclusion was made that applies to this forensic audit.

"Sativa's accounting department needs to be completely reorganized. The accounting staff, although loyal and diligent, do not have the required bookkeeping or accounting training necessary to prepare accurate timely financial statements in accordance with governmental generally accepted accounting standards, either on a monthly or annual basis. The department uses manual ledgers, which have not been used in modern accounting departments for over 50 years. The software used to produce financial statements, which itself is over 40 years old and is an obsolete DOS Program, only uses batch entries, which are only entered once per year. The Accounts Receivable system is a stand alone system and is not integrated with the accounting system. The sheer number of adjusting entries required by both the outside CPA, who is nearing retirement, and the outside auditor, indicate a complete lack of understanding of even basic accounting processes and principles. The above observations and recommendations need to be addressed in the near term."

The findings in this forensic report represent significant deficiencies in internal controls, proper accounting, documentation, and appropriate Board policy. Significantly, our audit did not note any fraud or embezzlement in the course of our audit.

Taken as a whole, the above areas are serious, but all can be resolved with proper management and attention by the Board. As was noted above, our firm is requesting that the District respond to each of these comments no later than December 15, 2013 concerning what they intend to do to remediate these areas.

Respectfully,

A handwritten signature in black ink, appearing to read 'Mark Cummins', with a large, stylized circular flourish at the end.

Mark Cummins, C.P.A.

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October 1, 2013

Sativa Los Angeles County Water District
2015 Hatchway Street
Compton, CA 90222

For Attention: The Board of Directors

Report on Internal Controls – FYE 6/30/09 – 6/30/11

We have completed audits of the financial statements of the Sativa – Los Angeles County Water District (District) as of and for the fiscal years ended June 30, 2009, 2010 and 2011, and have completed and submitted our report for the fiscal year ended June 30, 2009, dated October 1, 2013. We have included the prior year financial numbers for comparison purposes. The audits for these audit periods were completed consecutively and as such, the internal control issues were discussed with management in July - September of 2013. Many of these observations and recommendations were also submitted to the District in a Management Letter issued by our firm on September 9, 2013. In addition, a forthcoming Forensic Report will also contain many of these recommendations and others related specifically to the Forensic Audit

As such, the issues discussed below for remediation by management are recommended to take place beginning in FYE June 30, 2014. **However, we are requesting that the District respond to these comments no later than December 15, 2013 in regards to what they plan to do to remediate these areas.**

In planning and performing our audits of the financial statements of the District, we considered internal control as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal controls. Accordingly, we do not express an opinion on the effectiveness of the District's internal controls.

During our audit, we noted certain matters involving internal controls and their operation that are presented for your consideration. These comments and recommendations, all of which have been discussed with the appropriate members of the District's management are intended to improve internal control or result in other

operating efficiencies and are summarized as follows.

1. Accounting Staff Education and Background

Any change in improving the accounting function needs to begin with the accounting staff. Although the staff currently appears able to do basic data entry, none of the staff has any formal education or training in accounting or bookkeeping. We found that the staff does not understand the basic accounting concepts of accrual base accounting, how to classify fixed assets vs. repairs, how to book depreciation, how to book payables correctly, or even the basics of double entry accounting. Instead, the Board has relied entirely on an outside CPA to review all of Sativa's disbursements during the year and make anywhere between 30 and 70 Journal entries in order to correct incorrect entries, enter appropriate accruals and in summary produce financial statements. Bank reconciliations have gone on for years without being properly balanced and all credit card transactions have been misclassified. No regular entries have been done for booking accounts receivable, accounts payable, depreciation, vacation or other accruals. No monthly standard profit and loss or balance sheets have ever been produced in the 8 years which we audited Sativa.

Our recommendation is that the Board consider either replacing the staff with accounting staff with the appropriate background and experience or have the existing staff limited to data entry under the supervision of an experienced accountant. In addition, the addition of an experienced accountant would be critical to overhauling the accounting system and bringing new software and appropriate accounting procedures to the office.

2. Inadequate Accounting Software

The current manual bookkeeping system for cash disbursements and basic accounting needs to be replaced. Sativa has a fairly simple accounting structure since it is a single entity. An integrated accounting software such as QuickBooks would allow checks to be written and recorded from the system, invoices to be recorded for payables, payroll to be entered and monthly profit and loss and balance sheets to be produced. Modern systems remember prior vendors and make data entry quick and accurate. Sativa could keep its billing and accounts receivable system, but monthly entries could be journalized to record sales and accounts receivable in the main system.

Our recommendation is that after the Board hires the appropriate accounting staff with the appropriate experience to handle a system upgrade, that the new accountant prepare a plan for implementing the upgrade to the accounting system and phasing out reliance on the outside CPA so that an appropriate monthly close can be made to the books and records of Sativa.

3. Segregation of Duties

There has been no change in how Sativa collects and records its cash payments over the years. 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. Two of the three employees have access to the checking account and accounting records. Although

the results of a separate forensic audit by our firm produced no evidence of direct misappropriation of funds and current Board policy requires three signatures on all disbursements, there still exists an issue over segregation of duties.

Our recommendation is that after the Board hires the appropriate accounting staff with the appropriate experience, that all cash disbursement and accounting recordkeeping be properly segregated to help safeguard the District assets.

4. Bank Reconciliation

We noted that for fiscal years 2009 through 2011 that the regular checking account was being reconciled, not with the cash book (i.e. Cash Disbursements Journal), but with the monthly Finance Report, and that the Finance Report does not balance with the running cash book balance. In order to audit this, the main bank account, the Board approved our request to bring in a temporary accountant to go through all transactions recorded in the bank statement, the cash book and the Finance Report, and reconcile them with one another. This was completed for fiscal years 2009 through 2012 and auditors' adjusting journal entries were created to restate the regular checking account at its correct balance for all of these years.

In order for the Board and management to implement sound decisions for the benefit of the District and its customers, it is essential that the correct cash position be known at all times. This requires regular reconciliation between the bank statements and the District's cash book, including identifying the cause of any imbalances.

Because the above mentioned lack of true reconciliation has been ongoing for many years, we recommend:

- (i) That Sativa interview for an accountant who understands generally accepted accounting principles, can correctly reconcile bank accounts as well as performing the normal responsibilities of a Financial Controller.
- (ii) That the regular checking account be closed and a new account be opened, so that any remaining non-reconciling items will be identified and adjusted for as the outstanding checks and deposits from the existing bank account hit that account's bank statements.

5. Paper-based Accounting System

The District is currently using a paper rather than software based accounting system that relies entirely upon the post-balance date review by the District's accountant to pick up and correct for posting and calculation errors. We noted multiple calculation errors, many of which a software based system would have prevented. Incorrect inputs into any accounting system leads to the production of inaccurate financial and management reports, and can lead to the Board making inappropriate decisions due to inaccurate information.

We recommend that the District investigate, select and implement an appropriate software based accounting system suitable for a business its size as soon as possible.

We recommend that this system either include its own accounts receivable module, or that it be able to easily integrate with the District's current Dac Easy system for Accounts Receivable.

6. Bank Charges

During our review of the Capital Improvements bank account, we noted that, despite it being inactive for months at a time, that Bank of the West was charging \$200 or more a month as an "Account Analysis Charge". It appears this has been ongoing from before FY2009 and has been costing the District roughly two thousand dollars annually.

We recommend that this bank account also be closed and that a new Capital Improvements account be opened that is not subject to these charges.

7. Restricted Cash and Deposits

The Restricted Cash Deposits balance is the portion of funds invested by the District with the Local Authority Investment Fund ("LAIF") that may not be used for general business purposes because they are refundable to customers when they leave the District. We note that the Restricted Cash and Investments balance in the General Ledger is considerably higher than the current total of deposits held on behalf of customers and that this balance is not being reconciled to customer ledger cards to maintain its accuracy.

While maintaining a high Restricted Cash and Deposits balance can be considered conservative, we suggest that it is better financial management practice to know exactly how much you owe in customer deposits, so that surplus funds can be made available for other business needs.

We also note that a spreadsheet is prepared annually of customer deposits from customer ledger cards but that this was not checked for accuracy, and that the General Ledger was not adjusted to this balance. We, therefore, recommend that (i) this spreadsheet of Customer Deposits be updated on at least a quarterly basis, (ii) it be checked for accuracy, (iii) that the Customer Deposits account be adjusted to this balance then also, and (iv) that this be used as the basis for determining Restricted Cash and Investments for year-end financial statement purposes.

8. Management of Fixed Assets

We noted during our auditing of Fixed Assets that there are periodic inventories taken of Fixed Assets, with the most recent being on 31 January 2012. When there were discrepancies noted between fixed assets on hand and those recorded in the Fixed Asset Register, nothing was done to reconcile these differences and, as a result, various assets, including two vehicles that Sativa no longer owns, are still recorded in the Fixed Assets Register. While these vehicles are listed as fully depreciated so have no impact on Net Income, they do inflate their balance sheet category and its associated accumulated depreciation balance.

We, therefore, recommend that a full inventory of the District's Fixed Assets be performed annually, and that any assets that have been disposed of be written out of both the Fixed Asset register and the General Ledger. As part of any conversion to a software based accounting system, a fixed asset register will be created and then be available in real time. Thereafter, the software based fixed asset register can easily be adjusted for discrepancies identified during the annual fixed asset inventory.

9. Reserve Fund for Capital Improvements

Sativa currently does not have a reserve fund set up in the books, nor funds set aside or restricted for capital improvements. We are aware that Sativa is currently going through the process of preparing a Master Plan that includes future capital improvements needed to maintain the assets required to deliver water to its customers, but financially no reserve funds have been set up in the chart of accounts, nor has there been a financial policy approved, relating to how such a plan will be funded.

We recommend that the District simply set up Capital Improvements Account in the books and a preliminary monthly or quarterly segregation of funds be made to begin to establish a "sinking fund" with the express purpose of funding future capital improvements needed to maintain district assets and operations.

10. Monthly Postings to General Ledger

We note that there is no monthly updating of the General Ledger, and that it is normal practice for the Office Manager to input all of a year's entries into the General Ledger once a year after balance date. This practice prevents the Board and management from managing the District as effectively as they could, as there are no numbers to compare with budget, and Board and management are not aware of the District's true financial status during the year.

We strongly recommend that financial data be updated on a monthly basis and that monthly reports be prepared for Board and management review comparing actual results with budget, with explanations provided for all variances of 10% or more from budget.

11. Customer Deposits

We noted that Restricted Cash on the balance sheet, which represents funds set aside for customer deposits, do not agree to the total of the manual schedule of customer deposits which it is intended to represent.

We recommend that the accounting staff prepare a full and complete schedule of deposits held, by customer and that the total be reconciled to the General Ledger.

12. Credit Cards

We noted the following system weaknesses during our forensic auditing of the District's system for managing business credit cards.

Exhibit "D"

- (i) Occasional missing credit card statements for the Administrative Manager and Chief Plant Operator and credit card statements not being retained when no charges were made that month, which is very common in the case of Directors. It is important to retain all credit card statements whether charges were made that month or not, to provide a complete audit trail.
- (ii) It was common for credit card charges to be paid even though there were missing invoices. Third-party supporting evidence (e.g. invoices, receipts, etc.) needs to be provided for all charges so that whoever is overseeing credit card usage can confirm all charges were for business purposes.
- (iii) We were unable to find evidence of regular Board level oversight of credit card charges from February 2007 through the end of the 2012 fiscal year. This exposes the District to the potential for misuse of credit cards by cardholders.

We recommend that the District's Credit Card Policy be amended to stipulate that:

- (i) All credit card statements be kept on file whether charges were incurred that month or not for completeness of records.
- (ii) Each card user is responsible for reconciling his/her monthly statement to supporting invoices, and that the credit card holder be held responsible where there is no supporting invoice or other valid third-party evidence supporting the amount and business nature of the charge.
- (iii) Card holders are also held responsible for delays in payment of their monthly statement caused by incomplete reconciliations.
- (iv) The Treasurer is to review monthly credit card statements to ensure:
 - a. All expenditures are for business purposes; and
 - b. All items are supported by an invoice and that any ongoing charges were previously approved and are still appropriate.
- (v) The Treasurer's credit card statement is to be reviewed by the Chairman of the Board

13. Accounts Payable

The accounting system currently has no way to keep track of accounts payable on a daily basis, since the current computer system is only updated on a yearly basis and records of current amounts owed are kept manually. With the upgrade to a new system we recommend that the books be converted from a cash to accrual method and all invoices and bills entered into the accounts payable module.

14. Salary, Vacation and Sick Pay Accruals

Year-end entries for payroll, vacation, and sick pay accrual have not been part of the accounting cycle. We recommend that a payroll, vacation and sick pay accrual be made on at least a quarterly basis. Accruals such as these need to be reversed in the

following period and then re-established each period.

15. Preparation of Budgets

We note that no annual budget was prepared for any of the years under review. Preparation of an annual budget is a minimum requirement of sound financial management, as it allows the Board and management to track the District's performance on a monthly basis, question variations, and suggest strategic or tactical changes to correct for under-performance, in addition to being a requirement under governmental accounting reporting standards.

We do note that, under the guidance of the Interim General Manager, a budgetary process is being developed. While we are supportive of this initiative, increased production of financial information only increases the time required of management unless a suitable software based accounting system is introduced to quickly and easily track actual performance against budget. We recommend that the hiring of an accountant with experience transitioning into new accounting systems be one of the District's highest priorities.

16. General Ledger Posting Errors

During our testing of the Cash Disbursements system we noted an ongoing pattern of misposting ranging from 13% in FY2009 to as high as 30% during months tested in FY2011 and FY2012. This highlights the challenges of the District's bookkeeping being done by someone who is not a trained accountant. Unless this is changed, the financial reports produced for the Board and management can continue to be expected to contain errors that limit their usefulness.

If the District's Board and management are to have timely and accurate information upon which to base their management decisions, the District will need to employ a trained accountant.

17. The Cash Receipts System

During FY2010, we selected the month of November for our testing of the Cash Receipts system. Our testing revealed:

- The Finance Report did not appear to have been added
- None of the month's totals (i.e. Day Book, Cash Book or General Ledger) agreed with one another, and no attempt appears to have been made to reconcile them.
- It seems that management relies on the bank's addition of cash receipts and adjusts the Cash Book to the totals recorded by the bank, which differed from Sativa's deposit totals 4 out of 18 days funds were deposited during that month. However, adjustments were not always made, which will result in non-reconciliation of the bank account.

This highlights the weakness of a paper-based accounting system that does not have the checks and balances of a software solution such as Quickbooks, Peachtree, etc.

which we strongly recommend the District transition to.

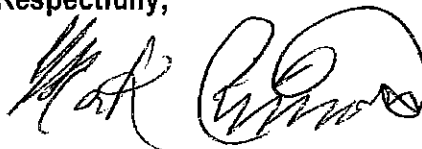
Conclusion – the following reiterates the conclusion made to the District in the Management Letter Comments of September 9, 2013

Sativa's accounting department needs to be completely reorganized. The accounting staff, although loyal and diligent, do not have the required bookkeeping or accounting training necessary to prepare accurate timely financial statements in accordance with governmental generally accepted accounting standards, either on a monthly or annual basis. The department uses manual ledgers, which have not been used in modern accounting departments for over 50 years. The software used to produce financial statements, which itself is over 40 years old and is an obsolete DOS Program, only uses batch entries, which are only entered once per year. The Accounts Receivable system is a stand alone system and is not integrated with the accounting system. The sheer number of adjusting entries required by both the outside CPA, who is nearing retirement, and the outside auditor, indicate a complete lack of understanding of even basic accounting processes and principles. The above observations and recommendations need to be addressed in the near term.

Taken as a whole, the above areas are serious but all can be resolved with proper management and attention by the Board. As was noted above, our firm is requesting that the District respond to these comments no later than December 15, 2013 in regards to what they intend to do to remediate these areas.

This report is intended solely for the information and use of the District's Board of Directors and management and the State Controller, who are required by statute to receive the report. This restriction is not intended to limit the distribution of this report, which, upon acceptance by the State Controller, is a matter of public record.

Respectfully,

A handwritten signature in black ink, appearing to read 'Mark Cummins', with a large, stylized circular flourish at the end.

Mark Cummins CPA

SATIVA COUNTY WATER DISTRICT

District Management Review

Budget Document: In addition to its primary purpose of allocating funds for District purposes, a budget is also a picture window for the public's use in examining how their public dollars are being spent. The Sativa budget is not detailed enough for this purpose.

A good comparison can be made by reviewing how the annual audit is shown on the Moulton Niguel Water District budget and how it is shown on the Sativa budget:

Moulton: "Activity: Annual Audit
Description: The Annual Audit is performed by an independent Certified Public Accountant pursuant to legal requirements for a government entity. The Audit tests the District's internal controls and accounting procedures to ensure conformity with Generally Accepted Accounting Principles (GAAP). The Board has retained the firm of Mayer Hoffman McCann P.C. to conduct the FY 2011-2012 audit of the District. The firm will issue an Audit Opinion which states the findings and a Management Letter on recommended practices."

Sativa: "Audit Expenses"

It is apparent that Moulton's budget provides its customers with a good basic explanation of the audit operation, while Sativa offers nothing at all. (It is interesting to note that Sativa shows an expense of \$505.96 for audit expense in FY 2009-2010, but no audit was performed.)

The entire Sativa budget was 2 pages. While it did include all of the District revenues and expenses, it offered virtually nothing to the public as far as information about the budgetary items. Moulton's budget was 103 pages. It is true that Moulton is a much larger district and also handles sewage, but the audit function by an outside consultant and State audit requirements are identical, as is the need to know by the public.

Pay As You Go: Of all of the management deficiencies previously described in the MSR, the most harmful and egregious action of the Sativa Board as it pertains to the public's interest is the decision to adopt a "Pay as you go" system for setting customers' water rates. This system includes only the District's budgeted operating costs with very limited reserves, and does not include any provisions for Asset Management techniques through Replacement and Refurbishment funds (R&R). Such an omission is virtually unheard of in today's publicly-owned water districts.

The District's "Pay as you go" system makes absolutely no adequate provisions for replacing or refurbishing facilities. A good example is the necessity to replace the District's Well #4. The District closed that well in 2009 because it had traces of manganese and iron that exceeded state water quality levels. Because there is no R&R, the District has been unable to replace the well. They have tried for the last three years to get a grant for the project, to no avail. The District

Exhibit "D"

applied for a \$950,000.00 grant to replace the well from Los Angeles County from money the County received in 2009 from the American Recovery and Reinvestment Act, but were denied as their project was not deemed to be a top priority project.

A “Pay as you go” system is a great public relations tool, as it artificially lowers water rates and keeps customers happy—until things start wearing out.

The vast majority of publicly-owned water districts utilize Asset Management techniques to address this problem. The United States Environmental Protection Agency (EPA) provides an excellent brochure that describes the essentials of appropriate techniques. The brochure, entitled “Asset Management: A Best Practices Guide”, describes the benefits as:

- Prolonging asset life and aiding in rehabilitate/repair/replacement decisions through efficient and focused operations and maintenance.
- Meeting consumer demands with a focus on system sustainability.
- Setting rates based on sound operational and financial planning.
- Budgeting focused on activities critical to sustained performance.
- Meeting service expectations and regulatory requirements.
- Improving response in emergencies.
- Improving security and safety of assets.

Question: Has Sativa ever employed Asset Management techniques in its budgetary processes, and does it intend to do so in future budgets?

Management Controls:

There are several areas involving management control of expenditures that are not sufficiently described in the budget. Following is a list compiled from a cursory review of the budget:

1. Which District personnel, including Board members, are issued bank or gas credit cards?
2. Are individual bank and gas credit card usages recorded monthly and reviewed by the Manager?
3. Has the District adopted a written policy on bank and gas credit card usage?
4. Does the Board periodically review bank and gas credit card usage?

Exhibit "D"

5. What does Account No. 610.29 Other Expenses cover? It is a significant amount with no detail.

General Questions:

1. Has the District prepared an Urban Water Management Plan? If yes, provide a copy. If no, please explain.
2. What is the source of water for the emergency connection to Compton?
3. Has the emergency connection ever been tested?
4. How often are the emergency generators tested, if at all?
5. Did the District do anything in response to the Psomas study? Provide a copy.

SATIVA LOS ANGELES COUNTY WATER DISTRICT

Exhibit "E"



2015 E. HATCHWAY STREET - COMPTON, CALIFORNIA 90222-3519
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EMERGENCY ONLY AFTER 5:00 P.M. (310) 631-3818
OPEN: MONDAY-FRIDAY - HOURS: 9:00 A.M. - 5:00 P.M.

Board Members

President: Johnny E. Johnson Sr.
Vice-President: Ruben Hernandez
Secretary: April McCall
Treasurer: Elizabeth Hicks
Member: Luis Landeros

Staff

Office Manager: Theresa Johnson
Administrator Manager: Toshia Williams
Chief Plant Operator: Patrick Udeh
Assistant Plant Operator: Jonathan Dredd
Office Clerk: Rosa Hernandez
Field/Maintenance Worker: Peter Ovalle

September 13, 2012

RECEIVED
2012 SEP 19 AM 10:21
FOR LOS ANGELES COUNTY

LAFCO

Paul Novak, AICP
Executive Officer

Re: Response to Municipal Service Review

The Board of Directors of the Sativa LA County Water District, in light of the Administrative Draft Report prepared by Hogle-Ireland, Inc. have come to the conclusion that this report along with the fore mentioned positive aspects be forwarded to our Legal Counsel for the legalities to a so called hostile takeover and let the courts of California make the decision rather than LAFCO and the MSR.

If you have any further questions or concerns please do not hesitate to contact Ms. Teresa Johnson at (310) 631-8176

Sincerely,

Sativa LA County Water District
Board of Directors

Exhibit "F": Sativa County Water District Progress on LAFCO Issues

Significant Progress

<u>Issue</u>	<u>Source(s)</u>	<u>Status</u>	<u>To do</u>
1 Lack of financial audits	2012 Draft MSR	Audits are current	
2 Missing payroll deductions	2013 Forensic Audit	Payback to taxing agencies is in process	Complete payback (scheduled to occur by the end of 2014)
3 Accountability for cash receipts	2013 Forensic Audit	Adopted policies	Implement policies
4 Credit card expense documentation	2013 Forensic Audit	Significant progress (adopted)	Implement policies
5 Christmas bonuses	2012 Draft MSR 2013 Forensic Audit	Bonus payments halted Payment plan adopted but some directors are behind schedule	Vigorously pursue repayments
6 Conflict of interest (Office Manager)	2004 County Audits	Office manager position eliminated (April of 2014)	
Conflicts of interest (General)	2012 Draft MSR 2013 Forensic Audit	Adopted policies	Implement policies
7 Extraordinary payments to staff	2012 Draft MSR	Adopted policies to prevent extraordinary payments	Implement policies
8 Create and maintain website	2012 Draft MSR	Website is operational	Provide accurate information, complete information, and bilingual access

Limited Progress

<u>Issue</u>	<u>Source(s)</u>	<u>Status</u>	<u>Comments</u>
1 No long-term planning	2012 Draft MSR	Very little apparent progress CIVILTEC study (March of 2014)	Prepare/adopt plan for the long-term needs, identify funding sources
2 Establish plan(s) for service during emergency event(s)	2012 Draft MSR	Limited progress	Implement CIVILTEC Study
3 Lack of annual budgets	2012 Draft MSR	Adopted policies, but recent budgets very short on detail	Prepare budgets comparable to similar water districts
4 Board-member compensation	2012 Draft MSR 2013 Forensic Audit	Adopted policies	Implement compensation comparable to other water districts
5 Sole-source contract	2013 Forensic Audit	Adopted policies	Implement policies
6 Hire general manager	2012 Draft MSR	Limited progress (2 successive GM's on contract basis)	Hire general manager

No Progress (or very limited progress)

<u>Issue</u>	<u>Source(s)</u>	<u>Status</u>	<u>Comments</u>
1 Install water meters	2005 MSR	Grant application pending but in very preliminary stage (April of 2014)	Identify and pursue funding Design/install meters
2 Establish reserve funds	2012 Draft MSR 2013 Forensic Audit	No apparent progress	Prepare/adopt plan to create reserves
3 Establish water rates which cover the costs to District	2012 Draft MSR 2013 Forensic Audit	No apparent progress; District representatives indicate they are considering rate increase (April of 2014)	Prepare cost study and adopt rate increase(s) as required
4 Re-locate pipelines to easements/ROWs (not private property)	2005 MSR	Unknown	Implement plan identified in CivilTec Report
5 Identify property rights for pipelines	2012 Draft MSR	Unknown	Identify fee and easement interests, acquire where
6 Adopt measures to conserve water	2012 Draft MSR	Unknown	Adopt and implement water conservation plan
7 Purchase modern computer systems and software	2013 Forensic Audit	Unknown	Network computers Purchase/install necessary software
8 Use of District vehicles	2012 Draft MSR 2013 Forensic Audit	Adopted policies	Reduce fleet Implement policies relative to personal use of vehicles
9 Telephone expenses	2012 Draft MSR	Unknown	Implement cost-reduction and control measures

Staff Report

May 14, 2014

Agenda Item No. 7.c.

Fiscal Year 2014-15 Final Budget

Background

In accordance with Government Code Section 56381, LAFCO must conduct a second noticed public hearing and approve its final budget by June 15th of each year. At a minimum, the proposed and final budget shall be equal to the budget adopted for the previous fiscal year, unless the commission finds that reduced staffing or program costs will nevertheless allow the commission to fulfill its statutory purposes and programs. The final budget is unchanged from the proposed budget adopted April 10, 2013.

Final Budget

The Fiscal Year 2014-15 Final Budget identifies expenditures totally \$1,259,001. This amount represents an increase of \$44,134 or approximately 4.7% more than the FY 2012-13 Budget. Anticipated revenues are \$976,501 in apportionments from the 88 cities, the County of Los Angeles, and the 53 Independent Special Districts; a projected \$50,000 from FY 2014-15 fund balance carryover funds and \$65,000 from filing fees.

Comments from funding agencies

On April 10, 2013, the Proposed Budget was circulated to the funding agencies for review and comment. As of the writing of the report staff has responded to budgetary questions relating to the estimated FY 2014-15 allocation costs.

Recommended action:

1. Open budget hearing; close hearing after receiving public comments.
2. Approve the Final Budget for Fiscal Year 2014-15.
3. Pursuant to Government Code Section 56381.6, request the Los Angeles County Auditor-Controller to apportion the net operating expenses of the commission among the classes of public agencies represented on the Commission.

LAFCO FINAL BUDGET - FISCAL YEAR 2014-15

Acct No.	EXPENSES	Budget 2013-14	Budget 2014-15	Budget Difference
50000	Salaries & Employee Benefits			
50001-12	Employee Salaries	\$ 547,826.00	\$ 558,782.00	\$ 10,956.00
50015	Retirement	\$ 87,550.00	\$ 110,332.00	\$ 22,782.00
50016	Benefits Cashout	\$ 17,000.00	\$ 17,000.00	\$ -
50017	Stipends	\$ 31,500.00	\$ 27,000.00	\$ (4,500.00)
50018	Worker's Compensation Insurance	\$ 6,802.00	\$ 15,971.00	\$ 9,169.00
50019	Health Insurance	\$ 96,000.00	\$ 115,500.00	\$ 19,500.00
50020	Payroll Taxes	\$ 9,000.00	\$ 9,000.00	\$ -
50022	OPEB - Existing Retiree	\$ 6,600.00	\$ 6,600.00	\$ -
50023	OPEB - Trust	\$ 50,000.00	\$ 50,000.00	\$ -
	Total Salaries & Employee Benefits	\$ 852,278.00	\$ 910,185.00	\$ 57,907.00
50000A	Office Expense			
50025	Rent	\$ 70,000.00	\$ 70,000.00	\$ -
50026	Communications	\$ 9,500.00	\$ 8,500.00	\$ (1,000.00)
50027	Supplies	\$ 8,500.00	\$ 7,500.00	\$ (1,000.00)
50029	Equipment Maintenance and Supplies	\$ 6,500.00	\$ 6,500.00	\$ -
50030	Equipment lease	\$ 22,000.00	\$ 25,000.00	\$ 3,000.00
50031	Employee / Other Parking Fees	\$ 8,000.00	\$ 8,000.00	\$ -
50032	Other Insurance	\$ 42,000.00	\$ 45,000.00	\$ 3,000.00
50033	Agency Membership Dues	\$ 8,925.00	\$ 7,550.00	\$ (1,375.00)
50040	Information Technology/Programming	\$ 7,100.00	\$ 7,100.00	\$ -
50052	Legal Notices	\$ 9,000.00	\$ 3,000.00	\$ (6,000.00)
50053	Publications	\$ 100.00	\$ 100.00	\$ -
50054	Postage	\$ 7,000.00	\$ 3,500.00	\$ (3,500.00)
50055	Audio/Visual Services	\$ 4,400.00	\$ 3,200.00	\$ (1,200.00)
50056	Printing	\$ 1,200.00	\$ 1,200.00	\$ -
50057	Conferences/Travel - Commissioners	\$ 10,500.00	\$ 15,000.00	\$ 4,500.00
50058	Conferences/Travel - Staff	\$ 5,000.00	\$ 13,500.00	\$ 8,500.00
50060	Auto - Reimbursement	\$ 12,480.00	\$ 12,480.00	\$ -
50061	Various Vendors	\$ 5,500.00	\$ 5,000.00	\$ (500.00)
50065	Miscellaneous - Other	\$ 4,000.00	\$ 4,000.00	\$ -
50067	Computer/Copier/Misc Equipment	\$ 2,500.00	\$ 3,000.00	\$ 500.00
	Total Miscellaneous Expense	\$ 244,205.00	\$ 249,130.00	\$ 4,925.00
50000C	PROFESSIONAL SERVICES			
50076	Legal services	\$ 50,000.00	\$ 45,000.00	\$ (5,000.00)
50077	Accounting & Bookkeeping	\$ 22,000.00	\$ 22,000.00	\$ -
50078	Contract Services	\$ 6,000.00	\$ 3,000.00	\$ (3,000.00)
50081	Municipal Service Reviews	\$ 5,000.00	\$ 5,000.00	\$ -
	Total Professional Services	\$ 83,000.00	\$ 75,000.00	\$ (8,000.00)
50137	CONTINGENCY	\$ 35,384.49	\$ 24,686.30	\$ (10,698.19)
	Subtotal Expense (Accounts 50000 - 50000C)	\$ 1,214,867.49	\$ 1,259,001.30	\$ 44,133.81

LAFCO FINAL BUDGET - FISCAL YEAR 2014-15

Acct No.	Budget 2013-14	Budget 2014-15	Budget Difference
40000 REVENUE			
40005 Filing Fees	\$ 82,500.00	\$ 65,000.00	\$ (17,500.00)
40012 Prior Year Fund Balance Carryover	\$ 85,000.00	\$ 50,000.00	\$ (35,000.00)
40013 Investment Pool Transfer	\$ 115,000.00	\$ -	\$ (115,000.00)
Total Revenue	\$ 282,500.00	\$ 115,000.00	\$ (167,500.00)
Net Operating Cost	\$ 932,367.49	\$ 976,501.30	\$ 44,133.81

LOCAL AGENCY APPORTIONMENT

40002 County of L.A.:	38.462%	\$ 358,607.18	\$ 375,581.93	\$ 16,974.75
40001 City of L.A. :	15.385%	\$ 143,444.74	\$ 150,234.73	\$ 6,789.99
40003 87 Other Cities:	23.077%	\$ 215,162.45	\$ 225,347.21	\$ 10,184.76
40004 53 Ind.Spec.Dist:	23.077%	\$ 215,162.45	\$ 225,347.21	\$ 10,184.76
Total Allocated Costs	100%	\$ 932,376.82	\$ 976,511.08	\$ 44,134.26

h:\document\budget\FY 2014-15 Final Budget

Staff Report

May 14, 2014

Agenda Item No. 8.a.

**Protest Hearing on Annexation No. 1062 to Santa Clarita Valley Sanitation District
of Los Angeles County**

On April 9, 2014, your Commission approved a request for the annexation of approximately 1.394± acres of uninhabited territory into the boundaries of Santa Clarita Valley Sanitation District of Los Angeles County. The Protest Hearing before you today will satisfy the requirements of Government Code Section 57000, *et seq.*

The number of written protests received and not withdrawn is ____.

PROPOSAL SUMMARY:

Size of Affected Territory:	1.394± acres
Inhabited/Uninhabited:	Uninhabited
Applicant:	Santa Clarita Valley Sanitation District of Los Angeles County
Resolution or Petition:	September 12, 2012
Application Filed with LAFCO:	September 24, 2012
Location:	The affected territory is located on Oak Avenue approximately 200 feet north of Soledad Canyon Road.
City/County:	City of Santa Clarita
Affected Territory:	The territory consists of two warehouses located within a commercial area. The topography is flat
Surrounding Territory:	Surrounding territory is commercial.
Landowner(s):	McKenzie Cathy L TR; Davis John S CO Tr.
Registered Voters:	0 registered voters as of January 29, 2014
Purpose/Background:	For the District to provide off-site sewage disposal service.

Related Jurisdictional Changes:	There are no related jurisdictional changes.
Within SOI:	Yes
Waiver of Notice/Hearing/Protest:	No
CEQA Clearance:	The proposal is categorically exempt from the provisions of the California Environmental Quality Act (CEQA) pursuant to State CEQA Guidelines Section 15319(a) because the annexation consists of areas containing existing structures developed to the density allowed by the current zoning. The Categorical Exemption was adopted by Santa Clarita Valley Sanitation District of Los Angeles County, as lead agency, on September 12, 2012.
Additional Information:	None

FACTORS TO BE CONSIDERED PURSUANT TO GOVERNMENT CODE 56668:

a. Population:

The existing population is 0 residents as of January 29, 2014. The population density issue does not apply because the affected territory is unpopulated.

The estimated future population is 0 residents.

The affected territory is 1.394+/- acres. The existing land use consists of two warehouses located within a commercial area.

The assessed valuation is \$842,005 as of March 10, 2014. The per capita assessed valuation issue does not apply because the affected territory is unpopulated. On February 19, 2013, the County adopted a negotiated tax exchange resolution; all other involved public agencies have adopted a property tax transfer resolution.

The topography of the affected territory is flat.

The affected territory is bounded by the Santa Clara River located 2000 feet north of the annexation. There are no drainage basins on or near the affected territory.

The nearest populated area is 1500 feet to the east of the affected territory. The affected territory is likely to experience no growth in the next ten years. The adjacent areas are likely to experience no growth in the next ten years.

b. Governmental Services and Controls:

The affected territory consists of two warehouses which require organized governmental services. The affected territory will require governmental services indefinitely.

The Cost of sewage disposal by the District Versus the cost by septic systems is subject to multiple factors and varies widely. Service by the District is considered to be more reliable than septic system. Service by the district is environmentally superior in terms of wastewater treatment, effluent discharge, and impacts on surface water bodies and groundwater.

c. Proposed Action and Alternative Actions:

The proposed action will have no effect on mutual social and economic interests. The proposal has no impact on the local governmental structure of the County.

The only alternate action for sewage disposal is a private septic system. Service by the District is considered to be more reliable than septic systems. Service by the District is environmentally superior in terms of wastewater treatment, effluent discharge, and impacts on surface water bodies and groundwater.

d. *Conformity with Commission Policies on Urban Development and Open Space Conversion Policies:*

There are no conformance issues because the Commission has not adopted any policies relative to providing planned, orderly, efficient patterns of urban development.

There is no prime agricultural land within or adjacent to the affected territory. The proposal conforms with the objectives in Government Code Sections 56377(a) and 56377(b).

e. *Agricultural Lands:*

There are no effects on agricultural lands. None of the land within the affected territory is currently used for the purpose of producing an agricultural commodity for commercial purposes. According to the California Department of Conservation, Division of Land Resource Protection, none of the land within the affected territory is subject to a Land Conservation Act (aka "Williamson Act") contract nor in a Farmland Security Zone (California Land Conservation Act 2012 Status Report).

f. *Boundaries:*

The boundaries of the affected territory have been clearly defined by the applicant, and these boundaries have been reviewed and approved by LAFCO's GIS/Mapping Technician.

The boundaries conform to lines of assessment or ownership, and these boundaries have been reviewed and approved by LAFCO's GIS/Mapping Technician.

As a special district annexation, the proposal has no impact on existing city-county boundaries, nor does it create islands or corridors of unincorporated territory.

g. *Consistency with Plans:*

The proposal has no significant impact upon, and is therefore consistent with, the Regional Transportation Plan.

The proposal is consistent with the existing City's General Plan designation of Light Industrial (LI).

The affected territory is not within the boundaries of any Specific Plan.

Pre-zoning is not a requirement for a special district proposal.

h. *Sphere of Influence:*

The affected territory is within the Sphere of Influence of the Santa Clarita Valley Sanitation District of Los Angeles County.

i. *Comments from Public Agencies:*

Staff did not receive any significant comments from public agencies and no resolution of opposition from any affected agency.

j. Ability to Provide Services:

The affected territory is already being serviced by the District. The area was included in the future service area that might be served by the District. The District's future wastewater management needs were addressed in the 2015 Santa Clarita Valley Joint Sewerage System Facilities Plan and EIR.

k. Timely Availability of Water Supplies:

There are no known issues regarding water supply or delivery.

l. Regional Housing:

As a special district annexation, the proposal will not affect any city, nor the county, in achieving their respective fair shares of the regional housing needs as determined by the Southern California Association of Governments (SCAG).

m. Comments from Landowners, Voters, or Residents:

Staff did not receive any significant comments from landowners, voters, or residents.

n. Land Use Designations

The proposal is consistent with the existing City's General Plan designation of Light Industrial (LI).

The proposal is consistent with the existing City's zoning designation of Light Industrial (LI).

o. Environmental Justice:

A landowner of real property within the affected territory has requested, in writing, that the District provide off-site sewage disposal service. Property-owners of adjacent areas did not request such service, and/or were contacted by Sanitation District staff and were not interested in securing such service or did not respond. The proposal promotes environmental justice, in that there is fair treatment of people of all races, cultures, and incomes with respect to the location of public facilities and the provision of public services.

There are no Disadvantaged Unincorporated Communities (DUCs) within or adjacent to the affected territory.

CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA) CLEARANCE:

The proposal is categorically exempt from the provisions of the California Environmental Quality Act (CEQA) pursuant to State CEQA Guidelines Section 15319(a) because the annexation consists of areas containing existing structures developed to the density allowed by the current zoning.

CONCLUSION:

Staff recommends approval of the proposal as a logical and reasonable extension of the Santa Clarita Valley Sanitation District of Los Angeles County which will be for the interest of landowners and present and/or future inhabitants within the district and within the annexation territory.

Recommended Action:

1. Open the protest hearing and receive written protests;
2. Close the protest hearing;
3. Instruct the Executive Officer, pursuant to Government Code Section 57075, to determine the value of written protests filed and not withdrawn and report back to the Commission with the results; and
4. Based upon the results of the protest hearing, either adopt a resolution terminating the annexation proceedings if a majority protest exists pursuant to Government Code Section 57078, or ordering Annexation No. 1062 to Santa Clarita Valley Sanitation District of Los Angeles County if written protests have been filed and not withdrawn by owners of land who own less than 50 percent of the total assessed value of land within the affected territory.

**RESOLUTION NO. 2014-00PR
RESOLUTION OF THE LOCAL AGENCY FORMATION
COMMISSION FOR THE COUNTY OF LOS ANGELES
MAKING DETERMINATIONS ORDERING
"ANNEXATION NO. 1062 TO SANTA CLARITA VALLEY SANITATION DISTRICT
OF LOS ANGELES COUNTY"**

WHEREAS, the Santa Clarita Valley Sanitation District of Los Angeles County (District) adopted a resolution of application to initiate proceedings, which was submitted to the Local Agency Formation Commission for the County of Los Angeles (Commission), pursuant to Part 3, Division 3, Title 5, of the California Government Code (commencing with section 56000, the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000), for annexation of territory herein described to the District, all within the City of Santa Clarita; and

WHEREAS, the proposed annexation consists of approximately 1.394± acres of uninhabited territory and is assigned the following distinctive short-form designation: "Annexation No. 1062 to Santa Clarita Valley Sanitation District of Los Angeles County "; and

WHEREAS, a description of the boundaries and map of the proposal are set forth in Exhibits "A" and "B", attached hereto and by this reference incorporated herein; and

WHEREAS, the principal reason for the proposed annexation is for the District to provide off-site sewage disposal for two warehouses; and

WHEREAS, on April 9, 2014, the Commission approved Annexation No. 1062 to Santa Clarita Valley Sanitation District of Los Angeles County; and

WHEREAS, pursuant to Government Code Section 57002, the Commission set the protest hearing for May 14, 2014 at 9:00 a.m., at the Los Angeles County Board of Supervisors Hearing Room, Kenneth Hahn Hall of Administration Room 381-B, located at 500 West Temple Street, Los Angeles, California, 90012; and

WHEREAS, the Executive Officer has given notice of the protest hearing pursuant to Government Code Sections 56150-56160, 56660-56661, 57025, and 57026, wherein the protest hearing notice was published in a newspaper of general circulation in the County of Los Angeles on April 17, 2014, which is at least 21 days prior to the protest hearing, and said hearing notice was also mailed to all required recipients by first-class mail on or before the date of newspaper publication; and

WHEREAS, at the time and place fixed in the notice, the hearing was held, and any and all oral or written protests, objections, and evidence were received and considered; and

WHEREAS, the Commission, acting as the conducting authority, has the ministerial duty of tabulating the value of protests filed and not withdrawn and either terminating these proceeding if a majority protest exists or ordering the annexation directly; and the Commission has received a report and recommendations on adoption of a conforming resolution from its Executive Officer.

NOW, THEREFORE, BE IT RESOLVED as follows:

1. The Commission finds that the number of property owners is 2, and the total assessed value of land within the affected territory is \$842,005.
2. The Commission finds that the number of written protests filed in opposition to Annexation No. 1062 to Santa Clarita Valley Sanitation District of Los Angeles County and not withdrawn is ____, which, even if valid, represents owners of land who own less than 50 percent of the assessed value of land within the affected territory.

3. A description of the boundaries and map of the proposal, as approved by this Commission, are set forth in Exhibits "A" and "B", attached hereto and by this reference incorporated herein.
4. The affected territory consists of 1.394± acres, is uninhabited, and is assigned the following short form designation:

"Annexation No. 1062 to Santa Clarita Valley Sanitation District of Los Angeles County"
5. Annexation No. 1062 to Santa Clarita Valley Sanitation District of Los Angeles County is hereby approved, subject to the following terms and conditions:
 - a. The District agrees to defend, hold harmless and indemnify LAFCO and/or its agents, officers and employees from any claim, action or proceeding against LAFCO and/or its agents, officers and employees to attack, set aside, void or annul the approval of LAFCO concerning this proposal or any action relating to or arising out of such approval.
 - b. The effective date of the annexation shall be the date of recordation.
 - c. Payment of Registrar- Recorder/County Clerk and State Board of Equalization fees.
 - d. The territory so annexed shall be subject to the payment of such service charges, assessments or taxes as may be legally imposed by the District.
 - e. The regular County assessment roll shall be utilized by the District.
 - f. The affected territory will be taxed for any existing general indebtedness, if any, of the District.

- g. Annexation of the affected territory described in Exhibits "A" and "B" to the District.
 - h. Except to the extent in conflict with "a" through "g", above, the general terms and conditions contained in Chapter 2 of Part 5, Division 3, Title 5 of the California Government Code (commencing with Government Code Section 57325) shall apply to this annexation.
6. The Commission hereby orders the uninhabited territory described in Exhibits "A" and "B" annexed to Santa Clarita Valley Sanitation District of Los Angeles County.
7. The Executive Officer is directed to transmit a copy of this resolution to the District, upon the District's payment of the applicable fees required by Government Code Section 54902.5 and prepare, execute and file a certificate of completion with the appropriate public agencies, pursuant to Government Code Section 57200, *et seq.*

PASSED AND ADOPTED this 14th day of May 2014.

MOTION:

SECOND:

AYES:

NOES:

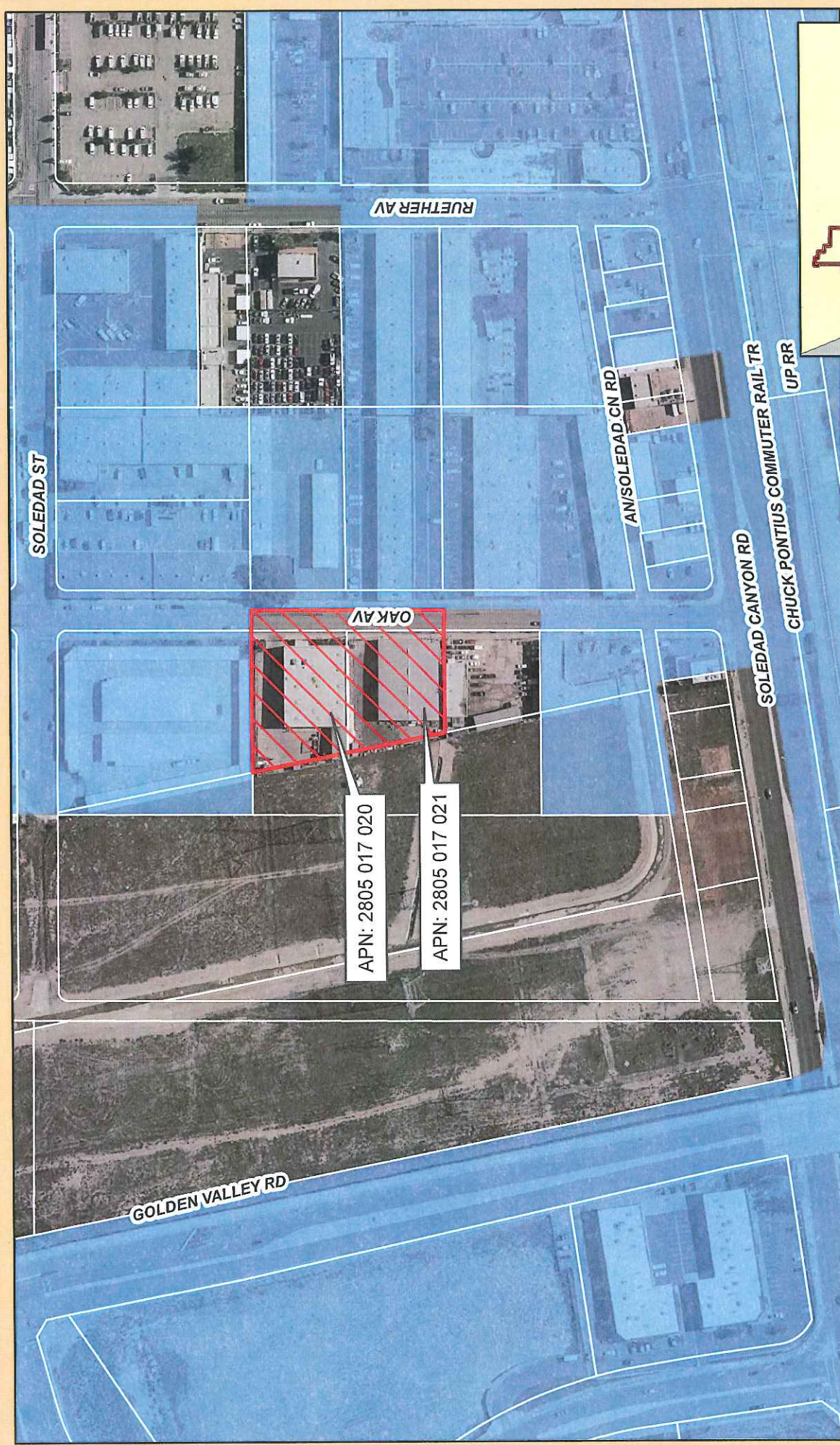
ABSTAIN:

ABSENT:





MOTION PASSES: 0/0/0

**LOCAL AGENCY FORMATION COMMISSION
FOR THE COUNTY OF LOS ANGELES**

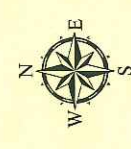
**Paul A. Novak, AICP
Executive Officer**



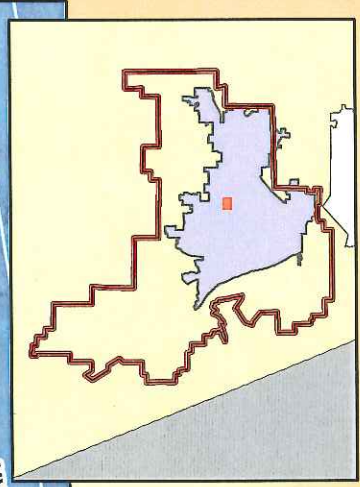
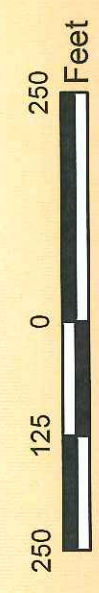
Legend

-  CSD Annexation SCV-1062
-  City of Santa Clarita
-  Santa Clarita Valley Sanitation District of Los Angeles County
-  Sphere of Influence, CSD SCV

Annexation No. 1062 to the Santa Clarita Valley Sanitation District of Los Angeles County



LAFCO
Local Agency Formation Commission
for the County of Los Angeles



Staff Report

May 14, 2014

Agenda Item No. 8.b.

Protest Hearing on Annexation No. 82 to Los Angeles County Sanitation District No. 20

On March 12, 2014, your Commission approved a request for the annexation of approximately 240.860 ± acres of inhabited territory into the boundaries of Los Angeles County Sanitation District No. 20. The Protest Hearing before you today will satisfy the requirements of Government Code Section 57000, *et seq.*

The number of written protests received and not withdrawn is ____.

PROPOSAL SUMMARY:

Size of Affected Territory:	240.860± acres
Inhabited/Uninhabited:	Inhabited
Applicant:	Los Angeles County Sanitation District No. 20
Resolution or Petition:	March 28, 2007
Application Filed with LAFCO:	June 7, 2012
Location:	The affected territory is located at the southwest corner of Avenue S and 70 th Street East.
City/County:	City of Palmdale
Affected Territory:	The territory consists of 175 single-family homes and is located within a residential area. The territory is being developed to include an additional 677 proposed single-family homes. The topography is flat.
Surrounding Territory:	Surrounding territory is residential to the north and west and vacant to the east and south.
Landowner(s):	There are multiple owners of record
Registered Voters:	241 registered voters as of February 12, 2014
Purpose/Background:	For the District to provide off-site sewage disposal service.

Related Jurisdictional Changes:	There are no related jurisdictional changes.
Within SOI:	Yes
Waiver of Notice/Hearing/Protest:	No
CEQA Clearance:	The California Environmental Quality Act (CEQA) clearance is a Mitigated Negative Declaration adopted by the City of Palmdale, as lead agency, on November 25, 2003
Additional Information:	None

FACTORS TO BE CONSIDERED PURSUANT TO GOVERNMENT CODE 56668:

a. Population:

The existing population is 385 residents as of June 4, 2012. The population density is 1.60 persons per acre.

The estimated future population is 2,556 residents.

The affected territory is 240.860+/- acres. The existing land use consists of 175 single-family homes. The proposed/future land use is an additional 677 proposed single-family homes.

The assessed valuation is \$42,829,938 as of June 4, 2012. The per capita assessed valuation is \$111,246.59. On August 21, 2012, the County adopted a negotiated tax exchange resolution; all other involved public agencies have adopted a property tax transfer resolution.

The topography of the affected territory is flat.

There are no natural boundaries. There are no drainage basins on or near the affected territory.

The nearest populated area is 1000 feet to the northwest of the affected territory. The affected territory is likely to experience significant growth in the next ten years. The adjacent areas are likely to experience significant growth in the next ten years..

b. Governmental Services and Controls:

The affected territory includes 175 single-family homes which require organized governmental services. The affected territory will be developed to include 677 proposed single-family homes which require organized governmental services. The affected territory will require governmental services indefinitely.

The present cost and adequacy of governmental services and controls in the area are acceptable. With respect to sanitary sewage disposal, other than service provided by the District, the only sewage disposal option currently available to residents is private septic systems. The probable effect of the proposed action and of alternative courses of action on the cost and adequacy of services and controls in the affected territory and adjacent areas varies widely, and the cost of sewage disposal by the District versus the cost by septic system is subject to multiple factors. Service by the District is considered to be more reliable than septic systems. Service by the District is environmentally superior in terms of wastewater treatment, effluent discharge, and impacts on surface water bodies and groundwater.

c. Proposed Action and Alternative Actions:

The proposed action will have no effect on mutual social and economic interests. The proposal has no impact on the local governmental structure of the County.

The only alternate action for sewage disposal is a private septic system. Service by the District is considered to be more reliable than septic systems. Service by the District is environmentally superior in terms of wastewater treatment, effluent discharge, and impacts on surface water bodies and groundwater.

d. *Conformity with Commission Policies on Urban Development and Open Space Conversion Policies:*

There are no conformance issues because the Commission has not adopted any policies relative to providing planned, orderly, efficient patterns of urban development.

There is no prime agricultural land within or adjacent to the affected territory. The proposal conforms with the objectives in Government Code Sections 56377(a) and 56377(b).

e. *Agricultural Lands:*

There are no effects on agricultural lands. None of the land within the affected territory is currently used for the purpose of producing an agricultural commodity for commercial purposes. According to the California Department of Conservation, Division of Land Resource Protection, none of the land within the affected territory is subject to a Land Conservation Act (aka "Williamson Act") contract nor in a Farmland Security Zone (California Land Conservation Act 2012 Status Report).

f. *Boundaries:*

The boundaries of the affected territory have been clearly defined by the applicant, and these boundaries have been reviewed and approved by LAFCO's GIS/Mapping Technician.

The boundaries conform to lines of assessment or ownership, and these boundaries have been reviewed and approved by LAFCO's GIS/Mapping Technician.

As a special district annexation, the proposal has no impact on existing city-county boundaries, nor does it create islands or corridors of unincorporated territory.

g. *Consistency with Plans:*

The proposal has no significant impact upon, and is therefore consistent with, the Regional Transportation Plan.

The proposal is consistent with the existing City's General Plan designation of Single Family Residential.

The affected territory is not within the boundaries of any Specific Plan.

Pre-zoning is not a requirement for a special district proposal.

h. Sphere of Influence:

The affected territory is within the Sphere of Influence of the Los Angeles County Sanitation District No. 20.

i. Comments from Public Agencies:

Staff did not receive any significant comments from public agencies or any resolution raising objections from any affected agency.

j. Ability to Provide Services:

A portion of the annexation territory is already being serviced by the District and the entire annexation area was included in the future service area that might be served by the District. The District's future wastewater management needs were addressed in the Palmdale Water Reclamation Plant 2025 Facilities Plan.

k. Timely Availability of Water Supplies:

There are no known issues regarding water supply or delivery.

l. Regional Housing:

As a special district annexation, the proposal will not affect any city, nor the county, in achieving their respective fair shares of the regional housing needs as determined by the Southern California Association of Governments (SCAG).

m. Comments from Landowners, Voters, or Residents:

Staff did not receive any significant comments from landowners, voters, or residents.

n. Land Use Designations

The proposal is consistent with the existing City's General Plan designation of Single Family Residential.

The proposal is consistent with the existing City's zoning designation of Single-Family Residential.

o. Environmental Justice:

Landowners of real property within the affected territory have requested, in writing, that the District provide off-site sewage disposal service. Property-owners of adjacent areas did not request such service, and/or were contacted by Sanitation District staff and were not interested in securing such service or did not respond. The proposal promotes environmental justice, in that there is fair treatment of people of all races, cultures, and incomes with respect to the location of public facilities and the provision of public services.

There are no Disadvantaged Unincorporated Communities (DUCs) within or adjacent to the affected territory.

CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA) CLEARANCE:

The CEQA clearance is a Mitigated Negative Declaration adopted by the City of Palmdale, as lead agency, on November 25, 2003. Acting in its role as a responsible agency, and with respect to Annexation No. 82, and under State CEQA Guidelines Section 15096, the Commission certifies that it has independently considered and reached its own conclusions regarding the environmental effects of the project and the Mitigated Negative Declaration adopted by the City of Palmdale, and has determined that the document adequately addresses the environmental impacts of the project. The Commission also finds that it has complied with the requirements of CEQA with respect to the process for a responsible agency, and hereby adopts by reference the environmental findings and the Mitigation Monitoring Program previously adopted by the lead agency in connect with its approval of the project.

CONCLUSION:

Staff recommends approval of the proposal as a logical and reasonable extension of the Los Angeles County Sanitation District No. 20 which will be for the interest of landowners or present and/or future inhabitants within the district and within the annexation territory.

Recommended Action:

1. Open the protest hearing and receive written protests;
2. Close the protest hearing;
3. Instruct the Executive Officer, pursuant to Government Code Section 57075, to determine the value of written protests filed and not withdrawn and report back to the Commission with the results; and
4. Based upon the results of the protest hearing, either adopt a resolution terminating the annexation proceedings if a majority protest exists pursuant to Government Code Section 57078, or ordering Annexation No. 82 to Los Angeles County Sanitation District No. 20 directly or ordering the annexation subject to confirmation by the registered voters of the affected territory.

**RESOLUTION NO. 2014-00PR
RESOLUTION OF THE LOCAL AGENCY FORMATION
COMMISSION FOR THE COUNTY OF LOS ANGELES
MAKING DETERMINATIONS ORDERING
"ANNEXATION NO. 82 TO LOS ANGELES COUNTY SANITATION DISTRICT NO. 20"**

WHEREAS, the Los Angeles County Sanitation District No. 20 (District) adopted a resolution of application to initiate proceedings, which was submitted to the Local Agency Formation Commission for the County of Los Angeles (Commission), pursuant to, Part 3, Division 3, Title 5, of the California Government Code (commencing with section 56000, the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000), for annexation of territory herein described to the District, all within the City of Palmdale; and

WHEREAS, the proposed annexation consists of approximately 240.860± acres of inhabited territory and is assigned the following distinctive short-form designation: "Annexation No. 82 to the Los Angeles County Sanitation District No. 20"; and

WHEREAS, a description of the boundaries and map of the proposal are set forth in Exhibits "A" and "B", attached hereto and by this reference incorporated herein; and

WHEREAS, the principal reason for the proposed annexation is for the District to provide off-site sewage disposal to 175 single-family homes and an additional 677 proposed single-family homes; and

WHEREAS, on March 12, 2014, the Commission approved Annexation No. 82 to Los Angeles County Sanitation District No. 20; and

WHEREAS, pursuant to Government Code Section 57002, the Commission set the protest hearing for May 14, 2014 at 9:00 a.m., at the Los Angeles County Board of Supervisors

Hearing Room, Kenneth Hahn Hall of Administration Room 381-B, located at 500 West Temple Street, Los Angeles, California, 90012; and

WHEREAS, the Executive Officer has given notice of the protest hearing pursuant to Government Code Sections 56150-56160, 56660-56661, 57025, and 57026, wherein the protest hearing notice was published in a newspaper of general circulation in the County of Los Angeles on April 17, 2014, which is at least 21 days prior to the protest hearing, and said hearing notice was also mailed to all required recipients by first-class mail on or before the date of newspaper publication; and

WHEREAS, at the time and place fixed in the notice, the hearing was held, and any and all oral or written protests, objections, and evidence were received and considered; and

WHEREAS, the Commission, acting as the conducting authority, has the ministerial duty of tabulating the value of protests filed and not withdrawn and either terminating these proceedings if a majority protest exists or ordering the annexation directly or subject to confirmation by the registered voters.

NOW, THEREFORE, BE IT RESOLVED as follows:

1. The Commission finds that the number of property owners is 184, and the number of registered voters is 241, and the total assessed value of land within the affected territory is \$42,829,938.
 - a) The Commission finds that the number of property owners who filed written protests in opposition to Annexation No. 82 to Los Angeles County Sanitation District No. 20 and not withdrawn is ___, which, even if valid, represents less than 25 percent of the

number of owners of land who own at least 25 percent of the assessed value of land within the affected territory; and

b) The Commission finds that the number of registered voters who filed written protests in opposition to Annexation No. 82 to Los Angeles County Sanitation District No. 20 and not withdrawn is _____, which, even if valid, represents less than 25 percent of the number of registered voters residing within boundaries of the affected territory.

3. A description of the boundaries and map of the proposal, as approved by this Commission, are set forth in Exhibits "A" and "B", attached hereto and by this reference incorporated herein.

4. The affected territory consists of 240.860± acres, is inhabited, and is assigned the following short form designation:

"Annexation No. 82 to Los Angeles County Sanitation District No. 20"

5. Annexation No. 82 to Los Angeles County Sanitation District No. 20 is hereby approved, subject to the following terms and conditions:

- a. The District agrees to defend, hold harmless and indemnify LAFCO and/or its agents, officers and employees from any claim, action or proceeding against LAFCO and/or its agents, officers and employees to attack, set aside, void or annul the approval of LAFCO concerning this proposal or any action relating to or arising out of such approval.
- b. The effective date of the annexation shall be the date of recordation.

- c. Payment of Registrar- Recorder/County Clerk and State Board of Equalization fees.
 - d. The territory so annexed shall be subject to the payment of such service charges, assessments or taxes as may be legally imposed by the District.
 - e. The regular County assessment roll shall be utilized by the District.
 - f. The affected territory will be taxed for any existing general indebtedness, if any, of the District.
 - g. Annexation of the affected territory described in Exhibits "A" and "B" to the District.
 - h. Except to the extent in conflict with "a" through "g", above, the general terms and conditions contained in Chapter 2 of Part 5, Division 3, Title 5 of the California Government Code (commencing with Government Code Section 57325) shall apply to this annexation.
6. The Commission hereby orders the inhabited territory described in Exhibits "A" and "B" annexed to Los Angeles County Sanitation District No. 20.
7. The Executive Officer is directed to transmit a copy of this resolution to the District, upon the District's payment of the applicable fees required by Government Code Section 54902.5 and prepare, execute and file a certificate of completion with the appropriate public agencies, pursuant to Government Code Section 57200, *et seq.*

Resolution No. 2014-00PR

Page 5

PASSED AND ADOPTED this 14th day of May 2014.

MOTION:

SECOND:

AYES:

NOES:

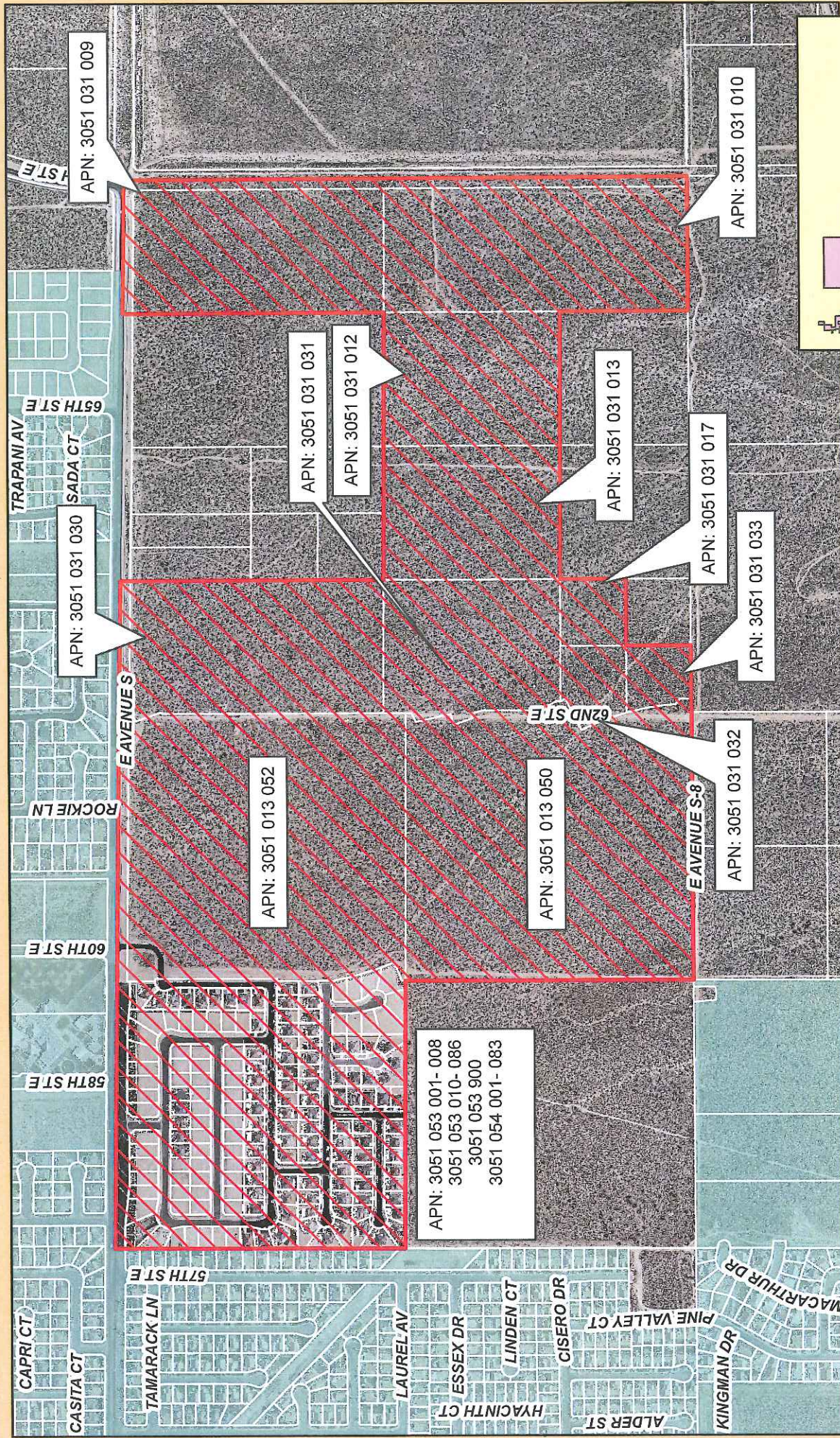
ABSTAIN:

ABSENT:






MOTION PASSES: 0/0/0

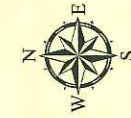
**LOCAL AGENCY FORMATION COMMISSION
FOR THE COUNTY OF LOS ANGELES**

**Paul A. Novak, AICP
Executive Officer**



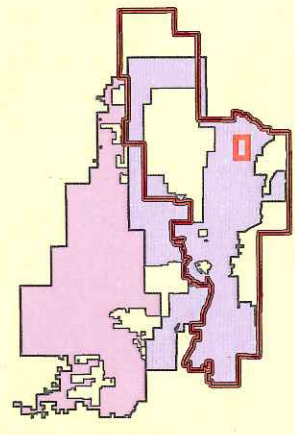
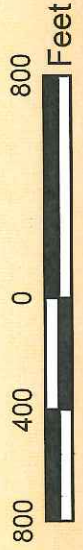
Legend

-  CSD Annexation 20-82
-  City of Lancaster
-  City of Palmdale
-  Los Angeles County Sanitation District No. 20
-  Sphere of Influence, CSD 20



LAFCO
 Local Agency Formation Commission
 for the County of Los Angeles

Annexation No. 82 to County Sanitation District No. 20



Staff Report

May 14, 2014

Agenda Item No. 8.c.

Protest Hearing on Annexation No. 2011-07 (2008-02) to the City of Palmdale

On April 9, 2014, your Commission approved a request for the annexation of approximately 20 ± acres of uninhabited territory into the boundaries of the City of Palmdale. The Protest Hearing before you today will satisfy the requirements of Government Code Section 57000, *et seq.*

The number of written protests received and not withdrawn is 0.

PROPOSAL SUMMARY:

Size of Affected Territory:	20± acres
Inhabited/Uninhabited:	Uninhabited
Applicant:	City of Palmdale
Resolution or Petition:	August 20, 2008
Application Filed with LAFCO:	February 11, 2011
Location:	The affected territory is located east of 11th Street West, between Avenue O-4 and Avenue N-12.
City/County:	Los Angeles County unincorporated territory
Affected Territory:	The affected territory consists of residential, commercial, and vacant land. Two commercial developments and a gas station are proposed for future development.
Surrounding Territory:	Surrounding the territory is residential, commercial, and vacant land.
Landowner(s):	There are multiple owners of record.
Registered Voters:	7 registered voters as of February 17, 2014

Purpose/Background:	Landowners within the affected territory approached the City of Palmdale for annexation. The property owners cite the quality of services provided by the City and the desire for local government representation as the reasons for the annexation.
Related Jurisdictional Changes:	There are no related jurisdictional changes.
Within SOI:	Yes
Waiver of Notice/Hearing/Protest:	No
CEQA Clearance:	The California Environmental Quality Act (CEQA) clearance is a Mitigated Negative Declaration adopted by the City of Palmdale, as lead agency, on November 3, 2010.
Additional Information:	None

FACTORS TO BE CONSIDERED PURSUANT TO GOVERNMENT CODE 56668:

a. Population:

The existing population is 7 residents as of February 11, 2011. The population density is .35 persons per acre.

The estimated future population is 7 residents.

The affected territory is 20+/- acres. The existing land uses are residential, commercial, and vacant land. The proposed/future land use will continue without change.

The assessed valuation is \$3,271,652 as of February 11, 2011. The per capita assessed valuation is \$467,379. On January 7, 2014, the County adopted a negotiated tax exchange resolution; all other involved public agencies have adopted a property tax transfer resolution.

The topography of the affected territory is flat.

There are no natural boundaries. There are no drainage basins on or near the affected territory.

The affected territory is surrounded by populated areas on all sides. The affected territory is likely to experience modest growth in the next ten years. The adjacent areas are likely to experience modest growth in the next ten years.

b. Governmental Services and Controls:

The affected territory includes residential and commercial which requires organized governmental services. The affected territory will require governmental services indefinitely.

The present cost and adequacy of government services and controls in the area are acceptable. The probable effect of the proposed action and of alternative courses of action on the cost and adequacy of services and controls in the affected territory and adjacent areas vary widely.

Municipal Service	Current Service Provider	Proposed Service Provider
Animal Control	County	Same
Fire and Emergency Medical	Consolidated Fire Protection Dist.	Same
Flood Control	County	Same
Library	County Library	City of Palmdale
Mosquito & Vector Control	Antelope Valley Mosquito & Vector Control District	Same
Park and Recreation	County	City of Palmdale

Planning	County	City of Palmdale
Police	County Sheriff	Same
Road Maintenance	County	City of Palmdale
Solid Waste	Waste Management	Same
Street Lighting	County	City of Palmdale
Water	Westside Park Mutual Water Company	Same
Wastewater	Septic tanks	County Sanitation District No. 14

The County will continue to provide animal control and flood control to the annexation area. Upon approval of the annexation request, the City of Palmdale will provide library services, park and recreation, planning, road maintenance, and street lighting services as well as solid waste services directly or through contracts. The City will continue to provide adequate services and maintain current service levels. Enhanced service levels will be financed through city general fund revenues or developer fees.

There are no changes in police, fire and emergency medical, mosquito and vector control, water, and wastewater service providers and in levels of service. Solid waste service is currently provided by the County through contract with a private hauler; upon approval of the annexation, the City of Palmdale will provide service through contract with a private hauler. No change in service level is anticipated.

The County manages several special assessment districts within the proposed annexation area, including County Road Maintenance District No. 5, County Lighting Maintenance District 1687, County Lighting District LLA-1, Unincorporated Zone, and County Public Library. As part of this annexation request, the affected territory will be detached from special assessment districts and the City of Palmdale will assume responsibility for funding and providing the services.

c. *Proposed Action and Alternative Actions:*

The proposed action will have no effect on mutual social and economic interests. The proposal has no impact on the local governmental structure of the County.

The only known alternative action is for the existing unincorporated territory to remain as unincorporated territory. The effect of alternate actions on mutual social and economic interests and on the local governmental structure of the County is zero.

d. *Conformity with Commission Policies on Urban Development and Open Space Conversion Policies:*

There are no conformance issues because the Commission has not adopted any policies relative to providing planned, orderly, efficient patterns of urban development.

There is no prime agricultural land within or adjacent to the affected territory. The proposal conforms with the objectives in Government Code Sections 56377(a) and 56377(b).

e. *Agricultural Lands:*

There are no effects on agricultural lands. None of the land within the affected territory is currently used for the purpose of producing an agricultural commodity for commercial purposes. According to the California Department of Conservation, Division of Land Resource Protection, none of the land within the affected territory is subject to a Land Conservation Act (aka "Williamson Act") contract nor in a Farmland Security Zone (California Land Conservation Act 2012 Status Report).

f. *Boundaries:*

The boundaries of the affected territory have been clearly defined by the applicant, and these boundaries have been reviewed and approved by LAFCO's GIS/Mapping Technician.

The boundaries conform to lines of assessment or ownership, and these boundaries have been reviewed and approved by LAFCO's GIS/Mapping Technician.

The proposal does not create islands or corridors of unincorporated territory.

g. *Consistency with Plans:*

The proposal has no significant impact upon, and is therefore consistent with, the Regional Transportation Plan.

The proposal is consistent with the existing County General Plan designation of N-1 Non-Urban.

The affected territory is not within the boundaries of any Specific Plan.

Pursuant to the requirements of Government Code Section 56375(a)(7), Pre-Zoning Ordinance No.1406 was adopted by the City of Palmdale City Council on November 3, 2010. The pre-zoning designation of the affected territory is consistent with the City of Palmdale General Plan.

h. *Sphere of Influence:*

The affected territory is within the Sphere of Influence of the City of Palmdale.

i. Comments from Public Agencies:

Staff did not receive any significant comments from public agencies.

j. Ability to Provide Services:

The City of Palmdale currently provides municipal services to almost 47,500 parcels of land. The annexation would add approximately 11 more parcels to the service area. The City indicated that it has the ability to provide service to the affected territory once the annexation is complete.

k. Timely Availability of Water Supplies:

There are no issues regarding water supply or delivery.

l. Regional Housing:

The proposed annexation has no impact on the achievement of a fair share of regional housing needs of the City or County. The County and City have agreed to a Regional Housing Needs Assessment (RHNA) allocation transfer of 2 very low, 1 lower, 1 moderate, and 3 above moderate income units from the County to the City.

m. Comments from Landowners, Voters, or Residents:

Staff received a letter from Gladys Horn in support of the annexation.

Staff received a letter of opposition from Gene Picou, a landowner within the affected territory, expressing concern about the potential for city code enforcement if the annexation is approved. In conversations with LAFCO staff, City of Palmdale representatives indicated that Mr. Picou's property would be considered to be legal non-conforming.

At the Commission meeting on April 9, 2014 both letters were provided to the Commissioners and Mr. John Horn spoke in favor of the annexation and the letter submitted by his mother Gladys Horn.

n. Land Use Designations

The proposal is consistent with the existing County General Plan designation of N-1 Non-Urban.

The proposal is consistent with the existing County zoning designations of A-2-2 heavy agricultural and C-M-DP commercial manufacturing-development program.

o. Environmental Justice:

The proposal will have no adverse effect with respect to the fair treatment of people of all races and incomes, or the location of public facilities or services.

There are no Disadvantaged Unincorporated Communities (DUCs) within or adjacent to the affected territory.

CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA) CLEARANCE:

The CEQA clearance is a Mitigated Negative Declaration adopted by the City of Palmdale, as lead agency, on November 3, 2010. Acting in its role as a responsible agency, and with respect to Annexation No. 2011-07 (2008-02) to the City of Palmdale, and under State CEQA Guidelines Section 15096, the Commission certifies that it has independently considered and reached its own conclusions regarding the environmental effects of the project and the Mitigated Negative Declaration adopted by the City of Palmdale, and has determined that the document adequately addresses the environmental impacts of the project. The Commission also finds that it has complied with the requirements of CEQA with respect to the process for a responsible agency, and hereby adopts by reference the environmental findings and the Mitigation Monitoring Program previously adopted by the lead agency in connect with its approval of the project.

CONCLUSION:

Staff recommends approval of the proposal as a logical and reasonable extension of City of Palmdale which will be for the interest of landowners and/or present and/or future inhabitants within the city and within the annexation territory.

Recommended Action:

1. Open the protest hearing and receive written protests;
2. Close the protest hearing;
3. Instruct the Executive Officer, pursuant to Government Code Section 57075, to determine the value of written protests filed and not withdrawn and report back to the Commission with the results; and
4. Based upon the results of the protest hearing, either adopt a resolution terminating the annexation proceedings if a majority protest exists pursuant to Government Code Section 57078, or ordering Annexation No. 2011-07 (2008-02) to the City of Palmdale if written protests have been filed and not withdrawn by owners of land who own less than 50 percent of the total assessed value of land within the affected territory.

**RESOLUTION NO. 2014-00PR
RESOLUTION OF THE LOCAL AGENCY FORMATION
COMMISSION FOR THE COUNTY OF LOS ANGELES
MAKING DETERMINATIONS ORDERING
"ANNEXATION NO. 2011-07 (2008-02) TO THE CITY OF PALMDALE"**

WHEREAS, the City of Palmdale (City) adopted a resolution of application to initiate proceedings, which was submitted to the Local Agency Formation Commission for the County of Los Angeles (Commission), pursuant to Division 3, Title 5, of the California Government Code (commencing with section 56000, the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000), for annexation of territory herein described to the City, and detachment of said territory from County Road District No. 5 and withdrawal from County Lighting Maintenance District 1687 and County Public Library System, and exclusion from County Lighting District LLA-1, unincorporated zone, all within the County of Los Angeles (County); and

WHEREAS, the proposed annexation consists of approximately 20.00± acres of uninhabited territory and is assigned the following distinctive short-form designation: "Annexation No. 2011-07 (2008-02) to the City of Palmdale"; and

WHEREAS, a description of the boundaries and map of the proposal are set forth in Exhibits "A" and "B", attached hereto and by this reference incorporated herein; and

WHEREAS, the principal reason for the proposed annexation, per a City report, is that a majority of the landowners within the affected territory desires the services provided by the City and local government representation; and

WHEREAS, on April 9, 2014, the Commission approved Annexation No. 2011-07 (2008-02) to the City of Palmdale; and

WHEREAS, pursuant to Government Code Section 57002, the Commission set the protest hearing for May 14, 2014 at 9:00 a.m., at the Los Angeles County Board of Supervisors Hearing Room, Kenneth Hahn Hall of Administration Room 374-A, located at 500 West Temple Street, Los Angeles, California, 90012; and

WHEREAS, the Executive Officer has given notice of the protest hearing pursuant to Government Code Sections 56150-56160, 56660-56661, 57025, and 57026, wherein the protest hearing notice was published in a newspaper of general circulation in the County of Los Angeles on April 14, 2014, which is at least 21 days prior to the protest hearing, and said hearing notice was also mailed to all required recipients by first-class mail on or before the date of newspaper publication; and

WHEREAS, at the time and place fixed in the notice, the hearing was held, and any and all oral or written protests, objections, and evidence were received and considered; and

WHEREAS, the Commission, acting as the conducting authority, has the ministerial duty of tabulating the value of protests filed and not withdrawn and either terminating these proceeding if a majority protest exists or ordering the annexation directly; and the Commission has received a report and recommendations on adoption of a conforming resolution from its Executive Officer.

NOW, THEREFORE, BE IT RESOLVED as follows:

1. The Commission finds that the number of property owners is 6, and the total assessed value of land within the affected territory is \$3,271,652.
2. The Commission finds that the number of written protests filed in opposition to Annexation No. 2011-07 (2008-02) to the City of Palmdale and not withdrawn is ____, which, even if valid, represents owners of land who own less than 50 percent of the assessed value of land within the affected territory.
3. A description of the boundaries and map of the proposal, as approved by this Commission, are set forth in Exhibits "A" and "B", attached hereto and by this reference incorporated herein.
4. The affected territory consists of 20.00± acres, is uninhabited, and is assigned the following short form designation:

"Annexation No. 2011-07 (2008-02) to the City of Palmdale"

5. Annexation No. 2011-07 (2008-02) to the City of Palmdale is hereby approved, subject to the following terms and conditions:
 - a. The City agrees to defend, hold harmless and indemnify LAFCO and/or its agents, officers and employees from any claim, action or proceeding against LAFCO and/or its agents, officers and employees to attack, set aside, void or annul the approval of LAFCO concerning this proposal or any action relating to or arising out of such approval.

- b. The effective date of the annexation shall be the date of recordation.
- c. Payment of Registrar-Recorder/County Clerk and State Board of Equalization fees.
- d. The territory so annexed shall be subject to the payment of such service charges, assessments or taxes as may be legally imposed by the City.
- e. The regular County assessment roll shall be utilized by the City.
- f. The affected territory will be taxed for any existing general indebtedness, if any, of the City.
- g. Annexation of the affected territory described in Exhibits "A" and "B" to the City.
- h. Detachment of the affected territory from County Road District No. 5
- i. Withdrawal of affected territory from County Lighting Maintenance District 1687 and County Public Library System.
- j. Exclusion from County Lighting District LLA-1, Unincorporated Zone.
- k. Upon the effective date of the annexation, all right, title, and interest of the County, including but not limited to, the underlying fee title or easement where owned by the County, in any and all sidewalks, trails, landscaped areas, street lights, property acquired and held for future road purposes, open space, signals, storm drains, storm drain catch basins, local sanitary sewer lines, sewer pump stations and force mains, water quality treatment basins and/or structures, and water quality treatment systems serving roadways and bridges shall vest in the City.

- l. Upon the effective date of the annexation, the City shall be the owner of, and responsible for, the operation, maintenance, and repair of all of the following property owned by the County: public roads, adjacent slopes appurtenant to the roads, street lights, traffic signals, mitigation sites that have not been accepted by regulatory agencies but exist or are located in public right-of-way and were constructed or installed as part of a road construction project within the annexed area, storm drains and storm drain catch basins within street right-of-way and appurtenant slopes, medians and adjacent property.
- m. Upon the effective date of the annexation, the City shall do the following: (1) assume ownership and maintenance responsibilities for all drainage devices, storm drains and culverts, storm drain catch basins, appurtenant facilities (except regional Los Angeles County Flood Control District (LACFCD) facilities for which LACFCD has a recorded fee or easement interest and which have been accepted into the LACFCD system), site drainage, and all master plan storm drain facilities that are within the annexation area and are currently owned, operated and maintained by the County ; (2) accept and adopt the County of Los Angeles Master Plan of Drainage (MPD), if any, which is in effect for the annexation area. Los Angeles County Department of Public Works Department (LACDPW) should be contacted to provide any MPD which may be in effect for the annexation area. Deviations from the MPD shall be submitted to the Chief

Engineer of LACFCD/Director of LACDPW for review to ensure that such deviations will not result in diversions between watersheds and/or will not result in adverse impacts to LACFCD's flood control facilities; (3) administer flood zoning and Federal Emergency Management Agency floodplain regulations within the annexation area; (4) coordinate development within the annexation area that is adjacent to any existing flood control facilities for which LACFCD has a recorded easement or fee interest, by submitting maps and proposals to the Chief Engineer of LACFCD/Director of LACDPW, for review and comment.

- n. Except to the extent in conflict with "a" through "m", above, the general terms and conditions contained in Chapter 2 of Part 5, Division 3, Title 5 of the California Government Code (commencing with Government Code Section 57325) shall apply to this annexation.

- 6. The Commission hereby orders the uninhabited territory described in Exhibits "A" and "B" annexed to City.
- 7. The Executive Officer is directed to transmit a copy of this resolution to the City, upon the City's payment of the applicable fees required by Government Code Section 54902.5 and prepare, execute and file a certificate of completion with the appropriate public agencies, pursuant to Government Code Section 57200, *et seq.*

PASSED AND ADOPTED this 14th day of May 2014.

MOTION:

SECOND:

AYES:

NOES:

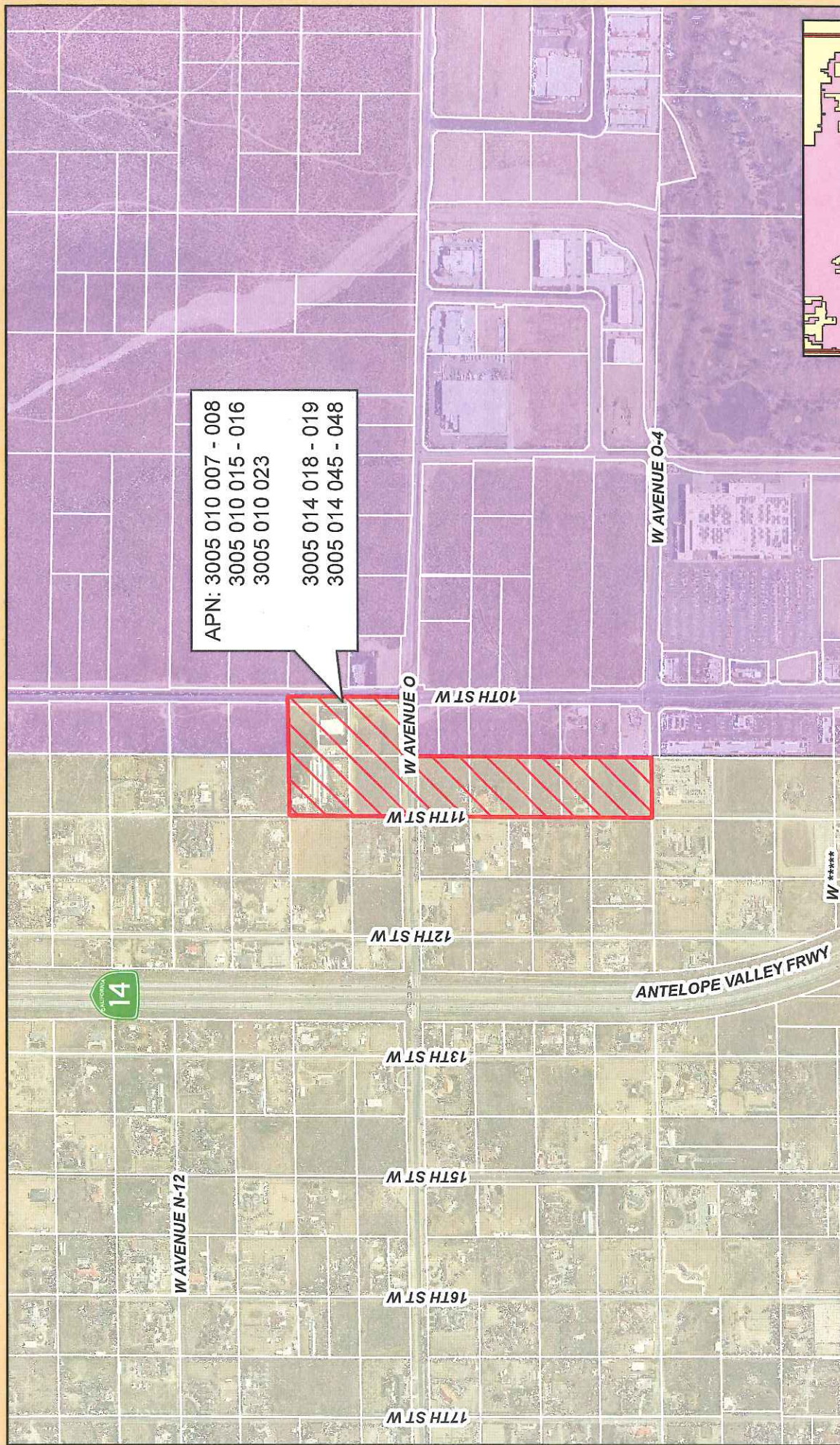
ABSTAIN:

ABSENT:






MOTION PASSES: 0/0/0

**LOCAL AGENCY FORMATION COMMISSION
FOR THE COUNTY OF LOS ANGELES**

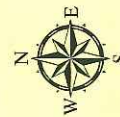
**Paul A. Novak, AICP
Executive Officer**



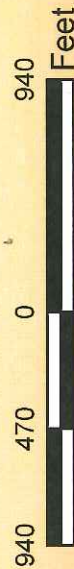
Legend

-  Palmdale Annexation 2011-07
-  City of Lancaster
-  City of Palmdale
-  County Unincorporated
-  Palmdale Sphere of Influence

Annexation No. 2011-07 (2008-02) to the City of Palmdale



LAFCO
Local Agency Formation Commission
for the County of Los Angeles



Staff Report

May 14, 2014

Agenda Item No. 9.b.

Public Member Vacancy

Government Code Section 56326(g) provides that LAFCO shall have a member “representing the general public appointed by the other members of the commission.” Commissioner Henri Pellissier, who was serving as the Public Member, recently announced that he will resign at the conclusion of the May 14, 2014 meeting. This will create a vacancy for the balance of the Public Member four-year term that will expire on May 4, 2015.

Pursuant to Government Code Section 56325(d), LAFCO is required to post a notice of vacancy regarding the Public Member position, and, further, to send copies of the notice of vacancy to the legislative body of each local agency within the county. An appointment to fill the vacancy cannot be made until at least 21 days after the notice of vacancy is posted. If staff posts and mails the notice of vacancy no later than May 20th, 2014, the Commission could consider the vacancy at your June 11th Commission meeting.

Pursuant to Government Code Section 56331, the Public Member may not be an officer or employee of the County of Los Angeles or any city or special district within the County. Government Code Section 56325(d) provides that selection of the Public Member requires the affirmative vote of at least one of the members selected by each of the other appointing authorities. Selection of the Public Member will therefore require the affirmative vote of at least one of each of the following groups of Commissioners (or their respective alternates):

<u>Appointing Authority</u>	<u>Commissioner(s)</u>	<u>Alternate</u>
Los Angeles County Board of Supervisors	Gloria Molina Zev Yaroslavsky Richard Close	Don Knabe Lori Brogin
City Selection Committee	Margaret Finlay Dave Spence	Judy Mitchell
Council President of the Los Angeles City Council	Tom LaBonge	Paul Krekorian
Independent Special District Selection Committee	Donald L. Dear Jerry Gladbach	Joe Ruzicka

Staff Recommendation:

Staff recommends that the Commission:

- Direct the Executive officer to post the notice of vacancy for the Public Member, and send copies to the clerk or secretary of the legislative body of each local agency within the county, no later than May 20th, 2014; and
- Direct the Executive Officer to place the Public Member vacancy on the agenda for the June 11th Commission meeting.

DRAFT

NOTICE OF VACANCY OF PUBLIC MEMBER

Notice is hereby given, on May 15, 2014, that there is a vacancy for the office of Public Member of the Local Agency Formation Commission for Los Angeles County (LAFCO). The remaining term of the office to be filled expires on May 4, 2015. Thereafter, the term of office is four years, with no restrictions against the incumbent seeking reappointment.

LAFCO is a State mandated Commission which is charged with the responsibility of providing for the orderly formation and growth of cities and special districts. In considering organizational changes for cities and special districts, the Commission reviews numerous factors, including the need for organized community services, the effect of a proposed change of organization on mutual social and economic interests, the effect on open-space, and the ability of a local agency to efficiently provide government services.

Pursuant to State law, LAFCO reviews and holds public hearings on proposals for changes of organization for the 88 cities and 91 special districts in Los Angeles County. The Commission is also responsible for conducting detailed service reviews of the cities and districts and determining and periodically updating their spheres of influence.

The Commission consists of nine regular members and six alternate members, including representatives from the Board of Supervisors, the City of Los Angeles, the San Fernando Valley, and the other cities and special districts in Los Angeles County. The Public Member is a regular member of the Commission and represents the general public. The Public Member and Alternate Public Member are appointed by the other members of the Commission. The Alternate Public Member serves and votes in place of the Public Member when the Public Member is absent or disqualified from participating in a meeting of the Commission.

The Commission generally meets once a month in downtown Los Angeles at the Kenneth Hahn Hall of Administration at 500 West Temple Street. Both regular and alternate members currently receive \$150 per meeting attended, plus mileage expenses for travel to and from meetings.

State law prohibits any officer or employee of Los Angeles County or any city or special district within the County from serving as the Public Member.

The Commission is scheduled to consider this vacancy and may appoint a Public Member to fill this position at its regularly-scheduled meeting on June 11, 2014, at 9:00 a.m. in the Board of Supervisors Hearing Room, Kenneth Hahn Hall of Administration, located at 500 West Temple Street, Room 381-B, Los Angeles.