

Commission

Jerry Gladbach
Chair

Donald Dear
1st Vice-Chair

Gerard McCallum
2nd Vice-Chair

Kathryn Barger
Richard Close
Margaret Finlay
John Mirisch
David Ryu
Hilda Solis

Alternate Members

Lori Brogin-Falley
Sheila Kuehl
David Lesser
Judith Mitchell
Joseph Ruzicka
Vacant
(City of Los Angeles)

Staff

Paul Novak
Executive Officer

Adriana Romo
Deputy Executive Officer

Amber De La Torre
Doug Dorado
Adriana Flores
Michael Henderson
Alisha O'Brien

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

www.lalafco.org

LIVE VIRTUAL COMMISSION MEETING

LOCAL AGENCY FORMATION COMMISSION

Wednesday, August 12, 2020
9:00 a.m.

This meeting will be conducted as a virtual meeting with telephone 1-415-655-0001 (Access Code: 145 038 8475) and web access (<https://lacountyboardofsupervisors.webex.com/lacountyboardofsupervisors/onstage/g.php?MTID=e4b3c9125b3e80ac876cd1d2a3cdbef61>), pursuant to the provisions of the Governor's Executive Orders N-25-20 and N-29-20, under the modified laws of the Ralph M. Brown Act for the COVID-19 emergency, as well as the County of Los Angeles "Safer at Home Order for Control of COVID-19".

FOR MEMBERS OF THE PUBLIC

TO LISTEN BY TELEPHONE AND PROVIDE PUBLIC COMMENT DIAL:

1-415-655-0001
Access Code: 145-038-8475 (English)

OR TO LISTEN VIA WEB AND PROVIDE COMMENT:

<https://lacountyboardofsupervisors.webex.com/lacountyboardofsupervisors/onstage/g.php?MTID=e4b3c9125b3e80ac876cd1d2a3cdbef61>

TO PROVIDE WRITTEN PUBLIC COMMENT: Any interested person may submit written opposition or comments by email at info@lalafco.org prior to the conclusion of the Commission Meeting or by mail to the LAFCO Office at 80 S. Lake Avenue, Suite 870, Pasadena, CA 91101, no later than 5:00 p.m. on the business day preceding the date set for hearing/proceedings in order to be deemed timely and to be considered by the Commission. Any written opposition and/or comments will be read during the meeting for a maximum of three (3) minutes per comment, per item.

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 www.lalafco.org.



Local Agency Formation Commission
for the **County of Los Angeles**

LOCAL AGENCY FORMATION COMMISSION MEETING AGENDA

Wednesday, August 12, 2020
9:00 a.m.

Commission

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

a. 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. Approve Minutes of July 08, 2020.
- b. Approve Operating Account Check Register for the month of July 2020.
- c. Receive and file update on Pending Proposals.

7. **PUBLIC HEARING(S)**

- a. MSR No. 2020-06 Municipal Service Review and Sphere of Influence Update for the Santa Clarita Valley Water Agency, and California Environmental Quality Act (CEQA) exemption.

8. **PROTEST HEARING(S)**

- a. Annexation No. 2020-03 to the Consolidated Fire Protection District of Los Angeles County (Vernon), and California Environmental Quality Act (CEQA) exemption.

9. **OTHER ITEMS**

- a. Recommendation to Extend the Term of the Contract to Consultant for the Cities of La Mirada and Whittier Municipal Service Review and Sphere of Influence Update
- b. Request for Authorization to Commence Negotiations to Extend Lease at 80 South Lake Avenue, Pasadena
- c. California Association of Local Agency Formation Commissions (“CALAFCO”) Elections: Appointment of Voting Representative and Alternate
- d. CALAFCO University Sessions
- e. FY 2019-20 Davis Farr Audit Planning Letter to the Commission

10. **LEGISLATION**

- a. Legislative Update

11. **MISCELLANEOUS CORRESPONDENCE**

- a. Letter of July 29, 2020 from Orange LAFCO Chair Cheryl Brothers to State Senator Steven Bradford re neutral position on SB 625

12. **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.

13. **EXECUTIVE OFFICER’S REPORT**

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

- a. Written Update
- b. Verbal Update

14. **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.

15. **FUTURE MEETINGS**

September 9, 2020
October 14, 2020
November 18, 2020

16. **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.

17. **ADJOURNMENT**



DRAFT

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MINUTES OF THE LOCAL AGENCY FORMATION COMMISSION FOR THE COUNTY OF LOS ANGELES LIVE VIRTUAL MEETING

July 08, 2020

Present:

Jerry Gladbach, Chair

Kathryn Barger
Richard Close
Donald Dear
Margaret Finlay
Gerard McCallum
John Mirisch
David Ryu
Hilda Solis

Lori Brogin-Falley, Alternate
David Lesser, Alternate
Judith Mitchell, Alternate

Paul Novak, Executive Officer
Carole Suzuki, Legal Counsel

Absent:

Sheila Kuehl, Alternate

Vacant:

City of Los Angeles, Alternate Member
Special District, Alternate Member

1 CALL MEETING TO ORDER

The meeting was called to order at 9:10 a.m. as a live virtual Commission meeting, with public comment accepted via email or phone through the conclusion of the meeting.

Chair Jerry Gladbach noted that today's meeting was conducted pursuant to the provisions of the Governor's Executive Orders No-25-20 and N-29-20, under the modified laws of the Ralph M. Brown Act for the COVID-19 emergency, as well as the County of Los Angeles "Safer at Home Order for Control of COVID-19."

2 PLEDGE OF ALLEGIANCE

The Pledge of Allegiance was led by Chair Gladbach.

3 DISCLOSURE OF CAMPAIGN CONTRIBUTION(S)

The Executive Officer (EO) read an announcement, asking if any Commissioners had received a campaign contribution that would require disclosure or any other issue requiring recusal from any item on today's agenda (None).

ANNOUNCEMENT

The EO noted that all public hearing notices, and the agenda, stated that interested persons were afforded the opportunity to submit written opposition or comments by email, or via United States mail, no later than 5:00 p.m. on Tuesday, July 7, 2020. For any communications received after the agenda was posted, staff has forwarded copies via e-mail to the Commission. LAFCO staff continued to monitor e-mail and comments received during the meeting and prior to the conclusion of each hearing item which were read to the Commission. He further commented that LAFCO's legal counsel reviewed the public hearing agenda, and public hearing notices, and affirmed that the conduct of today's meeting is consistent with State law as modified by the Governor and County orders.

4 SWEARING-IN OF SPEAKER(S)

The EO swore in one (1) member of the public who planned to testify via telephone.

PUBLIC TESTIMONY

The EO noted that at the direction of the Commission at last month's meeting, the Los Angeles County Board of Supervisors Executive Office arranged for members of the public to provide verbal testimony during the Commission Meeting. The EO indicated that public testimony would be heard, prior to the consent and public hearing items, for all items on the agenda.

The EO recommended that item 6.e. be held for consideration by the Commission in consideration of the testimony from of a member of the public, Lynne Plambeck, of the Santa

Clarita Organization for Planning and the Environment (SCOPE) and the receipt of a letter from the Sierra Club dated July 6, 2020. The Commission held the item for discussion. Ms. Plambeck thanked the Commission for correcting the staff report which now identified the affected territory as a Very High Fire Zone, and for continuing the item from last month's meeting.

Ms. Plambeck stated that she believed that the development project in the proposed annexation should have been approved for the development of 20 single-family homes not 102 homes, as the proposed development of 102 single-family homes could create evacuation problems in the event of a fire. Ms. Plambeck stated that the staff report erroneously indicated that the project was consistent with the current 2015 Los Angeles County General Plan, however the County had permitted the developer to use the 1990 Los Angeles County General Plan, which should have not been allowed.

The EO thanked Ms. Plambeck for calling in and providing her testimony.

The EO stated that there was no additional public comments or testimony.

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

None.

6 CONSENT ITEM(S)

The Commission took the following actions under Consent Items (6.a. through 6.d.):

- a. Approved Minutes of June 10, 2020.
- b. Approved Operating Account Check Register for the month of June 2020.
- c. Received and filed update on Pending Proposals.
- d. Adopted the Resolution Making Determinations, including the California Environmental Quality Act determinations, Approving and Ordering Annexation No. 430 to the County Sanitation District No. 14 of Los Angeles County; Resolution No. 2020-13RMD.

MOTION:	Barger	SECOND:	Dear	APPROVED:	9-0-0
AYES:	Barger, Close, Dear, Finlay, McCallum, Mirisch, Ryu, Solis, Gladbach				
NOES:	None.				
ABSTAIN:	None.				
ABSENT:	None.				

6 CONSENT ITEM(S)

The following item was called for consideration:

- e. Annexation No. 1097 to the Santa Clarita Valley Sanitation District of Los Angeles County.

The EO summarized the staff report concerning Annexation No. 1097 to the Santa Clarita Valley Sanitation District of Los Angeles County.

The EO indicated that the opponents (SCOPE and Sierra Club) are in effect asking LAFCO to impose project development conditions that are not within the Commissions statutory purview. The comment letters provide no new information that would change the staff recommendation.

Commissioner Barger asked what would happen if LAFCO denied the annexation. Carole Suzuki (Legal Counsel) indicated that if the annexation is not approved by the Commission, the developer would have to return to the County, to consider alternatives that would be acceptable to the County for the project such as septic. The annexation was likely a condition of the approval for the project.

The EO stated that septic systems represent a less environmentally attractive alternative than connecting to an established County sanitation district with a large treatment plant. The EO indicated that the County usually is not supportive of small packaged treatment plants, which can cause logistical problems.

Commissioner Mirisch asked if this proposed development included affordable housing. The EO stated he did not know.

Commissioner Barger indicated that the Los Angeles County Board of Supervisors (BOS or County) has taken the position that affordable housing is incorporated in all projects.

The EO noted that LAFCO does not have the authority to regulate land-use, property development, or subdivision requirements. These types of conditions are imposed by a city or the County.

Commissioners Mirisch and Solis requested that this item be continued to the next meeting to obtain information about affordable housing associated with this project.

Commissioner McCallum indicated that affordable housing is not under LAFCO purview and to move forward with approval.

Ms. Suzuki indicated that the project was approved by the County as the land use authority and that the statute is clear about what conditions the Commission can impose. Affordable housing falls under land use, property development, or subdivisions which is under the purview of the

County, not LAFCO. The Commission was to determine whether to approve the annexation into the sanitation district.

Ms. Plambeck emailed the EO during the meeting; and those emails were read to the Commission.

The Commission took the following separate action under Consent Items:

- Adopted the Resolution Making Determinations, including the California Environmental Quality Act determinations, Approving and Ordering Annexation No. 1097 to the Santa Clarita Valley Sanitation District of Los Angeles County; Resolution No. 2020-14RMD.

MOTION: Barger SECOND: Finlay APPROVED: 5-4-0
AYES: Barger, Close, Finlay, McCallum, Gladbach
NOES: Dear, Mirisch, Ryu, Solis
ABSTAIN: None.
ABSENT: None.

7 PUBLIC HEARING(S)

The following item was called for consideration:

- a. MSR No. 2020-02 Municipal Service Review and Sphere of Influence Update for the Consolidated Fire Protection District of Los Angeles County.

The EO summarized the staff report and introduced LAFCO's consultant, Jim Simon (Principal, RSG), to make a presentation concerning MSR No. 2020-02 Municipal Service Review (MSR) and Sphere of Influence (SOI) Update for the Consolidated Fire Protection District of Los Angeles County (CFPD or District).

Mr. Simon summarized his PowerPoint presentation and noted that the MSR and SOI Update includes a recommendation to expand and amend the SOI for the District to include six (6) cities: La Verne, Manhattan Beach, Redondo Beach, San Gabriel, West Covina, and Vernon. Mr. Simon noted that representatives of these cities, have expressed interest in being annexed into the District and to receive Fee-for-Service under contract. Mr. Simon indicated that the District is exploring alternative funding options since Measure FD did not pass and future liabilities may constrain the District in providing retirement benefits. Mr. Simon also noted that the District is improving transparency practices. The District is operating within the authority of its principle act.

Commissioner Barger asked how it was determined that these six (6) cities are to be annexed into the CFPD, because the Cities of Covina and Pomona were seeking to join the District. The EO stated that the CFPD indicated that the representatives of the six cities expressed interest in annexing into the District. The cities of Covina and Pomona were not raised by the CFPD as

potential service areas.

Commissioner Solis asked if West Covina provided the necessary financial information for the MSR/SOI Update. Mr. Simon indicated that RSG received very little budget information, but mostly relied on financial information provided within the feasibility study (a study prepared by the CFPD which assessed the feasibility of West Covina's fire department being considered into the CFPD).

Commissioner Solis asked if the City of West Covina is moving forward to annex into the District. The EO indicated that the City of West Covina is currently conducting community outreach and assessing the financial costs of receiving fire protection services from the CFPD.

Commissioner Mirisch asked Mr. Simon what data source was used for population growth projections. Mr. Simon indicated that he utilized historic trends and Regional Housing Needs Assessment (RHNA) requirements.

The public hearing was opened to receive all testimony on the MSR. There being no testimony and no written opposition, nor e-mails, submitted prior to the close of the public hearing, the public hearing was closed.

The Commission took the following actions:

- Adopted and Approved the Municipal Service Review and Sphere of Influence Update for the Consolidated Fire Protection District of Los Angeles County;
- Adopted the Resolution Making Determinations, including the California Environmental Quality Act determinations, Approving MSR No. 2020-02 Municipal Service Review and Sphere of Influence Update for the Consolidated Fire Protection District of Los Angeles County which amends the existing coterminous Sphere of Influence to include the Cities of La Verne, Manhattan Beach, Redondo Beach, San Gabriel, West Covina, and Vernon: Resolution No. 2020-15RMD; and
- Directed the Executive Officer to add the words "Amended July 8, 2020" to the official Los Angeles LAFCO SOI map for the Consolidated Fire Protection District of Los Angeles County.

MOTION:	Solis	SECOND:	Finlay	APPROVED:	9-0-0
AYES:	Barger, Close, Dear, Finlay, McCallum, Mirisch, Ryu, Solis, Gladbach				
NOES:	None.				
ABSTAIN:	None.				
ABSENT:	None.				

7 PUBLIC HEARING(S)

The following item was called for consideration:

- b. Annexation No. 2020-03 to the Consolidated Fire Protection District of Los Angeles County (Vernon).

The EO summarized the staff report concerning Annexation No. 2020-03 to the Consolidated Fire Protection District of Los Angeles County (Vernon).

The public hearing was opened to receive all testimony on the annexation. There being no testimony and no written opposition, nor e-mails, submitted prior to the close of the public hearing, the public hearing was closed.

The Commission took the following actions:

- Adopted the Resolution Making Determinations, including the California Environmental Quality Act determinations, Approving Annexation No. 2020-03 to the Consolidated Fire Protection District of Los Angeles County (Vernon); Resolution No. 2020-16RMD.
- Pursuant to Government Code Section 57002, set August 12, 2020, at 9:00 a.m. or the Commission's next available meeting date consistent with the protest provisions, as a virtual meeting, as the date, place, and time for the Commission protest proceedings.

MOTION: Solis SECOND: Barger APPROVED: 9-0-0
AYES: Barger, Close, Dear, Finlay, McCallum, Mirisch, Ryu, Solis, Gladbach
NOES: None.
ABSTAIN: None.
ABSENT: None.

7 PUBLIC HEARING(S)

The following item was called for consideration:

- c. Out-of-Agency Service Agreement No. 2020-04 for the City of La Verne.

The EO summarized the staff report concerning Out-of-Agency Service Agreement No. 2020-04 for the City of La Verne.

The public hearing was opened to receive all testimony on the out-of-agency service agreement. There being no testimony and no written opposition, nor e-mails, submitted prior to the close of the public hearing, the public hearing was closed.

The Commission took the following actions:

- Adopted the Resolution Making Determinations, including the California Environmental Quality Act determinations, Approving Out-of-Agency Service Agreement No. 2020-04 for the City of La Verne; Resolution No. 2020-17RMD; and
- Directed the Executive Officer to revise LAFCO's City of La Verne map to include that water service to the affected parcels outside the City limits are served by the City of La Verne, and document these parcels for reference.

MOTION: Barger SECOND: Solis APPROVED: 9-0-0
AYES: Barger, Close, Dear, Finlay, McCallum, Mirisch, Ryu, Solis, Gladbach
NOES: None.
ABSTAIN: None.
ABSENT: None.

8 PROTEST HEARING(S)

None.

9 OTHER ITEMS

The following item was called up for consideration:

- a. Sativa Water System – Quarterly Updates.

The EO summarized the staff report concerning the Sativa Water System – Quarterly Updates.

The EO indicated that Sami Kabar (Civil Engineer, Los Angeles County Public Works and Manager of the former Sativa County Water District) was available for any questions. The Commission did not have any questions.

Commissioners Barger and Finlay thanked Mr. Kabar and the Los Angeles County Department of Public Works for their leadership.

The Commission took the following action:

- Received and filed the Sativa Water System – Quarterly Updates.

MOTION: Solis SECOND: Finlay APPROVED: 9-0-0
AYES: Barger, Close, Dear, Finlay, McCallum, Mirisch, Ryu, Solis, Gladbach
NOES: None.
ABSTAIN: None.
ABSENT: None.

10 LEGISLATION

The following item was called up for consideration:

- a. Legislative Update.

The EO summarized the staff report concerning the Legislative Update.

The Commission took the following action:

- Received and filed the Legislative Update.

MOTION:	Finlay	SECOND: Dear	APPROVED: 9-0-0
AYES:	Barger, Close, Dear, Finlay, McCallum, Mirisch, Ryu, Solis, Gladbach		
NOES:	None.		
ABSTAIN:	None.		
ABSENT:	None.		

11 MISCELLANEOUS CORRESPONDENCE

None.

12 COMMISSIONERS' REPORT

None.

13 EXECUTIVE OFFICER'S REPORT

- a. Written Update
- b. Verbal Update.

The EO summarized his written report.

The EO indicated that he received an e-mail yesterday that the 2020 California Association of Local Agency Formation Commissions (CALAFCO) Annual Conference in Monterey, scheduled for Oct 21st - 23rd, is cancelled due to the COVID-19 Pandemic. CALAFCO Board of Directors nominations will be conducted by mail or e-mail this year.

The Commission took the following actions:

- Received and filed the Written Update and Verbal Update from the Executive Officer.

MOTION:	Solis	SECOND: Barger	APPROVED: 9-0-0
AYES:	Barger, Close, Dear, Finlay, McCallum, Mirisch, Ryu, Solis, Gladbach		

NOES: None.

ABSTAIN: None.

ABSENT: None.

14 PUBLIC COMMENT

See Public Testimony (Pages 2 and 3) of the agenda.

15 FUTURE MEETINGS

August 12, 2020

September 9, 2020

October 14, 2020

16 FUTURE AGENDA ITEMS

None.

17 ADJOURNMENT MOTION

On motion of Commissioner Dear, seconded by Mirisch, the live virtual meeting was adjourned at 10:27 a.m.

Respectfully submitted,

Paul Novak, AICP
Executive Officer

7:59 PM

08/04/20

Cash Basis

LA LAFCO

Register Report

July 2020

Type	Date	Num	Name	Paid Amount	Balance
Jul 20					
Check	07/03/2020	ADP	ADP	-39.37	-39.37
Check	07/07/2020	WIRE	TRPF 80 South Lake LP.	-9,278.97	-9,318.34
Check	07/15/2020	DD	Ambar De La Torre	-2,103.32	-11,421.66
Check	07/15/2020	DD	Douglass S Dorado	-3,089.23	-14,510.89
Check	07/15/2020	DD	Adriana L Flores	-1,267.61	-15,778.50
Check	07/15/2020	DD	Michael E Henderson	-2,353.79	-18,132.29
Check	07/15/2020	DD	Paul A Novak	-5,219.16	-23,351.45
Check	07/15/2020	DD	Alisha O'Brien	-2,426.08	-25,777.53
Check	07/15/2020	DD	Adriana Romo	-3,841.79	-29,619.32
Check	07/15/2020	DD	Federal Tax Deposit	-4,334.07	-33,953.39
Check	07/15/2020	DD	State Income Tax	-1,227.85	-35,181.24
Bill Pmt -Check	07/15/2020	10691	Certified Records Mana...	-608.64	-35,789.88
Bill Pmt -Check	07/15/2020	10692	County Counsel	-6,442.91	-42,232.79
Bill Pmt -Check	07/15/2020	10693	E Mulberg & Associates	-1,650.00	-43,882.79
Bill Pmt -Check	07/15/2020	10694	Eide Bailly	-130.05	-44,012.84
Bill Pmt -Check	07/15/2020	10695	FedEx	-56.46	-44,069.30
Bill Pmt -Check	07/15/2020	10696	LACERA-OPEB	-1,916.39	-45,985.69
Bill Pmt -Check	07/15/2020	10697	Motor Parks	-630.00	-46,615.69
Bill Pmt -Check	07/15/2020	10698	Quadient Leasing USA, ...	-382.28	-46,997.97
Bill Pmt -Check	07/15/2020	10699	RSG, Inc.	-408.55	-47,406.52
Bill Pmt -Check	07/15/2020	10700	Wells Fargo	-385.89	-47,792.41
Bill Pmt -Check	07/21/2020	10701	Richard Close*	-58.65	-47,851.06
Bill Pmt -Check	07/21/2020	10702	American Planning	-800.00	-48,651.06
Bill Pmt -Check	07/21/2020	10703	Bank of America*	-869.73	-49,520.79
Bill Pmt -Check	07/21/2020	10704	Charter Communications	-551.27	-50,072.06
Bill Pmt -Check	07/21/2020	10705	CoreLogic	-28.80	-50,100.86
Bill Pmt -Check	07/21/2020	10706	County Counsel	-11,387.99	-61,488.85
Bill Pmt -Check	07/21/2020	10707	CIS Cloud Solutions	-637.50	-62,126.35
Bill Pmt -Check	07/21/2020	10708	Daily Journal*	-163.75	-62,290.10
Bill Pmt -Check	07/21/2020	10709	Edward Gladbach	-132.48	-62,422.58
Bill Pmt -Check	07/21/2020	10710	FedEx	-78.52	-62,501.10
Bill Pmt -Check	07/21/2020	10711	Judith Mitchell*	-91.08	-62,592.18
Bill Pmt -Check	07/21/2020	10712	Los Angeles County As...	-1,500.00	-64,092.18
Bill Pmt -Check	07/21/2020	10713	Margaret Finlay	-76.92	-64,169.10
Bill Pmt -Check	07/21/2020	10714	Office Depot*	-732.17	-64,901.27
Bill Pmt -Check	07/21/2020	10715	The Lincoln National	-261.82	-65,163.09
Bill Pmt -Check	07/21/2020	10716	Tropical Interior Plants	-125.00	-65,288.09
Check	07/24/2020	ADP	ADP	-141.66	-65,429.75
Check	07/29/2020	60973...	Kathryn Barger	-133.00	-65,562.75
Check	07/29/2020	60973...	Brogin-Falley Lori	-138.53	-65,701.28
Check	07/29/2020	DD	Richard Close	-138.53	-65,839.81
Check	07/29/2020	DD	Donald Dear	-138.53	-65,978.34
Check	07/29/2020	60973...	Margaret E Finlay	-138.52	-66,116.86
Check	07/29/2020	60973...	Edward G Gladbach	-277.05	-66,393.91
Check	07/29/2020	DD	David J Lesser	-138.53	-66,532.44
Check	07/29/2020	DD	Gerard McCallum II	-138.53	-66,670.97
Check	07/29/2020	DD	John A Mirisch	-138.52	-66,809.49
Check	07/29/2020	60973...	Judith M Mitchell	-138.53	-66,948.02
Check	07/29/2020	DD	David E Ryu	-138.53	-67,086.55
Check	07/29/2020	DD	Hilda L Solis	-127.44	-67,213.99
Check	07/29/2020	DD	Federal Tax Deposit	-279.78	-67,493.77
Bill Pmt -Check	07/29/2020	10717	Motor Parks	-1,260.00	-68,753.77
Bill Pmt -Check	07/29/2020	10718	ATT	-316.57	-69,070.34
Bill Pmt -Check	07/29/2020	10719	David Lesser	-71.76	-69,142.10
Bill Pmt -Check	07/29/2020	10720	Donald Dear*	-46.92	-69,189.02
Bill Pmt -Check	07/29/2020	10721	FedEx	-117.45	-69,306.47
Bill Pmt -Check	07/29/2020	10722	Gerard McCallum II*	-168.86	-69,475.33
Bill Pmt -Check	07/29/2020	10723	LACERA	-14,473.59	-83,948.92
Bill Pmt -Check	07/29/2020	10724	Lori Brogin-Falley*	-28.98	-83,977.90
Bill Pmt -Check	07/29/2020	10725	Policy Consulting Assoc...	-15,875.00	-99,852.90
Bill Pmt -Check	07/29/2020	10726	Promac Image Systems	-105.66	-99,958.56
Bill Pmt -Check	07/29/2020	10727	Yvonne Green CPA	-225.00	-100,183.56
Check	07/30/2020	DD	Ambar De La Torre	-2,153.33	-102,336.89
Check	07/30/2020	DD	Douglass S Dorado	-3,157.51	-105,494.40
Check	07/30/2020	DD	Adriana L Flores	-1,296.32	-106,790.72
Check	07/30/2020	DD	Michael E Henderson	-2,411.33	-109,202.05
Check	07/30/2020	DD	Paul A Novak	-5,343.12	-114,545.17

7:59 PM

08/04/20

Cash Basis

LA LAFCO
Register Report
July 2020

Type	Date	Num	Name	Paid Amount	Balance
Check	07/30/2020	DD	Alisha O'Brien	-2,475.50	-117,020.67
Check	07/30/2020	DD	Adriana Romo	-3,986.83	-121,007.50
Check	07/30/2020	DD	Federal Tax Deposit	-4,481.29	-125,488.79
Check	07/30/2020	DD	State Income Tax	-1,285.32	-126,774.11
Jul 20				<u>-126,774.11</u>	<u>-126,774.11</u>

AGENDA ITEM NO. 6.c. August 12, 2020						
PENDING PROPOSALS As of August 5, 2020						
		LAFCO Designation	Applicant	Description	Status	Est. Date of Completion
1	DD	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.	Incomplete filing: property tax transfer resolution, registered voter and landowner labels.	Unknown
2	DD	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.	Incomplete filing: CEQA, registered voter labels, landowner labels, and approved map and legal.	Unknown
3	DD	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	Incomplete filing: property tax transfer resolution, registered voter and landowner labels.	Unknown
4	DD	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.	Need BOE fees to place on agenda for approval. Emailed district for fees on 4-18-17.	Unknown
5	DD	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.	Notice of Filing sent 07-15-10. Incomplete filing: CEQA. EIR on hold 4-14-15. Applicant requested to keep this file open, pending details how to proceed with the project 04/29/15.	Unknown
6	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.	Notice of Filing sent 1-3-11 Incomplete filing: property tax transfer resolution, insufficient CEQA, unclear pre-zoning ordinance, approved map and legal. Need to include DUC .	Unknown
7	DD	Reorganization 2011-16 (Tesoro del Valle)	Montalvo Properties LLC	Annexation to NCWD and CLWA SOI Amendments for both districts. 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.	Notice of Filing sent 05-31-11. Incomplete filing: property tax transfer resolution. Project has changed ownership. Need new application	Unknown

		LAFCO Designation	Applicant	Description	Status	Date Filed	Est. Date of Completion
8	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.	Notice of Filing sent 2-15-12 Incomplete filing: property tax transfer resolution, CEQA, pre-zoning ordinance, map of limiting addresses, list of limiting addresses, and approved map and legal.	12/8/2011	Unknown
9	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.	Notice of Filing sent 3-22-12 Incomplete filing: property tax transfer resolution, inadequate CEQA, maps of limiting addresses, list of limiting addresses, and approved map and legal. DUC adjacent	3/8/2012	Unknown
10	DD	Reorganization No. 2014-03 to the City of Calabasas	City of Calabasas	176± acres immediately north of and adjacent to the 101 freeway between the City of Calabasas and Hidden Hills.	Notice of Filing sent 1-8-15. Incomplete filing: property tax transfer resolution and approved map and legal.	12/10/2014	Unknown
11	DD	Annexation No. 2015-11 to the City of Palmdale (Desert View Highlands)	City of Palmdale	284 acres inhabited territory. Generally located north and south of Elizabeth Lake Road between Amargosa Creek and 10th street west, in Los Angeles County unincorporated territory surrounded by the City of Palmdale	Notice of Filing sent 9-22-15 Incomplete filing: property tax resolution, attachment 'A' plan for municipal services, CEQA (NOD), party disclosure, pre-zoning, map of limiting addresses, registered voter info	9/15/2015	Unknown
12	DD	Annexation No. 2015-10 to the City of Agoura Hills	City of Agoura Hills	117 acres uninhabited territory. Located northeast and southwest of Chesebro Road directly north of the Highway 101	Notice of Filing sent 11-3-15 Incomplete filing: property tax transfer resolution.	11/2/2015	Unknown
13	DD	Reorganization No. 2016-01 to the Las Virgenes Municipal Water District	Las Virgenes Municipal Water District	Detachment from West Basin Municipal Water District, and annexation to the Las Virgenes Municipal Water District. Both districts require SOI amendments. The territory consists of 26 single-family homes, generally located south of Cairnloch Street, west of Summit Mountain Way, all within the City of Calabasas.	Notice of Filing sent 04-19-16 Incomplete filing: property tax transfer resolution, and map and legal not approved.	2/22/2016	Unknown
14	AD	Annexation No. 2017-02 to the Newhall County Water District	Newhall County Water District	uninhabited territory, located west of the 5 freeway and north of the intersection of The Old Road and Calgrove Blvd.	Notice of Filing sent 06-21-17 Incomplete filing: property tax transfer resolution, CEQA, approved map and legal.	6/15/2017	Unknown

		LAFCO Designation	Applicant	Description	Status	Date Filed	Est. Date of Completion
15	DD	Annexation No. 2017-09 to the Las Virgenes Cemetery District	Wilmington Cemetery District	inhabited territory around Wilmington	Notice of Filing sent 6-10-17 Incomplete filing: property tax transfer resolution	7/10/2017	Unknown
16	DD	Reorganization No. 2017-10 to the Las Virgenes Municipal Water District	Robert Douglass	5.26 acres of uninhabited territory. The affected territory is generally located northeast of the intersection of Hovenweep Lane and Schueren Road, in the unincorporated area north of Malibu	Notice of Filing Sent 11-30-17 Incomplete Filing: property tax transfer resolution, approved map and legal	11/8/2017	Unknown
17	DD	Annexation No 2018-10 to the Los Angeles County Waterworks District No. 40, Antelope Valley	Robert Sarkissian	80.91± acres of uninhabited territory. The affected territory is located southeast of the intersection of Blackbird Street and 8Th Street West, in the City of Palmdale	September 1, 2019 agenda	10/1/2018	Oct-2019
18	DD	Annexation No. 2018-06 to the San Gabriel Valley Mosquito and Vector Control District	San Gabriel Valley Mosquito and Vector Control District	77.55± acres of inhabited territory. The affected territory is located north of the intersection of Mountain Laurel Way and Highwood Court in the City of Azusa.	Notice of Filing Sent 11-1-18 Incomplete filing: property tax transfer resolution, missing map and legal, owners and registered voter labels	10/22/2018	Unknown
19	DD	Annexation No. 2018-12 to the City of Agoura Hills	City of Agoura Hills	82.58± acres of inhabited territory to the City of Agoura Hills. Area A of the affected territory is generally located east of the intersection of Liberty Canyon Road and Agoura Road and Area C is generally located west of the intersection of Liberty Canyon Road and Revere Way, in Los Angeles County unincorporated territory adjacent to the City of Agoura Hills	Notice of Filing sent 11-20-18 Incomplete filing: property tax transfer resolution, CEQA, map of limiting addresses, pre-zoning, register voter labels, approved map and geographic description.	11/19/2018	Unknown
20	AD	Annexation 429 to District No. 14	Sanitation Districts	640.07± acres of uninhabited territory. The affected territory is located on the southeast corner of Sierra Highway and Columbia Way, all within the City of Palmdale.	Notice of Filing Sent 11-29-18 Incomplete filing: property tax transfer resolution.	11/28/2018	Unknown
21	AD	Santa Clarita Valley Sanitation District of Los Angeles County Annexation 1093	Sanitation Districts	0.3± acres of uninhabited territory. The affected territory is located on Scherzinger Lane approximately 100 feet southwest of Sierra Cross Avenue, all within the City of Santa Clarita.	Waiting to record with the Registrar Records office	12/26/2018	Jul-2020
22	AD	Santa Clarita Valley Sanitation District of Los Angeles County Annexation 1097	Sanitation Districts	230± acres of uninhabited territory. The affected territory is located south of Pico Canyon Road at the westerly terminus of Verandah Court, all within the unincorporated area of Los Angeles County.	Continued to the July 8, 2020 Agenda	12/26/2018	Jul-2020
23	AD	Annexation 760 to District No. 21	Sanitation Districts	0.48± acres of uninhabited territory. The affected territory is located north of the Pomona freeway approximately 300 feet west of Hacienda Boulevard, all within the unincorporated area of Los Angeles County.	Waiting to record with the Registrar Records office	1/30/2019	Jul-2020
24	AD	Annexation 430 to District No. 14	Sanitation Districts	227.677± acres of uninhabited territory. The affected territory is located north of Avenue D, south of Avenue B, east of the Southern Pacific Railroad, and west of Edwards Air Force Base, all within the unincorporated area of Los Angeles County.	July 8, 2020 Agenda	2/12/2019	Jul-2020
25	AD	Santa Clarita Valley Sanitation District of Los Angeles County Annexation 1091	Sanitation Districts	4.158± acres of inhabited territory. The affected territory is located on Placeritos Boulevard approximately 200 feet west of Aden Avenue, all within the City of Santa Clarita.	Waiting to record with the Registrar Records office	2/12/2019	Jul-2020

		LAFCO Designation	Applicant	Description	Status	Date Filed	Est. Date of Completion
26	AD	Annexation 759 to District No. 21	Sanitation Districts	1.21± acres of uninhabited territory. The affected territory has 2 parcels. Parcel 1 is located on Glen Way approximately 800 feet north of Baseline Road; Parcel 2 is located on Mountain Avenue approximately 150 feet north of Baseline Road, all within the unincorporated area of Los Angeles County.	Waiting to record with the Registrar Records office	3/6/2019	Jul-2020
27	DD	Reorganization No. 2019-01 to the City of Rancho Palos Verdes	Rajendra Makan	1.17± acres of uninhabited territory located along Re Le Chardlene, east of the intersection of Chandeaur and Rue Le Charlene, in the City of Los Angeles.	Notice of Filing Sent 5-14-19 Incomplete filing: property tax transfer resolution and approved map and legal.	5/14/2019	Unknown
28	DD	Annexation No 2019-07 to the Greater Los Angeles County Vector Control District (Entire City of Vernon)	City of Vernon	3.301± acres of inhabited territory, entire City of Vernon	Notice of Filing Sent 8-28-19 Incomplete filing: property tax transfer resolution, approved map and legal.	7/23/2019	Unknown
29	AD	Annexation 762 to District No. 21	Sanitation Districts	0.389± acres of uninhabited territory. The affected territory is located on Mountain Avenue approximately 300 feet north of Baseline Road, all within Unincorporated Los Angeles County.	Waiting to record with the Registrar Records office	9/24/2019	Jul-2020
30	AD	Annexation 435 to District No. 22	Sanitation Districts	2.2± acres of uninhabited territory. The affected territory is located on Foothill Boulevard approximately 250 feet west of San Dimas Canyon Road, all within the City of San Dimas.	Waiting to record with the Registrar Records office	9/24/2019	Jul-2020
31	AD	Annexation 761 to District No. 21	Sanitation Districts	1.23± acres of uninhabited territory. The affected territory is generally located on Baseline Road approximately 1,000 feet west of Towne Avenue, all within the City of Claremont.	Waiting to record with the Registrar Records office	10/15/2019	Jul-2020
32	DD	Annexation No. 2019-03 to the Santa Clarita Valley Water Agency	Santa Clarita Valley Water Agency	324± acres of uninhabited territory. The affected territory is generally located east and west of San Francisco Canyon Road approximately one mile north of the City of Santa Clarita, in Los Angeles County unincorporated territory near the City of Santa Clarita.	Notice of Filing Sent 10-23-19 Incomplete filing: property tax resolution, LAFCO fees, consent letter, CEQA, and approved map and legal	10/17/2019	Unknown
33	DD	Formation No. 2019-06 of the Lower Los Angeles River Recreation and Park District	City of South Gate	inhabited territory, along the Los Angeles River between Vernon and Long Beach	waiting an a map to start the formation process.	10/2/2019	Unknown
34	AD	Annexation 429 to District No. 22	Sanitation Districts	4.64± acres of uninhabited territory. The affected territory has 2 parcels. Parcel 1 is located on Cameron Avenue approximately 800 feet south of Barranca Street; Parcel 2 is located on Wrede Way approximately 300 feet west of Grand Avenue, all within the City of West Covina.	Waiting to record with the Registrar Records office	11/6/2019	Jul-2020
35	AD	Annexation 431 to District no. 14	Sanitation Districts	2.72± acres of uninhabited territory. The affected territory is on the southeast corner of 20th Street West and Avenue L, all within the City of Lancaster.	Waiting to record with the Registrar Records office	11/12/2019	Jul-2020
36	AD	Annexation 32 to District no. 16	Sanitation Districts	0.789± acres of uninhabited territory. The affected territory is on the north side of Sierra Madre Boulevard approximately 50 feet east of Canyon Wash Drive, all within the City of Pasadena.	Waiting to record with the Registrar Records office	12/5/2019	Jul-2020
37	AD	Annexation 433 to District no. 22	Sanitation Districts	0.755± acres of uninhabited territory. The affected territory is on Crestglen Road approximately 300 feet north of Sierra Madre Avenue, all within the City of Glendora.	Waiting to record with the Registrar Records office	12/5/2019	Jul-2020

		LAFCO Designation	Applicant	Description	Status	Date Filed	Est. Date of Completion
38	AOB	Annexation No. 2019-08 to the Santa Clarita Valley Water Agency	Santa Clarita Valley Water Agency	349± acres of uninhabited territory. The affected territory is generally located southwest of the intersection of Old Rock Road and Valencia Boulevard, in Los Angeles County unincorporated territory near the City of Santa Clarita.	Notice of Filing Sent 1-15-2020 Incomplete filing: property tax resolution, approved map and legal	12/30/2019	Unknown
39	AD	Santa Clarita Valley Sanitation District of Los Angeles County Annexation 1092	Sanitation Districts	3.77± acres of uninhabited territory. The affected territory is located on the south side of Soledad Canyon Road at Mammoth Lane, all within the City of Santa Clarita.	Notice of Filing Sent 01-30-20 Incomplete filing: property tax transfer resolution.	1/28/2020	Unknown
40	AD	Santa Clarita Valley Sanitation District of Los Angeles County Annexation 1096	Sanitation Districts	5.11± acres of uninhabited territory. The affected territory is located on Sand Canyon Road approximately 400 feet south of Comet Way, all within the City of Santa Clarita.	Notice of Filing Sent 01-30-20 Incomplete filing: property tax transfer resolution.	1/28/2020	Unknown
41	AD	Santa Clarita Valley Sanitation District of Los Angeles County Annexation 1101	Sanitation Districts	2.5± acres of uninhabited territory. The affected territory is located on Arroyo Oak Lane approximately 300 feet south of Hasley Canyon, all within the unincorporated area of Los Angeles County.	Notice of Filing Sent 01-30-20 Incomplete filing: property tax transfer resolution.	1/28/2020	Unknown
42	AD	Annexation 434 to District no. 22	Sanitation Districts	1.21± acres of uninhabited territory. The affected territory is located on Dancove Drive approximately 100 feet northeast of the terminus of Greenville Drive, all within the City of West Covina.	Notice of Filing Sent 02-4-20 Incomplete filing: property tax transfer resolution.	2/4/2020	Unknown
43	DD	Reorganization No. 2020-01 to the City of Santa Clarita (Tesoro del Valle)	City of Santa Clarita	1609± acres of uninhabited territory. The affected territory is generally located north of the intersection of Copper Hill Drive and Avenida Rancho Tesoro, in the Unincorporated area of Los Angeles County adjacent to the City of Santa Clarita.	Notice of Filing sent 02-18-20 Incomplete filing: property tax transfer resolution, approved map and legal. Reorg area within DUC.	1/27/2020	Unknown
44	AD	Annexation 436 to District no. 22	Sanitation Districts	6.356± acres of uninhabited territory. The affected territory is located on the north side of Mt. Olive Drive approximately 500 feet east of Woodlyn Lane, all within the City of Bradbury.	Notice of Filing Sent 03-12-20 Incomplete filing: property tax transfer resolution.	3/12/2020	Unknown
45	AD	Annexation 428 to District no. 14	Sanitation Districts	2.51± acres of uninhabited territory. The affected territory is located on the southwest corner of Avenue N and 10th Street West, all within the City of Palmdale.	Notice of Filing Sent 06-8-20 Incomplete filing: property tax transfer resolution.	5/28/2020	Unknown
46	DD	Annexation No 2020-03 to the Consolidate Fire Protection District of Los Angeles County (Vernon)	CFPD	3,300± acres of uninhabited territory. City of Vernon	August 12, 2020 agenda	6/1/2020	Aug-2020
47	AOB	Formation No. 2020-05 of the Inglewood Transportation Management Community Services District	City of Inglewood	5,804± acres (or 9.07± square miles) of uninhabited territory, all within the City of Inglewood.	Notice of Filing sent 06-17-20. Incomplete filing: property tax transfer resolution, approved map and legal.	6/15/2020	Nov-2020
48	AD	Santa Clarita Valley Sanitation District of Los Angeles County Annexation 1094	Sanitation Districts	79,084± acres of uninhabited territory. The affected territory is located north of Antelope Valley Freeway west of Oak Springs Canyon Road and east of Soledad Canyon Road, all within the City of Santa Clarita.	Notice of Filing Sent 07-16-20 Incomplete filing: property tax transfer resolution.	6/30/2020	Unknown
49	AD	Santa Clarita Valley Sanitation District of Los Angeles County Annexation 1095	Sanitation Districts	26,882± acres of uninhabited territory. The affected territory is located northwest of Sierra Highway, extending north of Dockweiler Drive, east of Oakleaf Canyon Drive, west of Antelope Freeway, all within the City of Santa Clarita.	Notice of Filing Sent 07-16-20 Incomplete filing: property tax transfer resolution.	6/30/2020	Unknown

		LAFCO Designation	Applicant	Description	Status	Date Filed	Est. Date of Completion
		Santa Clarita Valley Sanitation District of Los Angeles County Annexation 1099	Sanitation Districts	2.077± acres of uninhabited territory. The affected territory is located on the west side of Sand Canyon Road south of Comet Way, all within the City of Santa Clarita.	Notice of Filing Sent 07-16-20 Incomplete filing; property tax transfer resolution.	6/30/2020	Unknown
50	AD	Santa Clarita Valley Sanitation District of Los Angeles County Annexation 1100	Sanitation Districts	1.823± acres of uninhabited territory. The affected territory is located on Soledad Canyon Road approximately 400 feet north of Sandy Drive, all within the City of Santa Clarita.	Notice of Filing Sent 07-16-20 Incomplete filing; property tax transfer resolution.	6/30/2020	Unknown
51		MSR No. 2020-07 Municipal Service Review and Sphere of Influence Update for the Cities of Agoura Hills, Calabasas, Hidden Hills, and Westlake Village	Local Agency Formation Commission for the County of Los Angeles	MSR and SOI Update for the Cities of Agoura Hills, Calabasas, Hidden Hills, and Westlake Village	MSR being prepared by Policy Consulting Associates, LLC and Berkson Associates	2020	Sep-2020

Staff Report

August 12, 2020

Agenda Item No. 7.a.

MSR No. 2020-06

Municipal Service Review and Sphere of Influence Update for the Santa Clarita Valley Water Agency

BACKGROUND:

The Santa Clarita Valley Water Agency (SCVWA or District) was formed by special legislation, SB 634 Wilk (SB 634), which was passed and signed into law in 2018. SB 634 consolidated three (3) water purveyors in the Santa Clarita Valley: the Castaic Lake Water Agency (CLWA), the Newhall County Water District (NCWD), and the Valencia Water Company (VWC).

The District is located in the northwest portion of Los Angeles County where Interstate-5 (I-5) and State Route 14 (SR14) converge. SCVWA's Sphere of Influence (SOI) boundaries cover a total area of 195 square miles with 74,733 service connections. The boundaries generally reflect the former boundaries of the CLWA.

The newly-formed District is a wholesale water agency which can acquire, treat, and deliver State Water Project (SWP) water supply throughout the Santa Clarita Valley. The District also provides retail water service delivery. SCVWA services also include the sale, management and delivery of surface water, groundwater, and recycled water to industrial, residential, and commercial customers. In addition, the District also assumed sewer transmission services from the former NCWD; the District is working with the City of the Santa Clarita (City) to transfer those services to the City. The District's annual budget is \$144 million, and it has 220 employees.

On June 12, 2019, the Commission awarded a contract to E Mulberg & Associates (E Mulberg) to prepare a Municipal Service Review (MSR) and Sphere of Influence (SOI) Update of the SCVWA (MSR/SOI Update).

E Mulberg has analyzed the SCVWA consistent with all requirements of Government Code Section 56430, and drafted the corresponding determinations in the MSR/SOI Update. Their methodology includes data collection and interviews with representatives of the SCVWA. In the course of its work, E Mulberg utilized information and documents from LAFCO, CLWA, NCWD, VWC, the State of California Department of Water Resources (DWR), the Los Angeles County Department of Regional Planning, the Los Angeles County Department of Public Works, and consultant-prepared reports. The MSR/SOI Update addresses several aspects of the District: formation, staffing, services, and fiscal health. It identifies several areas of potential SOI expansion that are identified as Areas A to E, as well as the Tapia Ranch and Tesoro del Valle developments, which are identified on pages 2-8 to 2-10 of the MSR/SOI Update.

MUNICIPAL SERVICE REVIEW DETERMINATIONS:

Pursuant to Government Code Section 56430, and in order to prepare and to update a Sphere of Influence meeting the requirements of Section 56425, “the Commission shall conduct a review of the municipal services” in that particular district and “consider and prepare a written statement of its determinations.” E Mulberg, consultant to LAFCO, has prepared the attached MSR/SOI Update of the SCVWA. The MSR/SOI Update proposes the following determinations, which are also recommended for approval by the Commission:

(1). Population Projections:

E Mulberg utilized data obtained from the 2015 Urban Water Management Plan (UWMP), which estimates the current population within the boundaries of the SCVWA is 273,000.

The UWMP indicated that between 1996 and 2015, the total population increased from 164,000 to 273,000 with a steady increase in population at an average rate of 2.7% per year. Most of the growth occurred in the Santa Clarita Water Division (part of the former CLWA) which increased about 50%, with the former VWC service area nearly doubled in population.

Between 2020 and 2040, the UWMP estimates that there will be a slower growth than in recent history of about 2% per year through 2035 and estimates population growth of 396,100 residents, within the service area, by 2040.

(2). Disadvantaged Unincorporated Communities:

E Mulberg considered the impact of the SOI related to Disadvantaged Unincorporated Communities. A Disadvantaged Unincorporated Community (“DUC”) is defined as an area of inhabited territory located within an unincorporated area of a county in which the annual median household income is less than eighty percent (80%) of the statewide median household income. State law considers an area with twelve (12) or more registered voters to be an inhabited area. LAFCO designated the DUCs in the County using 2016 ACS Census data, which is all unincorporated territory where the median household income is less than \$56,982. There are two (2) DUCs identified (see Exhibit 4-1, SCVWA DUCs map within the MSR/SOI Update) as within and/or adjacent to the District’s boundaries. The first area was identified as a DUC in the vicinity of Canyon Country, adjacent to the City of Santa Clarita. This area is already receiving water service from the SCVWA, sewer service from the Santa Clarita Valley Sanitation District of Los Angeles County, and fire service from the County of Los Angeles Fire Department. The second DUC is along the southeast boundary of the District and extends beyond the SCVWA’s SOI boundaries. This area potentially could be served by the SCVWA or from private wells, sewer service provided by the Santa Clarita Valley Sanitation District of Los Angeles County, and fire service provided by the County of Los Angeles Fire Department.

(3). Present and Planned Capacity of Public Facilities:

As a wholesale and retail agency, SCVWA supplies SWP water, groundwater, banked water, and recycled water. The District operates two (2) water treatment plants with a combined capacity of 112 million gallons per day (mgd) and a separate perchlorate treatment facility for Saugus Formation wells that has a capacity of 3 mgd.

The SCVWA has a combined treated water storage of approximately 204 million gallons (mg) of water in ninety-nine (99) storage facilities or tanks. The system includes sixty-four (64) pumping facilities/pump stations that deliver water through 861 miles of pipe.

SCVWA receives wholesale water from the State Department of Water Resources via the State Aqueduct system under a long-term contract through the Castaic Reservoir. In addition, it has a contract for untreated, raw water with the Buena Vista Water Storage District and the Rosedale-Rio Bravo Water Storage District for up to 11,000 acre-feet per year (AFY) for 30 years through 2036, which may be extended.

SCVWA obtains groundwater from forty-seven (47) wells in the Alluvial and Saugus Formation. Currently forty-one (41) wells are operational. Other sources such as banking, recycled water, and imported water provide nearly another 100,000 acre-feet (AF). As indicated in the MSR/SOI Update, the SCVWA has and is projected to have ample water capacity through 2050.

(4). Financial Ability of Agencies to Provide Services:

The District recently completed its first full year audit as a consolidated agency for FY 2018-19, with expenses of \$144 million and revenues of \$153 million. The largest expenses are depreciation and amortization while revenue sources are property taxes and water sales.

The SVCWA's total debt of the consolidated agency, including Certificates of Participation (COPs), Revenue Bonds, and the VWC Acquisition Loan, is \$389 million as of June 30, 2019. The District plans to pay down the debt over the next ten years.

The District's Capital Improvement Plan includes regional projects that are funded by the Capital Project Fund and property tax revenues. Retail projects are funded by water rates, reserves, and connection fees.

As part of the consolidation, Other Post-Employment Benefits (OPEB) between CLWA and NCWD were aligned and the District hired a consultant to prepare an actuarial study to estimate those liabilities. As of February 2020, the SCVWA is current with OPEB liabilities.

As stated in the MSR/SOI Update, the SCVWA has sufficient revenues and reserves to provide water service within its SOI boundaries.

(5). Status of, and Opportunities for, Shared Facilities:

The District projects savings of nearly \$20 million by the end of FY 2020-21 due to the consolidation and economies of scale.

The SCVWA participates in a number of Joint Powers Authorities (JPAs) that allow the District to share costs with other agencies and improve service. These JPAs include the State Water Project Contractors Authority, Groundwater Sustainability Agency (GSA), and the Association of California Water Agencies/Joint Powers Insurance Authority (ACWA/JPIA) .

(6). Accountability for Community Services Needs:

The District is governed by a 12-member Board of Directors representing its three (3) retail divisions. The SCVWA Board includes one (1) appointed member representing the Los Angeles County Waterworks District No. 36 (LACWWD 36) which expires in 2023 (SB 634 10(c)). Eventually the twelve (12) Board members will be reduced to nine (9) members, due to attrition.

The District has a well-maintained website that provides information to the public concerning water conservation, water quality, and governance.

The SCVWA publishes and distributes a monthly e-newsletter (Water Currents) that provides residents with information on District activities.

(7). Other Matters Related to Effective or Efficient Service Delivery, as deemed relevant by the Commission:

On April 11, 2018, the Commission imposed twenty-two (22) conditions pertaining to the consolidation of the District, as required by SB 634. In April of 2019, the Commission determined that SCVWA had complied with all but two (2) remaining conditions. The District has taken steps to fulfill both conditions. For Condition No. 9, the District submitted a proposal to LAFCO (Annexation No. 2019-08 to the Santa Clarita Valley Water Agency) on December 30, 2019; to annex territory formerly served by the VWC but outside of the SCVWA boundary; SCVWA submitted this proposal timely prior to the January 1, 2020 deadline set forth in Condition No. 9. For Condition No. 6., the District has cooperated with LAFCO in the preparation of this MSR/SOI Update.

SPHERE OF INFLUENCE BACKGROUND:

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

Determining 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 subject to the jurisdiction of the commission to advantageously provide for the present and future needs of the county and its communities, the Commission shall develop and determine the Sphere of Influence of each city and special district, as defined by Section 56036, 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 review and update SOI’s “every five years . . . as necessary.”

PUBLIC HEARING REQUIREMENT FOR SOI UPDATE:

The Executive Officer, pursuant to Government Code Section 56427, set August 12, 2020, as the hearing date on this SOI update, and gave the required notice of public hearing pursuant to Government Code Section 56427. Notice of the public hearing for the proposed Sphere of Influence update was given pursuant to Government Code Sections 56150-56160. The public hearing notice was published in a newspaper, as a 1/8-page advertisement, of general circulation in the County of Los Angeles on July 20, 2020.

PUBLIC OUTREACH:

Staff posted the Draft MSR/SOI Update to the LAFCO website on Friday, July 17, 2020. Separate and apart from any required legal notice, staff also emailed several stakeholders about the availability of the Draft MSR/SOI Update as well as the upcoming public hearing at the August 12, 2020 Commission Meeting. Stakeholders contacted include public agency representatives (SCVWA, City of Santa Clarita, and Los Angeles County); private landowners whose property is in one of the areas recommended for inclusion in the SOI in Chapter 10 of the MSR/SOI Update; and members of the general public (generally, those individuals who previously communicated with LAFCO and expressed an interest in SCVWA, going back to the time leading up to the adoption of SB 634 by the State Legislature).

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

(1). Present and Planned Land Uses in the Area:

SCVWA serves a large geographical area which includes most developed territory within the Santa Clarita Valley, both in the City of Santa Clarita and in several surrounding unincorporated communities. The Santa Clarita Valley includes a wide variety of commercial, industrial, institutional, open space, recreational residential, and retail uses. This includes rolling hills and valleys along the Valley’s perimeter as well as flatter areas in the central portion of the Valley. Given existing General Plan and zoning designations, and the availability of open land, development is anticipated to occur in upcoming decades.

Area A is currently zoned OS-NF (Open Space – National Forest) and will most likely remain as this designation. Including this area within the SOI boundaries of the SCVWA will complete the consolidation of the former boundaries of the NCWD (Area A is the only area formerly within the NCWD’s jurisdictional boundary but outside the SCVWA’s jurisdictional boundary).

Area B is designated as Significant Ecological Area and will most likely remain this designation. This area is currently undeveloped as part of a landfill. Including this area within the SOI boundaries of the SCVWA creates a logical boundary line, as the entire landfill ownership is otherwise within the jurisdictional and SOI boundary of the SCVWA.

Area C is developed as residential, including schools and parkland. This area already receives services (formerly served by the VWC). Including this area into the SOI boundaries of the SCVWA accommodates, and is consistent with, a proposed annexation (Annexation No. 2019-08 to the Santa Clarita Valley Water Agency).

Area D is currently zoned as H2 or Residential 2 (two dwelling units per acre) and H5 or Residential 5 (five dwelling units per acre). There is currently no proposed development at this time. Including this area within the SOI boundaries of the SCVWA creates a logical boundary line—Area D is almost completely surrounded by SCVWA on several sides—and inclusion would accommodate future annexation into the SCVWA for water service.

Area E is currently zoned National Forest. These areas are within the jurisdictional boundary of the City of Santa Clarita, but they are outside the boundary of the SCVWA. There is currently no proposed development at this time. Including these areas within the SOI boundaries of the SCVWA would accommodate potential future annexation into the SCVWA for water service.

The Tesoro de Valle developments (Phase A-D) is a master-planned community. Phase A is already developed as residential. The remaining phases (Phase B-D) of the development are pre-zoned by the City of Santa Clarita. Including this area within the SOI boundaries of the SCVWA would provide a logical boundary for potential future annexation into the SCVWA for water service.

(2). Present and Probable Need for Public Facilities and Services in the Area:

As a large, populated area, the Santa Clarita Valley as a whole will continue to require public facilities and services now and in the future.

Areas A, B, D, and E are currently undeveloped and there is no development proposed at this time. These areas would require services if land is eventually developed and an application to annex into the SCVWA submitted for LAFCO consideration at a future time. Area C is an area formerly served by VWC that is currently developed and

receiving services from the SCVWA. Area C is the area that is the subject of a pending application to annex into the SCVWA (Annexation No. 2019-08 to the Santa Clarita Valley Water Agency) consistent with Condition No. 9 imposed by the Commission on April 11, 2018 pursuant to SB 634.

The remaining phases (Phase B-D) of the Tesoro de Valle development, known as Tesoro Highlands, would require an estimated 298 AFY from the District's storage facilities.

(3). Present Capacity of Public Facilities and Services:

As indicated in Chapter 5 of the MSR/SOI Update, the District has sufficient capacity to provide water service to new development. In addition, there is sufficient capacity at the water treatment facilities.

(4). Social or Economic Communities of Interest:

There are two (2) areas of social or economic communities of interest: the City of Santa Clarita and the unincorporated community of Castaic. Both communities are largely within the boundaries of, and receive services from, the SCVWA.

(5). Present and probable need for public facilities or services related to sewers, municipal and industrial water, and structural fire protection for any disadvantaged unincorporated communities within the existing and proposed SOI:

The probable need for structural fire protection and related municipal services are a necessity for disadvantaged unincorporated communities within the existing and proposed SOI. Sewer service for the DUC adjacent to the City of Santa Clarita and within the SCVWA's boundaries is provided by the Santa Clarita Valley Sanitation District of Los Angeles County, water is provided by the SCVWA, and structural fire protection is provided by the County of Los Angeles Fire Department.

FUNCTIONS AND CLASSES OF SERVICES PURSUANT TO GOVERNMENT CODE 56425(i):

The Commission has on file a written statement from the District pursuant to Section 56425(j) of the Government Code specifying the functions and classes of service of the Santa Clarita Valley Water Agency. The Commission is required to establish the nature, location and extent of the District's functions or classes of service in accordance with Government Code Sections 56425(i). Specifically, and as noted by the Commission when it approved the Conditions of Approval No. 2018-01 on April 11, 2018; the functions or classes of services exercised by the SCVWA are:

1. Water;
2. Sewer Facilities;
3. Power Generation; and
4. Recycled Water Service.

CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA) CLEARANCE:

MSRs and SOI Updates are feasibility and planning studies for possible future actions that have not been approved, adopted, or funded. The preparation and adoption of an MSR and SOI Update is statutorily exempt from the provisions of the California Environmental Quality Act (CEQA) pursuant to State CEQA Guidelines Section 15262 as a feasibility and planning study for possible future action. In addition, the MSR and SOI Update for the Santa Clarita Valley Water Agency is exempt from the provisions of CEQA under the common sense exemption in Section 15061(b)(3) of the CEQA Guidelines because it can be seen with certainty that there is no possibility that the recommended studies for the Santa Clarita Valley Water Agency will have a significant effect on the environment. In the alternative, the MSR and SOI Update is not a project for purposes of CEQA because it is an organizational activity of government with no direct or indirect effects on the physical environment and therefore is excluded from the definition of a project, pursuant to Section 15378(b) of the State CEQA Guidelines.

Where there is a determination to expand the Sphere of Influence in the SOI Update, each area of proposed expansion is separately reviewed herein.

The areas identified in the MSR/SOI Update as Areas A, B, D and E are subject to the common sense exemption in 15061(b)(3) of the Guidelines. None of the areas are developed; no development is proposed; and there is no change in land use resulting from the proposed expanded Sphere of Influence. Any development in each Area would require annexation to the SCVWA with appropriate jurisdictional and agency approvals. The common sense exemption applies because the expanded SOI results in no changes in regulation, no changes in land use, and no development will occur as a result of adopting the SOI.

The SOI Update to include Area C is consistent with SB 634, and it is an area that had been served by VWC that has been integrated into the SCVWA service area. This area is the subject of an application for annexation into SCVWA (Annexation No. 2019-08 to the Santa Clarita Valley Water Agency). Area C is also subject to the common sense exemption provided in section 15061(b)(3) of the Guidelines because the SOI expansion to this area results in no changes in regulation, land use or development. The SOI Update is necessary for annexation of the former VWC service area to the SCVWA, which is exempt pursuant to section 15320 of the CEQA Guidelines, as a proposed change of organization or reorganization of local governmental agencies where the changes do not change the geographical area in which previously existing powers are exercised.

The CEQA clearance for the SCVWA SOI expansion related to the Tesoro de Valle development is an Environmental Impact Report (EIR) certified by Los Angeles County in 1999, as lead agency, as supplemented by a Supplemental EIR certified by Los Angeles County, through its Regional Planning Commission, on June 28, 2018. The Commission is a responsible agency pursuant to CEQA and the State CEQA Guidelines Section 15096.

COMMENTS FROM PUBLIC AGENCIES, LANDOWNERS, AND REGISTERED VOTERS:

Staff received comments from:

- Letter of July 23, 2020, from Steve Casullo, District Manager of the Chiquita Canyon Landfill. The letter indicated that the Chiquita Canyon Landfill currently owns two parcels (Area B) which are identified in the MSR/SOI Update, and that Mr. Casullo supports the consultant's recommendation to include Area B in the SOI for the SCVWA.
- Letter of July 30, 2020, from Lynn Jochim, Chief Operating Officer of FivePoint. The letter indicated that Five Point currently owns the land in Area D, and that Mr. Jochim supports the consultant's recommendation to include Area D in the SOI for the SCVWA.
- E-mails July 23-30 from Ed Dunn. Mr. Dunn voiced several concerns about the SCVWA.
- Letter of July 30, 2020 from Stephen L. Cole, Assistant General Manager, SCV Water, addressing several clarifications to the Draft MSR.

Copies of this correspondence are attached to the staff report.

CONSULTANT SOI RECOMMENDATION:

The MSR/SOI Update identified seven (7) potential areas to expand and amend the SOI for the SCVWA: Area A, Area B, Area C, Area D, and Area E, Tapia Ranch and Tesoro de Valle developments (Phase A-D).

CONSULTANT FUTURE STUDIES RECOMMENDATION:

The MSR/SOI Update also recommends future studies, as follows:

- SCVWA consider conducting an agency-wide study so residents in one division do not pay different rates from another division;
- SCVWA consider forming a citizens advisory committee to work with a rate payer advocate;
- Kings LAFCO and/or Kern LAFCO prepare an MSR/update for the Devil's Den Water District to determine the best way to serve that area (the DDWD is located in Kern and Kings Counties); and

- LAFCO consider consolidation with LACWWD 36 into the SCVWA, if both agencies are supportive of such a consolidation.

CONCLUSION:

Staff believes that E Mulberg & Associates has provided an accurate and comprehensive review of the SCVWA, consistent with all MSR requirements in Government Code Section 56430. The document also provides the draft determinations necessary for the Commission to adopt the MSR/SOI Update.

Staff concurs with E Mulberg & Associates recommendations relative to amending the SCVWA SOI to include Area A, Area B, Area C, Area D, Area E, and the Tesoro de Valle development (Phases A-D) studied.

Staff recommends excluding the Tapia Ranch area from the proposed SOI amendment, because the proposed development project is undergoing project review and approvals, including necessary CEQA findings, from the County of Los Angeles as the lead agency.

RECOMMENDED ACTION:

The attached report, maps, and resolution reflect the recommendations of the consultant and LAFCO staff.

In consideration of information gathered and evaluated for the service review of the Santa Clarita Valley Water Agency, staff recommends that the Commission:

1. Open the public hearing and receive testimony on the MSR and SOI update for the Santa Clarita Valley Water Agency;
2. There being no further testimony, close the public hearing;
3. Adopt and approve the MSR/SOI Update (Municipal Service Review and Sphere of Influence Update Santa Clarita Valley Water Agency), as enclosed;
4. Remove Tapia Ranch from the proposed Sphere of Influence amendment for the Santa Clarita Valley Water Agency;
5. Adopt the Resolution Making Determinations, including the California Environmental Quality Act determinations, Approving MSR 2020-06—Municipal Service Review and Sphere of Influence Update for the Santa Clarita Water Agency which amends the existing coterminous Sphere of Influence for the remaining six (6) areas, to include Area A, Area B, Area C, Area D, and Area E; and Tesoro de Valle developments (Phase A-D); and

6. Direct the Executive Officer to add the words “Amended August 12, 2020” to the official Los Angeles LAFCO SOI map for the Santa Clarita Valley Water Agency.

ATTACHMENTS:

- MSR (Municipal Service Review and Sphere of Influence Update Santa Clarita Valley Water Agency)
- Map, Existing Sphere of Influence Santa Clarita Valley Water Agency
- Map, Proposed Sphere of Influence for the Santa Clarita Valley Water Agency
- Letter of July 23, 2020, from Steve Casullo, District Manager of the Chiquita Canyon Landfill.
- Letter of July 30, 2020, from Lynn Jochim, Chief Operating Officer, FivePoint
- E-mails July 23-30 from Ed Dunn
- Letter of July 30, 2020 from Stephen L. Cole, Assistant General Manager, SCV Water, addressing several clarifications to the Draft MSR.

**RESOLUTION NO. 2020-00RMD
RESOLUTION OF THE LOCAL AGENCY FORMATION
COMMISSION FOR THE COUNTY OF LOS ANGELES
MAKING DETERMINATIONS ADOPTING THE
“MSR NO. 2020-06
MUNICIPAL SERVICE REVIEW AND THE SPHERE OF INFLUENCE UPDATE
FOR THE SANTA CLARITA VALLEY WATER AGENCY”**

WHEREAS, Division 3, Title 5, of the California Government Code (commencing with section 56000, the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000), provides that a Local Agency Formation (LAFCO) shall develop and determine a Sphere of Influence (SOI) for each special district (Government Code Section 56425(a)) and that every five years thereafter, the Commission shall, as necessary, review and update each SOI (Government Code Section 56425(g)); and

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; and

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

WHEREAS, the Commission has undertaken the MSR and SOI Update for the Santa Clarita Valley Water Agency (SCVWA); and

WHEREAS, this proposed MSR and SOI Update consists of inhabited territory and is assigned the following short-form designation: “MSR No 2020-06—Municipal Service Review and Sphere of Influence Update for the Santa Clarita Valley Water Agency”; and

WHEREAS, the Executive Officer has submitted to the Commission “Municipal Service Review and Sphere of Influence Update Santa Clarita Valley Water Agency”, including recommendations relative to any potential changes to the existing SOI for the SCVWA; and

WHEREAS, the MSR reflects input provided by SCVWA representatives and other stakeholders; and

WHEREAS, the MSR and SOI Update for the SCVWA contain the determinations required by Section 56430 for the municipal services provided by the SCVWA; and

WHEREAS, a map of the existing SOI of the SCVWA is attached hereto and incorporated by reference herein; and

WHEREAS, a map of the Proposed SOI of the SCVWA is attached hereto and incorporated by reference herein; and

WHEREAS, the Executive Officer set August 12, 2020, as the hearing date on this MSR and SOI update, and gave notice of public hearing pursuant to Government Code Section 56427, wherein the public hearing notice was published in a newspaper of general circulation in the County of Los Angeles on July 20, 2020; and

WHEREAS, on August 12, 2020, after being duly and properly noticed, this proposal came on for hearing, at which time this Commission 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 this proposal and the report of the Executive Officer; and

WHEREAS, for the SCVWA, 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), noting the DUC which is along the southeast boundary of the District and extends beyond the SCVWA's SOI boundaries. This area is provided water service by the SCVWA or from private wells, sewer service by the Santa Clarita Valley Sanitation District of Los Angeles County, and fire service by the County of Los Angeles Fire Department.

WHEREAS, based upon staff review and the feasibility of governmental reorganization identified in Section 56425(h), staff has determined that any such reorganizations will not further the goals of orderly development and affordable service delivery, and therefore will not recommend reorganization of the SCVWA; and

WHEREAS, the proposed action consists of the adoption of the Municipal Service Review and Sphere of Influence Update for the Santa Clarita Valley Water Agency.

NOW, THEREFORE, BE IT RESOLVED as follows:

1. The Commission finds that MSR No. 2020-06—Municipal Service Review and Sphere of Influence Update for the Santa Clarita Valley Water Agency, is exempt from the provisions of the California Environmental Quality Act ("CEQA") because it can be seen with certainty that there is no possibility that the update of the Sphere of Influence of the Santa Clarita Valley Water Agency will have a significant effect on the environment pursuant to State CEQA Guidelines Section 15061(b)(3). The preparation and adoption of a

Municipal Service Review and Sphere of Influence Update is also statutorily exempt from the provisions of the California Environmental Quality Act (CEQA) pursuant to State CEQA Guidelines Section 15262 as a feasibility and planning study for possible future action. In the alternative, this recommendation is not a project for the purposes of CEQA because it is an organizational activity of government with no direct or indirect effects on the physical environment and therefore is excluded from the definition of a project, pursuant to Section 15378(b) of the State CEQA Guidelines. The areas identified in the MSR/SOI Update as Areas A, B, C, D and E are subject to the common sense exemption in 15061(b)(3) of the Guidelines. Areas A, B, D and E are not developed; no development is proposed; and there is no change in land use resulting from the proposed expanded Sphere of Influence. Area C is developed and receiving water service from SCVWA pursuant to SB 634, and there is no change in land use or development resulting from the Sphere of Influence Update. It can be seen with certainty that there is no possibility that the update of the Sphere of Influence for these areas will have a significant effect on the environment. Future proposed annexation of Area C to the SCVWA is exempt pursuant to Section 15320 of the CEQA Guidelines. For the Sphere of Influence Update related to the area involving potential future phases of the Tesoro de Valle development, the Commission, acting as a responsible agency pursuant to

CEQA Guidelines Section 15096, has considered the Final and Supplemental Environmental Impact Reports prepared and certified by the County of Los Angeles in 1999 and June of 2020 for the project; and certifies that the Commission has independently reviewed and considered the information contained in the Environmental Impact Reports and reached its own conclusions regarding the environmental effects of the County's approvals related to the project as shown in the Final and Supplemental Environmental Impact Reports; adopts the mitigation and monitoring report as applicable; and determines that the significant adverse effects of the project have either been reduced to an acceptable level or are outweighed by the specific considerations of the project, as outlined in the Environmental Findings of Fact and Statement of Overriding Considerations; which findings and statement are adopted and incorporated herein by reference as applicable.

2. The Commission adopts the Municipal Service Review and Sphere of Influence Update for the Santa Clarita Valley Water Agency, as prepared by E Mulberg & Associates.
3. The Commission hereby amends the Sphere of Influence of the Santa Clarita Valley Water Agency and makes the following determinations in accordance with Government Code Section 56425(e).
 - A. Present and planned land uses in the area: Area A is currently zoned OS-NF (Open Space – National Forest) and will most likely remain as this designation. Including this area within the SOI boundaries of the SCVWA will complete the consolidation of the former boundaries of

the NCWD. Area B is designated as Significant Ecological Area and will most likely remain as this designation. This area is currently undeveloped as part of a landfill. Including this area within the SOI boundaries of the SCVWA creates a logical boundary line. Area C is developed as residential, including schools and parkland. This area already receives services (formerly served by the VWC). Including this area into the SOI boundaries of the SCVWA allows for a potential future annexation (Annexation No. 2019-08 to the Santa Clarita Valley Water Agency, pending before LAFCO). This fulfills Condition No. 9, which was imposed by the Commission, on April 11, 2018, pursuant to SB 634. Area D is currently zoned as H2 or Residential 2 (two dwelling units per acre) and H5 or Residential 5 (five dwelling units per acre). There is currently no proposed development at this time. Including this area within the SOI boundaries of the SCVWA creates a logical boundary line and it would accommodate the potential future annexation into the SCVWA for water service. Area E is currently zoned National Forest. There is currently no proposed developed at this time. Including this area within the SOI boundaries of the SCVWA would accommodate the potential future annexation into the SCVWA for water service. The Tesoro de Valle developments (Phase A-D) is a master-planned community. Phase A is already developed as residential. The remaining phases (Phase B-D) of the development are pre-zoned by the City of Santa Clarita. Including this area within the SOI boundaries of the SCVWA would accommodate the potential future annexation into the SCVWA for water service.

- B. Present and probable need for public facilities and services in the area: Area A and Area B are currently not served but would require services if land is eventually developed. Area C is currently developed and receiving services from the SCVWA. Area D is currently undeveloped with no proposed development at this time. Area E is currently not served by the SCVWA but would require service for any potential development. The remaining phases (Phase B-D) of the Tesoro de Valle development, known as Tesoro Highlands, would require an estimated 298 AFY from the District's storage facilities.
- C. Present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide: As indicated in Chapter 5 of the MSR/SOI Update, the District has sufficient capacity to provide water service to new development. In addition, there is sufficient capacity at the water treatment facilities.

- D. Existence of any social or economic communities of interest: There are two (2) areas of social or economic communities of interest: the City of Santa Clarita and the unincorporated community of Castaic. Both of these communities are within the boundaries of, and receive water service from, the SCVWA.
 - E. Present and probable need for public facilities or services related to sewers, municipal and industrial water, and structural fire protection for any disadvantaged unincorporated communities within the existing and proposed SOI. The DUC located along the southeast boundary of the District and extends beyond the SCVWA's SOI boundaries. This area is served by the SCVWA or from private wells, sewer service is provided by the Santa Clarita Valley Sanitation District of Los Angeles County, and fire service is provided by the County of Los Angeles Fire Department.
4. The Commission has on file a written statement of the functions and classes of service of the Santa Clarita Valley Water Agency and is required to establish the nature, location and extent of any functions or classes of service and that it provides accordance with Government Code Sections 56425(i).
5. The affected territory is inhabited and is assigned the following short form designation: "MSR No. 2020-06—Municipal Service Review and Sphere of Influence Update for Santa Clarita Valley Water Agency".
6. A map of the Proposed SOI of the SCVWA is attached hereto and incorporated by reference herein.
7. The Executive Officer's staff report and recommendations for adoption of the MSR and adoption of an SOI Update for the Santa Clarita Valley Water Agency is attached hereto and incorporated by reference herein.

8. The Executive Officer is hereby directed to add the words “Amended August 12, 2020” to the official LAFCO SOI map for the Santa Clarita Valley Water Agency.
9. The Executive Officer is hereby authorized and directed to mail copies of this resolution as provided in Section 56882 of the Government Code.
10. Pursuant to Government Code 56883, the Executive Officer may make non-substantive corrections to this resolution to address any technical defect, error, irregularity, or omission.

PASSED AND ADOPTED this 12th day of August 2020.

MOTION:

SECOND:

AYES:

NOES:

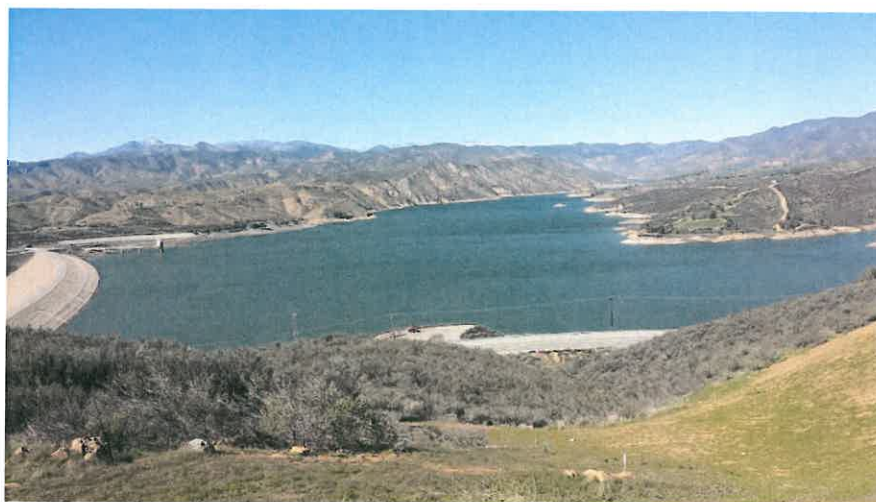
ABSTAIN:

ABSENT:

MOTION PASSES:

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

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



Draft

**Municipal Service Review and
Sphere of Influence Update**

Santa Clarita Valley Water Agency

**Local Agency Formation Commission
for the
County of Los Angeles**

August 3, 2020

E Mulberg & Associates

P.O. Box 582931
Elk Grove, CA, 95758
916.217.8393

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DRAFT

Acronyms

ACWA/JPIA	Association of California Water Agencies / Joint Powers Insurance Authority
AF	acre feet
AFY	acre feet per year
BV-RRB	Buena Vista Water Storage District/Rosedale-Rio Bravo Water Storage District
BVWSD	Buena Vista Water Storage District
CalPERS	California Public Employees Retirement System
CCF	100 cubic feet or 748 gallons
CEQA	California Environmental Quality Act
CERBT	California Employers' Retiree Benefit Trust
CIP	Capital Improvement Plan
City	City of Santa Clarita
CKH	Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000
CLWA	Castaic Lake Water Agency
COP	Certificate of Participation
Commission	LAFCO
DDW	California State Water Resources Control Board Division of Drinking Water
DDWD	Devil's Den Water District
DWR	Department of Water Resources
FY	Fiscal Year
GSA	Groundwater Sustainability Agency
GSP	Groundwater Sustainability Plan
GWMP	Groundwater Management Plan
Initial Plan	Initial Groundwater Operating Plan
IRWMP	Integrated Regional Water Management Plan
JPA	Joint Powers Authority
LACWWD #36	Los Angeles County Waterworks District No. 36, Val Verde
LA LAFCO	Local Agency Formation Commission for the County of Los Angeles
LAFCO	Local Agency Formation Commission
MCL	Maximum Contaminant Level
mgd	million gallons per day
MG	million gallons
MHI	Median Household Income
MOU	Memorandum of Understanding
MSR	Municipal Service Review
MW	mega watts
NCWD	Newhall County Water District
NWD	Newhall Water Division

OPEB	Other Post-Employment Benefits
PFAS	Per- and polyfluoroalkyl substances
PFOA	perfluorooctanoic acid
PFOS	perfluorooctanesulfonic acid
ppt	parts per trillion
RHF	Rolling Hills Farms
RRBWSD	Rosedale-Rio Bravo Water Storage District
RWMP	Recycled Water Master Plan
SB X7-7	Water Conservation Act of 2009
SB 634 (Wilk)	SB 634, Wilk, Santa Clarita Valley Water Agency
SCVWA	Santa Clarita Valley Water Agency
SCV Water	Santa Clarita Valley Water Agency
SCVWUESP	Santa Clarita Valley Water Use Efficiency Strategic Plan
SCWD	Santa Clarita Water Division
SGMA	Sustainable Groundwater Management Act
SOI	Sphere of Influence
SR14	State Route 14
SWP	State Water Project
SWRU	Stored Water Recovery Unit
SWSD	Semitropic Water Storage District
UAAL	Unfunded Actuarial Accrued Liability
UWMP	Urban Water Management Plan
Valley	Santa Clarita Valley
VWC	Valencia Water Company
VWD	Valencia Water Division
WRP	Water Reclamation Plant

1: INTRODUCTION

The fundamental role of a Local Agency Formation Commission (LAFCO) is to implement the Cortese-Knox-Hertzberg (CKH or Act) Local Government Reorganization Act of 2000 (Government Code §56000, et seq.), providing for the logical, efficient, and most appropriate formation of local municipalities, service areas, and special districts. The CKH requires all LAFCOs, including the Local Agency Formation Commission for the County of Los Angeles (LA LAFCO or Commission), to conduct a Municipal Service Review (MSR) when needed or in advance of revising an agency's Sphere of Influence (SOI).

1.1 – Purpose of the Municipal Service Review

Pursuant to CKH (Government Code Section 56430) the Commission (LAFCO) must make a determination for each of the following seven elements:

1. **Growth and population projections for the affected area.** This section reviews projected growth within the existing service boundaries of the district and analyzes the district's plans to accommodate future growth.
2. **The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence.** A disadvantaged unincorporated community is defined as one with a median household income of 80% or less of the statewide median income.
3. **Present and planned capacity of public facilities and adequacy of public services including infrastructure needs or deficiencies.** This section discusses the services provided including the quality and the ability of the district to provide those services, and it will include a discussion of capital improvement projects currently underway and projects planned for the future where applicable.
4. **Financial ability of agencies to provide services.** This section reviews the district's financial data and rate structure to determine its fiscal viability and ability to meet service demands. It also addresses funding for capital improvement projects.
5. **Status of and opportunities for shared facilities.** This section examines efficiencies in service delivery that could include sharing facilities with other agencies to reduce costs by avoiding duplication.

6. **Accountability for community service needs, including government structure and operational efficiencies.** This section examines the district’s current government structure and considers the overall managerial practices. It also examines how well the district makes its processes transparent to the public and encourages public participation.
7. **Any other matters related to effective or efficient service delivery, as required by commission policy.** This section includes a discussion of any LA LAFCO policies that may affect the ability to provide efficient services.

This MSR will provide LA LAFCO with an informational document that analyzes current service provision by the Santa Clarita Valley Water Agency.

The Santa Clarita Valley Water Agency (SCVWA or Agency or District) was formed by special legislation, SB 634 (Wilk), signed in 2017. Exhibit 1-1 shows the boundaries of the SCVWA. To date the Agency has not had a formal MSR. LAFCO has adopted a Municipal Service Review for the predecessor agencies, the Castaic Lake Water Agency, and the Newhall County Water District in 2005. CKH requires the MSR to be conducted before, or in conjunction with, its action to establish or update the SOI for the Agency. Key sources for this study include agency-specific information gathered through a questionnaire, strategic plans, general plans, websites, financial reports, agency audits, research, personal communication, and the Municipal Service Review Guidelines published by the Governor’s Office of Planning and Research.

1.2 – Sphere of Influence

This report will also include an analysis of the proposed Sphere of Influence (SOI) for the Agency. There are five determinations that must be made to update the SOI. The Commission must consider:

1. **Present and planned land uses in the area, including agricultural and open space lands.** This consists of a review of current and planned land uses based on planning documents, including agricultural and open-space lands.
2. **Present and probable need for public facilities and services.** This includes a review of the services available in the area and the need for additional services.
3. **Present capacity of public facilities and adequacy of public services provided by the agency.** This section includes an analysis of the capacity of public facilities and the adequacy of public services that the Agency provides or is authorized to provide.
4. **Social or economic communities of interest.** This section discusses the existence of any social or economic communities of interest in the area if the Commission

determines that they are relevant to the Agency. These are areas that may be affected by services provided by the Agency or may be receiving services in the future.

5. **Present and probable need for services to disadvantaged communities.** Beginning July 1, 2012, the Commission must also consider services to disadvantaged communities which are defined as populated areas within the SOI whose median household income is less than or equal to 80% of the statewide median income.

1.3 – California Environmental Quality Act (CEQA)

Actions taken by LAFCO require review under CEQA. Municipal service reviews are exempt from CEQA pursuant to sections 15306, 15262 and 15061 of the State CEQA Guidelines as data collection, research, resource evaluation activities or feasibility and planning studies for possible future action that have not been approved, adopted, or funded. The common sense exemption (section 15061) applies where it can be seen with certainty that there is no possibility of a significant effect on the environment. In the alternative, the MSR is not a project for purposes of CEQA because it is an administrative or organizational activity of government with no direct or indirect effects on the physical environment and is therefore excluded from the definition of a project, pursuant to section 15378(b) of the State CEQA Guidelines.

A Sphere of Influence determination is similarly subject to analysis under CEQA. Each area proposed for an expanded Sphere of Influence is reviewed according to its unique circumstances and factual information relating to potential environmental impacts. If the Commission finds that the update results and expanded Sphere of Influence for the Agency, as described, results in no changes in regulation, no changes in land use, or that no development will occur as a result of adopting the Sphere, then the update would qualify for the common sense exemption under CEQA.

1.4 – Uses of the Municipal Service Review

The MSR is used to study the operations of a local agency, identify agencies unable to perform their mandated services, or identify ways to provide more effective, efficient services. Government Code §56375 allows LAFCO to act on recommendations found in the MSR, such as initiating studies for changes of organization, updating the SOI, or originating a change of organization or reorganization.

Studies in anticipation of a change of organization are useful to identify potential issues that may arise during the process. Issues can range from legal barriers to fiscal constraints to

concerns of residents and landowners. A study allows more focused analysis and the opportunity to resolve issues or options before beginning the process.

The MSR also provides the necessary information to help LAFCO make decisions on the proposed SOI Update. In evaluating an SOI, the MSR provides the information necessary to determine if the agency has the capability to serve a larger area. The MSR discusses the financial condition of the district, source of revenues, and projected expenses. It also includes a discussion of the projected infrastructure needs that would allow for expansion of those services.

The MSR can also recommend changes of organization: consolidation, dissolution, merger, establishment of a subsidiary district, or the creation of a new agency that typically involves a consolidation of agencies. Those changes of organization may also require an environmental review, a property tax sharing agreement, and an election.

1.5 – Agency Profile

The Santa Clarita Valley Water Agency (SCVWA) was formed by special legislation, SB 634 (Wilk), that was passed and signed into law in 2017. As noted in Section 2.5 of SB 634:

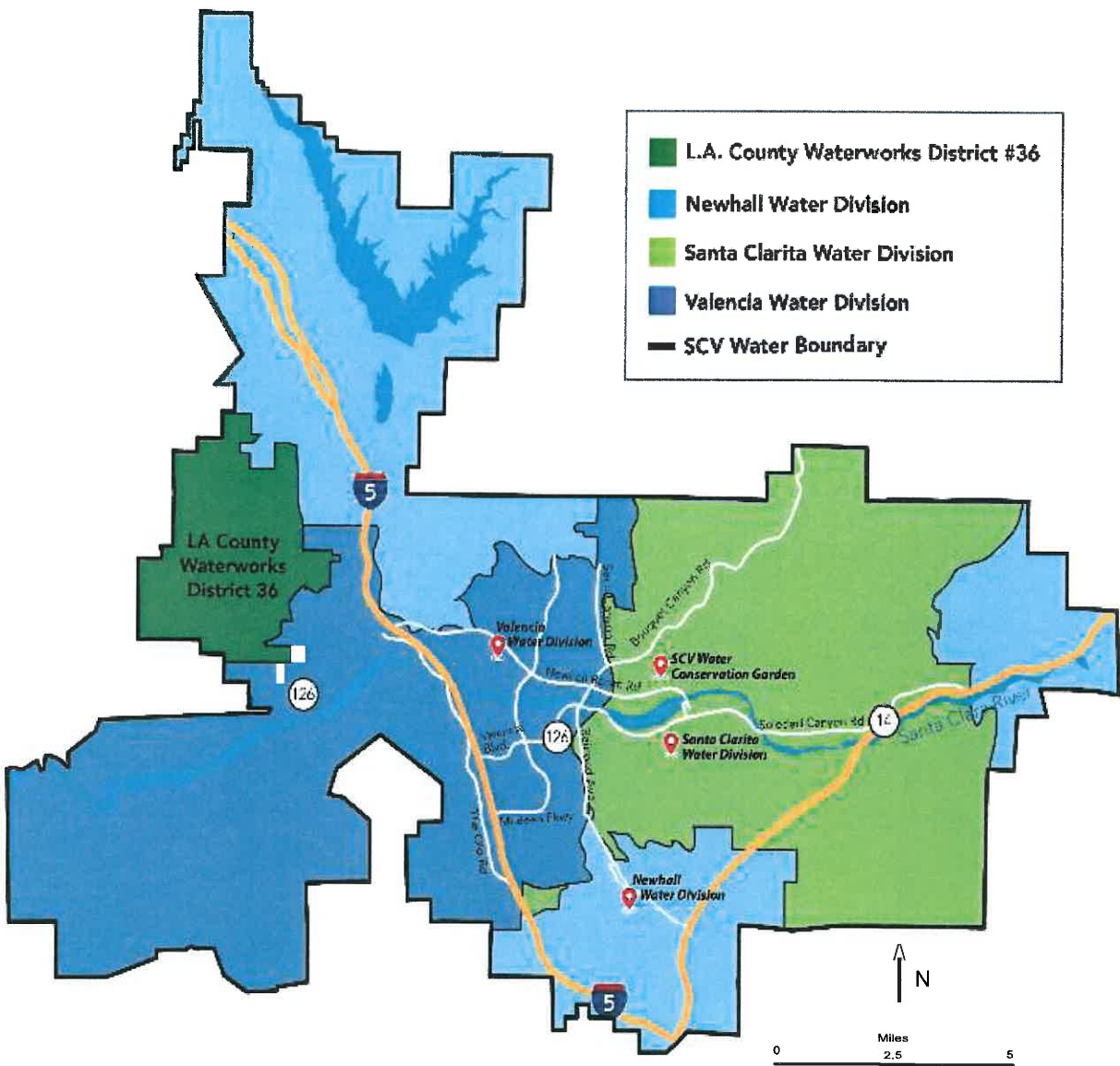
“The purpose of the agency is to unify and modernize water resource management within the Santa Clarita Valley through the efficient, sustainable, and affordable provision, sale, management, and delivery of surface water, groundwater, and recycled water for municipal, industrial, domestic, and other purposes at retail and wholesale within the territory of the agency and to do so in a manner that promotes the sustainable stewardship of natural resources in the Santa Clarita Valley.”

The legislation consolidated the water purveyors in the Santa Clarita Valley in and around the City of Santa Clarita and north to Castaic Lake.

The Agency is located in the northwest portion of Los Angeles County about 30 miles north of the City of Los Angeles where Interstate-5 (I-5) and State Route 14 (SR14) converge. SCVWA includes approximately 195 square miles or approximately 124,000 acres. The boundaries generally reflect the boundary of the former CLWA and the former NCWD. Exhibit 1-1 shows the Agency boundaries.

The Agency services include the sale, management and delivery of surface water, groundwater, and recycled water for 74,733 connections, serving industrial, residential, and commercial customers. In addition, the agency also inherited sewer transmission services from the former NCWD. The Agency is working with the City to transfer those services.

EXHIBIT 1-1: SANTA CLARITA VALLEY WATER AGENCY BOUNDARY MAP



Source: SCVWA 2019c.

Table 1-1 summarizes general information about the Agency which will be elaborated upon in succeeding sections of this MSR.

Table 1-1: General Information

1. General Information			
Agency	Santa Clarita Valley Water Agency		
Address	27234 Bouquet Canyon Road, Santa Clarita, CA 91350		
Principal Act	Senate Bill 634 (Wilk)		
Date Formed	January 1, 2018		
Population	Approximately 273,000		
Services Provided	Sale, management and delivery of surface water, groundwater, recycled water, and sewer transmission in a limited area in the former NCWD		
Contact Person	Steve Cole, Assistant, General Manager, 661-297-1600		
Website	www.yourscvwater.com		
GOVERNANCE			
Board of Directors	12; four from each division and one from LACWWD #36		
Compensation	\$228.15 /day up to 10 days per month		
Public Meetings	1 st and 3 rd Tuesdays at 6:30 pm at 27234 Bouquet Canyon Road		
OPERATIONS			
Number of Employees	220		
Current Service Area	74,733 connections over 195 square miles		
Current Facilities	Earl Schmidt Filtration Plant and Rio Vista Water Treatment Plant, Saugus Well No. 1 and 2 perchlorate treatment plant, 47 wells (41 currently operational), 99 storage facilities/tanks, 64 pumping facilities/pump stations, 887 miles of pipe ranging from 2 – 102-inches in diameter, 141,000 AF banked in Kern County. The agency also inherited sewer transmission services from NCWD. The Agency is working with the City of Santa Clarita to transfer those services to the City.		
FISCAL TRENDS	FY 2018-19 Actual (\$)	FY 2019-20 Budget (\$)	FY 2020-21 Budget (\$)
Total Revenues	155,248,521	159,376,669	172,412,505
Total Expenditures	130,551,488	159,376,669	172,412,505
Infrastructure Investment	29,192,488	59,466,158	112,279,056
Debt Outstanding Principal *	389,462,199	364,530,281	346,336,063

Source: SCVWA 2018c, 2019e, f, 2020d. Martin 2020. * Note: Includes principal on VWD acquisition loan.

Many of the agencies that came together to form SCVWA have been serving the area for over 50 years. In 1962, the Legislature created the Upper Santa Clarita Valley Water Agency to provide State Water Project (SWP) water from the California Aqueduct to the Santa Clarita Valley. The agency was subsequently renamed Castaic Lake Water Agency. The CLWA was

authorized to deliver wholesale water to agencies that serve water to retail customers. Initially, four retail water agencies received water from CLWA, two public and two private. The public agencies were Los Angeles County Waterworks District #36, Val Verde (LACWWD #36) and Newhall County Water District (NCWD). Private agencies included the Santa Clarita Water Company (SCWC) and the Valencia Water Company (VWC).

The LACWWD #36 was established in 1963 to provide water to retail customers within the Val Verde Community. LACWWD #36 currently serves a population of 5,200 through 1,350 connections. The LACWWD #36's water supply is composed of imported water purchased from SCVWA and groundwater from one well drilled into the Saugus Formation beneath the District's Service Area. For most of its existence, the supply in the District was split 50/50 between imported water and groundwater. More recently, the District has been improving its groundwater capabilities by adding an additional well, which could ultimately lead to relying solely on groundwater. While LACWWD #36 will not be the subject of this MSR, a brief review will be included along with a discussion of future service delivery options within the District.

The NCWD was originally formed on January 13, 1953 as a County Water District. NCWD was governed by a five-member board elected at large to four-year staggered terms. NCWD boundaries encompassed approximately 37 square miles in portions of the City of Santa Clarita and unincorporated Los Angeles County. The NCWD provided potable water to a population of 45,000 with 10,000 connections to Newhall, Canyon Country (Pinetree), Saugus (Tesoro) and Castaic.

The SCWC was formed in 1973 as the result of a merger between Bouquet Water Company and Solemint Water Company. In 1999, CLWA acquired the stock of the Santa Clarita Water Company to provide retail water services as a public agency. It became the Santa Clarita Water Division (SCWD) of CLWA. SCWD serves a population of approximately 84,000 with 31,650 connections in a 32-square-mile area. The water source is split between imported water from CLWA and 15 groundwater wells.

The VWC was an investor owned retail water company regulated by the California Public Utilities Commission. VWC is the largest water retailer in the Santa Clarita Valley, serving a population of approximately 113,000 with 30,000 connections in Valencia, Stevenson Ranch, and portions of Newhall, Saugus, and Castaic. Prior to consolidation, VWC customers received water from two sources, imported water from CLWA and groundwater wells.

In addition, SB 634 (Wilk) required SCVWA to "take the appropriate steps to authorize the dissolution of the Valencia Water Company and the transfer of the company's assets, property, liabilities, and indebtedness to the agency ..." by January 31, 2018. Consistent with this requirement, the Agency Board of Directors approved a plan of dissolution of Valencia Water Company on January 9, 2018, and dissolution formally occurred on January 22, 2018. At that

time, the Agency became the successor to the assets, property, liabilities, and indebtedness of VWC. The Agency accounts for the revenues, expenses and debt allocated to retail service within the boundaries of the former VWC through a newly formed Valencia Water Division of the Agency. As required by the Agency Act, the retail debt of the VWC immediately prior to dissolution may only be paid from revenues from the Agency's retail Valencia Water Division. Similarly, SB 634 (Wilk) required that existing debt from SCWD and NCWD be paid from corresponding retail divisions of the new agency.

1.6 – Mutual Water Companies

AB 54 (Solorio) was enacted in 2011 and added several requirements and responsibilities to the management of Mutual Water Companies (MWC) effective January 1, 2012. Corporations Code §14301.1 requires that each mutual water company submit a map to LAFCO showing its service area by December 31, 2012. In addition, a mutual must respond to a request for non-confidential information from a LAFCO in conjunction with preparation of a municipal service review or Sphere of Influence.

The SCVWA also provides water to 10 mutual water companies. A mutual water company is defined as “Any private corporation or association organized for the purposes of delivering water to its stockholders and members at cost, including use of works for conserving, treating and reclaiming water” (California Public Utilities Code §2725). Table 1-2 lists the mutual water companies in SCVWA boundaries and the number of customers. The table shows that the number of units or shareholders ranges from 90 in Ben Shur to 10 in Sutter’s Pointe and Sienna Ridge. Exhibit 1-2 shows the mutual water company’s location with respect to the Agency’s boundaries.

Table 1-2: Mutual Water Companies in SCVWA and Units Served

Name	Customers (units)
Ben Shur	90
Homeowners	82
New Mint	63
Oak Springs Canyon — serves 17 units	17
Olympic Crest	21
Property Owners	44
Sand Canyon	58
Shangri La	72
Sutter’s Pointe	10
Sienna Ridge	10
Total	467

Source: SCVWA 2019d.

2: EXECUTIVE SUMMARY

2.1 – Role and Responsibility of LAFCO

The fundamental role of a Local Agency Formation Commission (LAFCO) is to implement the Cortese-Knox-Hertzberg (CKH) Local Government Reorganization Act of 2000 (Government Code §56000, et seq.), providing for the logical, efficient, and most appropriate formation of local municipalities, service areas, and special districts. CKH requires all LAFCOs, including LA LAFCO, to conduct a Municipal Service Review (MSR) prior to updating the Sphere of Influence (SOI) of the various cities and special districts in the County (Government Code §56430). CKH requires an MSR and SOI update to be completed periodically.

The focus of this MSR is to provide LA LAFCO with all necessary and relevant information related to the Santa Clarita Valley Water Agency (SCVWA). It will allow LA LAFCO to make determinations in each of the seven areas prescribed by CKH. This MSR evaluates the structure and operation of the Agency and discusses possible areas for improvement and coordination. The report contains one section for each of the following seven elements as prescribed by CKH:

1. Growth and Population Projections for the Affected Area.
2. The Location and Characteristics of Any Disadvantaged Unincorporated Communities Within or Contiguous to the Sphere of Influence.
3. Present and Planned Capacity of Public Facilities and Adequacy of Public Services Including Infrastructure Needs or Deficiencies.
4. Financial Ability of Agencies to Provide Services.
5. Status of and Opportunities for Shared Facilities.
6. Accountability for Community Service Needs, Including Government Structure and Operational Efficiencies.
7. Any Other Matters Related to Effective or Efficient Service Delivery, as Required by Commission Policy.

An MSR is used to examine the operations of each local agency, identify agencies unable to perform their mandated services, or identify ways to provide more effective, efficient services. Government Code §56375 allows LAFCO to take action on recommendations found in the MSR, such as initiating studies for changes of organization, updating the SOI, or initiating a change of organization or reorganization.

This report also includes SOI recommendations and analysis. CKH requires LAFCO to adopt an SOI and map for each city and each special district in the County. The Sphere of Influence is defined by CKH in Government Code §56076 as “a plan for the probable physical boundary and service area of a local agency or municipality as determined by the Commission.”

The Commission must make determinations with respect to the following five factors when establishing or reviewing a Sphere of Influence:

1. Present and planned land uses in the area, including agricultural and open space lands.
2. Present and probable need for public facilities and services.
3. Present capacity of public facilities and adequacy of public services provided by the agency.
4. Social or economic communities of interest.
5. Present and probable need for services to disadvantaged communities.

An SOI may be amended or updated. An amendment is a relatively limited change to the SOI or map to accommodate a specific project. An update is a comprehensive review of the Sphere that includes the map and relevant portions of one or more MSRs. CKH requires updates at least every five years or as needed.

2.2 – Agency Profile

The Santa Clarita Valley Water Agency (SCVWA) was formed by special legislation, SB 634 (Wilk), that was passed and signed into law in 2017. The Santa Clarita Valley Water Agency (SCVWA) was formed by special legislation, SB 634 (Wilk), that was passed and signed into law in 2017. As noted in Section 2.5 of SB 634:

“The purpose of the agency is to unify and modernize water resource management within the Santa Clarita Valley through the efficient, sustainable, and affordable provision, sale, management, and delivery of surface water, groundwater, and recycled water for municipal, industrial, domestic, and other purposes at retail and wholesale within the territory of the agency and to do so in a manner that promotes the sustainable stewardship of natural resources in the Santa Clarita Valley.”

The legislation consolidated the water purveyors in the Santa Clarita Valley in and around the City of Santa Clarita and north to Castaic Lake.

The Agency is located in the northwest portion of Los Angeles County about 30 miles north of the City of Los Angeles where Interstate-5 (I-5) and State Route 14 (SR 14) split. SCVWA includes

approximately 195 square miles or approximately 124,000 acres. The Agency services include the sale, management and delivery of surface water, groundwater, and recycled water for 74,733 connections, serving industrial, residential, and commercial customers. Exhibit 1-1 shows the SCVWA boundaries.

Many of the agencies that came together to form SCVWA have been serving the area for over 50 years. In 1962, the Legislature created the Upper Santa Clarita Valley Water Agency to provide State Water Project (SWP) water from the California Aqueduct to the Santa Clarita Valley. The agency was subsequently renamed Castaic Lake Water Agency (CLWA). The CLWA was authorized to deliver wholesale water to agencies that deliver water to retail customers. Initially, four retail water agencies received water from CLWA, two public and two private. The public agencies were Los Angeles County Waterworks District #36 Val Verde (LACWWD #36) and Newhall County Water District (NCWD). Private agencies included the Santa Clarita Water Company (SCWC) and the Valencia Water Company (VWC).

The LACWWD #36 was established in 1963 to provide water to retail customers within the Val Verde Community. LACWWD #36 currently serves a population of 5,200 through 1,350 connections. As shown in Exhibit 1-1, the District is entirely within SCVWA boundaries. The LACWWD #36's water supply is composed of imported water purchased from SCVWA and groundwater from one well drilled into the Saugus Formation beneath the District's Service Area. For most of its existence, the water supply in the District was split 50/50 between imported water and groundwater. More recently, the District has been improving its groundwater capabilities by adding an additional well, which could ultimately lead to relying solely on groundwater. While LACWWD #36 will not be the subject of this MSR, a brief review will be included along with a discussion of future service delivery options within the District.

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The VWC was an investor owned water company regulated by the California Public Utilities Commission. VWC was the largest water retailer in the Santa Clarita Valley, serving approximately 113,000 residents in Valencia, Stevenson Ranch, and portions of Newhall, Saugus, and Castaic. VWC customers receive water from two sources, split 50/50 between imported water from CLWA and groundwater wells.

SB 634 (Wilk) went into effect on January 1, 2018 and required the Santa Clarita Valley Water Agency to "take the appropriate steps to authorize the dissolution of the Valencia Water Company and the transfer of the company's assets, property, liabilities and indebtedness to the agency ..." by January 31, 2018. Consistent with this requirement, the SCVWA Board of Directors approved a plan of dissolution of VWC on January 9, 2018, and dissolution formally occurred on January 22, 2018. At that time, the Agency became the successor to the assets, property, liabilities, and indebtedness of VWC. The Agency accounts for the revenues, expenses and debt allocated to retail service within the boundaries of the former VWC through a newly formed Valencia Water Division of the SCVWA. As required by the Agency Act, the retail debt of the VWC immediately prior to dissolution may only be paid from revenues from the Agency's retail Valencia Water Division. Similarly, SB 634 (Wilk) required that existing debt from SCWD and NCWD be paid from corresponding retail divisions of the new agency.

2.3 – Population Projections

The 2015 Urban Water Management Plan (UWMP) estimates the current population of the SCVWA as 273,000. It is estimated there will be a slower growth rate than in recent history of about 2% per year through 2035. The 2015 UWMP estimates growth in the service area to a population of 396,100 by 2040.

2.4 – Disadvantaged Unincorporated Communities

Senate Bill 244 (Wolk) was a significant piece of LAFCO-related legislation passed in 2011. This bill required LAFCO to make determinations regarding disadvantaged unincorporated communities or DUCs. They are defined as inhabited, unincorporated territory that constitutes all or a portion of a community with an annual median household income that is less than 80% of the statewide annual median household income (MHI).

In 2018, 80% of the statewide median household income was \$56,982. There are two DUCs identified in Exhibit 4-1. One area was identified as a DUC that met the income requirement in the vicinity of Canyon Country adjacent to the City of Santa Clarita, but within Agency boundaries. There is a second DUC along the southeast boundary of the Agency. Part of the area is within SCVWA and the remaining portion is adjacent and beyond the he SOI. Both areas

are likely to receive water from SCVWA or from private wells in areas outside the Agency. They receive fire protection from Los Angeles County Fire Department, and sewer service from Santa Clarita Valley Sanitation District of Los Angeles County.

2.5 – Present and Planned Capacity of Public Facilities

The SCVWA is a consolidated agency of four former water purveyors (CLWA, NCWD, VWC, and the Santa Clarita Water Division). As a wholesale and retail agency, SCVWA supplies come from State Water Project (SWP) water (wholesale), groundwater, banked water, and recycled water.

SCVWA operates two water treatment plants with a combined capacity of 122 million gallons per day (mgd) and a separate perchlorate treatment facility for the Saugus Formation wells that has a capacity of 3 mgd. Combined treated water storage of SCVWA totals approximately 204 million gallons (MG) of water in 99 storage facilities/tanks, which can be gravity fed to Santa Clarita Valley (Valley) businesses and residences, even if there is a power outage. The system includes 64 pumping facilities/pump stations in the Santa Clarita Valley, delivering water through 861 miles of pipe ranging from 2 to 102-inches in diameter.

SCVWA receives wholesale water from the State Department of Water Resources via the State Aqueduct system under a long-term contract through the Castaic Reservoir. In addition, it has a contract for raw water with the Buena Vista Water Storage District and the Rosedale-Rio Bravo Water Storage District (BV-RRB) for up to 11,000 acre feet per year (AFY) through 2036 which may be extended.

SCVWA supplies include groundwater from 47 wells in the Alluvial and Saugus Formation. The 47 wells are capable of pumping 77,820 gpm, a maximum capacity of 125,505 AF, 39,040 AF in a normal year and 58,830 AF in a dry year. Currently 41 wells are operational. Other sources such as banking, 10,000 AF, recycled water, 450 AF, and imported water, 75,387 AF, provide nearly another 100,000 AF. Total available supply is approximately 200,000 AF, while demand increases from 57,000 AF in 2015 to a projected 93,900 AF in 2050. Thus, SCVWA is projected to have ample capacity.

Wastewater treatment is provided by the Santa Clarita Valley Sanitation District of Los Angeles County. However, SCVWA does provide wastewater collection services, but no treatment, within a portion of what was the NCWD. At the time of consolidation, NCWD was in the process of transferring that responsibility to the City of Santa Clarita (City). The Agency is continuing to move forward with that process. Currently, SCVWA is working with the Spring Canyon Development, the City, and the County of Los Angeles to identify improvements necessary to the existing sewage lift station and force main to allow for transfer to the City.

SCVWA is also working on completing the transfer of the last section, Sand Canyon Road to the Vista Canyon, through grant funding.

2.6 – Financial Ability to Provide Service

The SCVWA adopts a two-year budget and recently adopted a balanced budget for FY 2019-20 and FY 2020-21. The Agency anticipates spending approximately \$159 million in FY 2019-20 and approximately \$172 million in FY 2020-21. For FY 2018-19, the Agency anticipates \$131 million in expenses offset by \$155 million in revenues.

The Agency has set up its accounting system by division. There is one regional division which tracks imported water and wholesale customers. There are three retail divisions that serve residential and commercial customers.

The Agency recently completed its first full year audit of the consolidated agency. The largest expense is depreciation and amortization. Largest expenses are sources of water supply and the purchase of water from SWP. Agency-wide interest expense and administration are 12% and 14%, respectively.

Reviewing revenues and expenses for the divisions shows the largest source of revenues for the Regional Division is property tax, while the largest source for retail divisions is water sales, as expected. The source of water is a large portion of expenses for all divisions. Also noteworthy is the share of Valencia and Newhall administrative expenses. The Agency has determined those costs are due to the way the financial system, used by VWC and NCWD prior to Agency formation, tracks expenses. The Agency is working to update its financial system which should resolve the problem.

Total debt of the consolidated agency includes Certificates of Participation (COPs) and Revenue Bonds and the VWD Acquisition Loan for a total outstanding principal of \$389 million as of June 30, 2019. The Agency plans to pay down the debt by approximately \$36 million each year over the next two years.

Water rates were set according to studies completed before consolidation. Ratepayers pay a base rate plus a commodity charge per one hundred cubic feet or CCF. Each retail agency has a different rate.

The Agency has a Capital Improvement Plan (CIP). Regional projects are funded by the Capital Project Fund and property tax revenues. Retail projects are funded by water rates, reserves, and connection fees. The Agency expects to fund \$67.1 million for regional and \$45.7 million for retail divisions totaling \$112.8 million.

SCVWA is guided by its financial policies when developing a budget. Policies include its Investment Policy, Debt Management Policy, Disclosure Procedure Policy, Derivatives Policy, Purchasing Policy, Capitalization Policy, Wire Transfer Policy, and Reserve Funds Policy. The Agency has sufficient reserves for 1,231 days for the Regional Division and 274 days for the retail divisions.

Prior to the consolidation, NCWD's past OPEB liabilities were fully funded and held in a trust (CERBT-California Employers' Retiree Benefit Trust). CLWA/SCWD past liabilities were also held in a CERBT trust, but past liabilities were not fully funded. As part of the consolidation, employee benefits between CLWA and NCWD were aligned and the Agency engaged a consultant to do an actuarial study to estimate liabilities. In February of 2020, the Agency made a payment of \$5,034,331 so that OPEB is up to date. Each year the budget allocates a prepayment to keep the total over time up to date.

2.7 – Status of and Opportunities for Shared Facilities

The Agency projects savings from the previous existing separate agencies of nearly \$20 million by the end of FY 2020-21 due to the consolidation and economies of scale. The Agency participates in a number of Joint Powers Authorities (JPAs) that allow it to share costs with other agencies and improve service. They range from the State Water Project Contractors Authority to the Groundwater Sustainability Agency (GSA) to the Association of California Water Agencies / Joint Powers Insurance Authority (ACWA/JPIA), which allows the Agency to realize savings in insurance costs.

Management efficiencies are often measured by whether the Agency has planning activities, both long range and short range. The Agency has demonstrated management efficiencies by several planning tools ranging from its two-year budget, Capital Improvement Plan, Asset Management Plan, and its five-year strategic plan.

2.8 – Accountability and Governance

The Agency is governed by a 12-member Board of Directors representing its three electoral divisions. The 12 includes one appointed member representing LACWWD #36. The LACWWD #36 seat expires in 2023 (SB 634 10(c)). Eventually the 12 members will be reduced to nine members, Membership will be reduced as terms expire, by vacancies, and by eliminating the appointed position on January 1, 2023. Board members receive \$228.15 in compensation for each day of service for up to 10 days per month.

The SCVWA Board of Directors meetings are held the first and third Tuesdays of each month at 6:30 p.m. Meetings are held at SCVWA headquarters at 27234 Bouquet Canyon Road, Santa

Clarita, CA 91350. Meetings are held in accordance with the Brown Act. Board members receive \$228.15 in compensation for each day of service for up to 10 days per month.

In 1988 the CLWA, SCVWA's predecessor, acquired 90% of the Devil's Den Water District (DDWD) as part of the purchase of Producers Cotton Oil Company. CLWA subsequently received the SWP's allocation to Devil's Den Water District. The DDWD is a California Water District and a landowner voter district. As the landowner of 90% of the District, former CLWA and now SCVWA directors serve as the governing board for DDWD.

The consolidated Agency initially had a staff of 223 from the four agencies. In its revision of the FY 2020-21 budget the Board reduced staff to 220.

The Agency maintains a website that provides information to the public on a number of issues including water conservation, governance, water quality, and the learning center. The Agency publishes and distributes an e-newsletter (Water Currents). The newsletter is published monthly and provides residents with information on activities of the Agency. The Agency also maintains an active presence on Facebook, Twitter, and Instagram. Multiple weekly posts are used to share information on the Agency and its programs, as well as water industry trends.

2.9 – Matters Related to Effective or Efficient Service Delivery, as Required by Commission Policy

The Agency's operations must address LA LAFCO's approved conditions pertaining to the formation of the Agency. LA LAFCO adopted 22 conditions. To date, the Agency has complied with 20 of them. The Agency has been working with LA LAFCO cooperatively on the remaining conditions.

The LA LAFCO Sphere of Influence for a coterminous sphere applies to SCVWA. The Agency's operations are consistent with the Coterminous SOI adopted by the Commission on April 11, 2018. The sole exception is where the Agency provides service to a portion of the former VWC territory which is outside the Agency's existing jurisdictional and SOI boundary. SCVWA has submitted an annexation proposal for the territory to LA LAFCO which will be considered in late 2020 or early 2021. In this regard the Agency is providing effective efficient services, as required by the Commission's SOI Policy.

2.10 – Sphere of Influence Considerations

There are seven potential areas to consider for the SOI. These areas are identified in Exhibit 10-1 as area A, B, C, D and E as well as Tapia Ranch and Tesoro del Valle developments, Phase A-D.

Area A as shown is a small area that was previously within the jurisdictional boundary of the former NCWD but outside the jurisdictional boundary of the former CLWA and the current SCVWA. At present there are no services provided to the area. It could be included in the SOI as a way to complete the consolidation of NCWD.

Area B includes two small discontinuous areas that are islands surrounded entirely by existing SCVWA jurisdictional territory. The islands are part of a land fill and are undeveloped. Consequently, SCVWA provides no services to these two islands.

Area C is an area served by VWC that is also outside SCVWA boundaries. The area is located just west of I-5 off Valencia Boulevard. The area includes 577 parcels on approximately 343 acres. At build out the development would include 546 single-family homes. One of the LAFCO conditions pertaining to the formation of the Agency is that the Agency apply for annexation by January 1, 2020. The application has been submitted, but a Sphere amendment is needed.

Area D is the undeveloped area that appears as an inverted key. Present zoning is residential. The area can be developed in the future but there are currently no plans to do so.

Area E is territory within the Santa Clarita City limits but not in SCVWA boundaries. There is one area in the north and two on the southeast border. All the territory is in the Angeles National Forest and undeveloped.

A sixth area would include the proposed Tapia Ranch subdivision, located approximately 1.5 miles southeast of the Castaic community south of Castaic Lake, approximately 1 mile east of I-5, and north of the agency boundary. The extent of the proposed subdivision is shown in Exhibit 10-1. The Tapia Ranch site includes approximately 1,167 acres of undeveloped hillside and canyon land. At build-out the development would include 405 detached single-family homes. It is likely that the Agency would provide water to the development.

The seventh area is the Tesoro del Valle master-planned community. The development is a phased development with four phases. Phase A was developed in 2006, and Phase B-D, sometimes referred to as Tesoro Highlands, has yet to be developed. Tesoro del Valle contains over 1000 residential units, an elementary school, recreation center, a private park, and the Tesoro Adobe Historic Park.

Conclusions

Based on this analysis Area A should be included in the Sphere. Including the area in the SCVWA Sphere would make the consolidation with NCWD whole.

Area B should be included in the SOI because the two islands are surrounded by SCVWA territory. Although the area is part of a landfill adding the area will make a more logical boundary.

Area C should be included because the area is mostly developed and receives services. The area was served by VWC before the formation of SCVWA. Like Area A, adding the area to the Sphere would make the inclusion of VWC into SCVWA whole. Since SCVWA has already applied to LAFCO to annex the territory, inclusion in the Sphere would facilitate the proposed annexation.

Area D should be considered because the land use designation allows it to be developed. Adding it to the Sphere allows an annexation to create a logical boundary. At present there are no pending plans to develop this area.

Area E should be included in the SOI since the territory lies within the City of Santa Clarita. All other territory within the City receives water services from SCVWA. If these areas are ever developed, they would need water services from the Agency.

Tapia Ranch should be considered for inclusion in the SOI as the landowner proposes to add 405 new dwelling units which would require water services. The Agency has already entered into a deposit and funding agreement with the owner and has provided a water availability letter as a step toward potential annexation.

The portion of the Tesoro Highlands that is currently outside the Agency's boundaries should be included as it will likely require water service and annexation to SCVWA upon development. The Agency has already entered into an annexation agreement with the owner.

With the addition of the Tesoro development and inclusion of Area A in the SOI an island of approximately 85 acres would be created between the two areas. The island, like Area A, is located in the Angeles National Forest. A closer examination of the terrain of the island shows that it consists of the ridgeline between Tesoro and Area A. It would be very difficult to develop that area and provide water service. Since the ridgeline, the island, is zoned National Forest and because of terrain, it is unlikely to ever require services. Therefore, it is not recommended to be included in the Sphere.

2.11 – Recommendations

This section discusses recommendations which do not require Commission action. It is apparent it will take some time to fully adjust to the consolidation. One area to focus on would be consolidation of administrative staff. Newhall and Valencia Divisions appear to spend a larger portion of their budget on administration than the other divisions, as shown in the Exhibit 6-4. The Agency is aware of this issue and has determined it is due to how those two

divisions record administrative costs. The Agency is in the process of updating its financial system which when completed in 2021 should result in more consistent assessment of administrative costs between divisions.

Future Studies

In the future, it might be useful to do an agency wide rate study so that residents in one division do not pay different rates than another division. The rate study should identify cost of service principles to ensure fair rate allocation for all customers.

The addition of a rate payer advocate is a good addition to lend the voice of ratepayers to deliberations on new rates. However, it is unclear how the rate payer advocate would communicate with rate payers to provide and receive input on rates. The Agency might consider a citizens advisory committee to work with the rate payer advocate. A citizens advisory committee could result in more communication with rate payers, enhanced transparency, and greater acceptance of the rate setting process.

The Agency should consider reviewing its position with respect to the Devil's Den Water District. DDWD appears to be primarily in an agricultural use and potentially uninhabited by CKH standards. One of the concerns is the distance between the DDWD and SCVWA. As part of the analysis provided in this MSR, Kings LAFCO and Kern LAFCO were contacted for information about DDWD. Very little data was available so it might be useful to request an update to the DDWD MSR by Kings and/or Kern LAFCO to shed light on the operation of that district. This would allow SCVWA and LAFCO to determine the best way to serve that area.

The Agency may also want to consider a consolidation with LACWWD #36. There are several reasons that a consolidation makes sense:

- LACWWD #36 and SCVWA are both capable of providing retail water services.
- LACWWD #36 is fully contained in the 3rd electoral division so its residents can vote for a representative on the SCVWA Board of Directors.
- SCVWA has ample water supply to serve LACWWD #36.

However, Section 4(i) of SB 634 (Wilk), also states that the two agencies may only be consolidated upon mutual consent. In addition, SB 634 (Wilk) states that the consolidation must go through LAFCO.

The 10 mutual water companies identified in Exhibit 1-2 are non-profit corporations that provide potable water to their shareholders. All 10 are within the Agency's boundaries. They receive wholesale water from the Agency, which they then sell to their shareholders. As private companies, much of their financial information is not readily available. It is difficult to assess

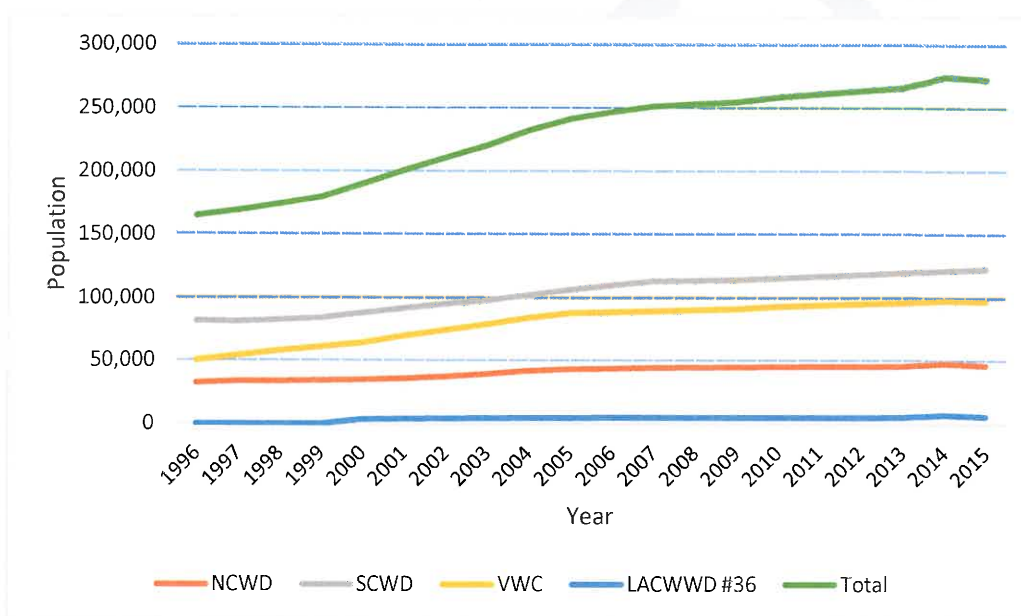
their ability to provide services. The assumption is that they are providing adequate services. Therefore, it is not recommended to transfer the provision of potable water services unless the mutual company or its shareholders request SCVWA to provide the service.

DRAFT

3: POPULATION PROJECTIONS

Exhibit 3-1 shows the population for each retail purveyor within the boundaries of the SCVWA, and the population of the total service area. Exhibit 3-1 also shows population trends for the 20-year period from 1996 to 2015. Between 1996 and 2015 the total population increased from 164,000 to 273,000. The exhibit shows a steady increase in population at an average rate of 2.7% per year. Most of the growth occurred in the SCWD which increased about 50% and the VWC which nearly doubled in population.

Exhibit 3-1: Population Trends in SCVWA 1996-2015



Source: Kennedy/Jenks Consultants 2017.

Table 3-1 shows population projections for the next 20 years or through 2040 based on the 2015 Urban Water Management Plan (UWMP). The UWMP projects the population to be slightly higher in 2020 than estimated by the Agency. It is estimated there will be a slower growth rate than in recent history of about 2% per year through 2035. Thereafter, the projections show slower growth. The 2015 UWMP indicates a 1.3% annual rate of growth in the service area.

Table 3-1: Growth Projections 2020 to 2040 in SCVWA

Year	NCWD	SCWD	VWC	LACWWD #36	Total CLWA Service Area
2020	49,000	131,500	99,600	9,000	289,100
2025	52,200	139,200	119,700	10,800	321,900
2030	55,500	146,800	139,800	12,500	354,600
2035	58,800	154,500	155,900	14,300	383,500
2040	62,000	162,200	155,900	16,000	396,100

Source: Kennedy/Jenks Consultants 2017.

Determinations

- Current population of the Agency is estimated at 273,000.
- It is estimated there will be a slower growth rate than in recent history of about 2% per year through 2035. The 2015 UWMP estimates growth in the service area to a population of 396,100 by 2040.

4: DISADVANTAGED UNINCORPORATED COMMUNITIES

Senate Bill 244 (Wolk) was a significant piece of LAFCO-related legislation passed in 2011. This bill required LAFCO to make determinations regarding disadvantaged unincorporated communities or DUCs. They are defined as inhabited, unincorporated territory that constitutes all or a portion of a community with an annual median household income (MHI) that is less than 80% of the statewide Annual Household Income.

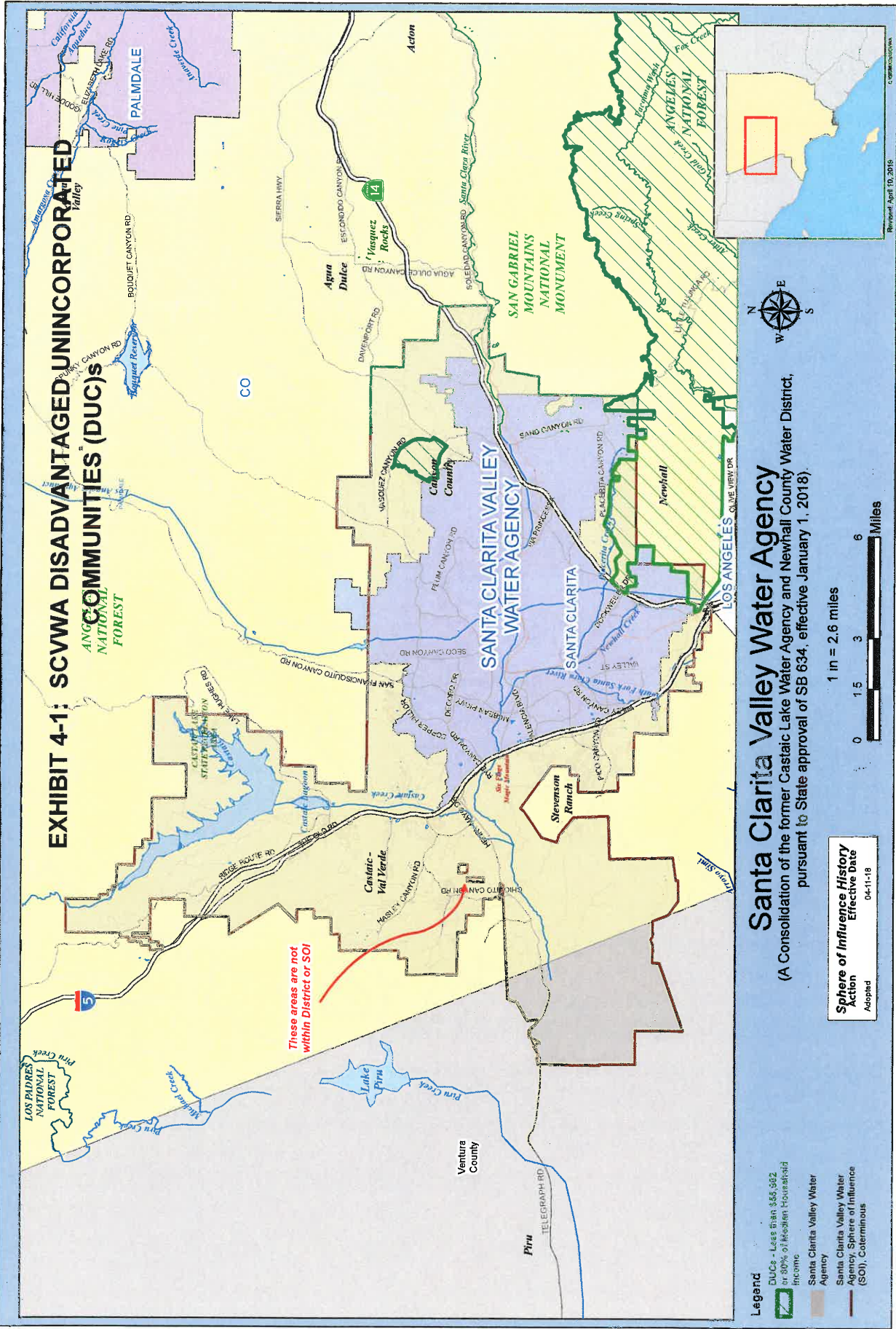
In 2018, 80% of the statewide median household income was \$56,982. One area was identified as a DUC that met the income requirement in the vicinity of Canyon Country adjacent to the City of Santa Clarita (Exhibit 4-1). The area is actually within the SCVWA boundary and receives water services from SCVWA. It receives fire protection from Los Angeles County Fire Department, and sewer service from Santa Clarita Valley Sanitation District of Los Angeles County.

Exhibit 4-1 shows a second larger DUC along the southeast boundary of the Agency extending beyond the boundary around the community of Newhall. The area would also likely receive water from SCVWA or from private wells in areas outside the Agency. They receive fire protection from Los Angeles County Fire Department, and sewer service from Santa Clarita Valley Sanitation District of Los Angeles County. Since the Agency at present has a coterminous sphere that DUC lies adjacent to the SCVWA Sphere of Influence.

Determination

- In 2018, 80% of the statewide annual median household income was \$56,982. There are two DUCs identified in Exhibit 4-1. One area was identified as a DUC that met the income requirement in the vicinity of Canyon Country adjacent to the City of Santa Clarita, but within Agency boundaries. There is a second DUC along the southeast boundary of the Agency. Part of the area is within SCVWA and the remaining portion is adjacent and beyond the he SOI. Both areas are likely to receive water from SCVWA or from private wells in areas outside the Agency. They receive fire protection from Los Angeles County Fire Department, and sewer service from Santa Clarita Valley Sanitation District of Los Angeles County.

EXHIBIT 4-1: SCVWA DISADVANTAGED UNINCORPORATED COMMUNITIES (DUC)s



Legend

- DUCs - Less than \$35,902 or 50% of Median Household Income
- Santa Clarita Valley Water Agency
- Santa Clarita Valley Water Agency, Sphere of Influence (SOI), Colterminus

Santa Clarita Valley Water Agency
(A Consolidation of the former Castaic Lake Water Agency and Newhall County Water District, pursuant to State approval of SB 634, effective January 1, 2018).

1 in = 2.6 miles



Revised April 19, 2018
C:\GIS\SCVWA\MapDocs\EXHIBIT 4-1.DWG

5: PRESENT AND PLANNED CAPACITY OF PUBLIC FACILITIES

SCVWA is both a water wholesaler and retail provider. The Agency receives wholesale water from the State Water Project Water (SWP) administered by its Regional Division. Imported water flows from Castaic Lake to one of its two treatment facilities before being conveyed to its retail divisions for distribution. The distribution system includes 861 miles of pipe, 64 pump stations, and 99 storage facilities. The Agency also has other sources that includes two banking facilities in Kern County, 47 groundwater wells (41 currently operational), and recycled water. This section will describe supply sources and demand as well as capacities of its facilities.

5.1 – Supply

Prior to 1980, local groundwater extracted from the Alluvium and the Saugus Formation was the sole source of water supply in the Santa Clarita Valley. Since 1980, local groundwater supplies have been supplemented with imported State Water Project (SWP) water supplies, augmented, in 2007, by acquisition of additional supplemental water imported from the Buena Vista Water Storage District (BVWSD), Rosedale-Rio Bravo Water Storage District (RRWSD), collectively referred to as BV-RRB, and in 2008, Yuba Accord Water. Those water supplies have also been slightly augmented by deliveries from the recycled water program since 2003.

SCVWA obtains the majority of its imported water supplies from the SWP, which is owned and operated by DWR. SCVWA is one of 29 contractors holding long-term SWP contracts with DWR. SWP water originates as rainfall and snowmelt in the Sacramento and Feather River watersheds where the SWP's largest reservoir, Lake Oroville, is located. The water released from Lake Oroville flows down the Feather River, joins the Sacramento River, and enters the Sacramento-San Joaquin Delta. Water is diverted from the Delta into the Clifton Court Forebay, and then pumped into the 444-mile long California Aqueduct. A portion of SWP water delivered to Southern California may temporarily be stored in San Luis Reservoir, which is jointly operated by DWR and the U.S. Bureau of Reclamation. Prior to delivery to SCVWA, SWP supplies are stored in Castaic Lake, a terminal reservoir located at the end of the West Branch of the California Aqueduct in the northwest portion of the Agency.

SCVWA derives its supply from several sources. Primary sources are contract water from the SWP, often referred to as "Table A", and groundwater, augmented by banked water and local recycled water.

5.1.1 – Contract Water (Wholesale)

SCVWA has a contractual agreement with the State Water Project (SWP) for 95,200 AFY. Contract water is often a percentage of the current year's allocation plus carryover from the preceding year augmented by supplemental water from BV-RRB. The total contract water (Table A water) is not always available in one given year. For example, in 2018 SCVWA received 35% or 33,200 AF of its 2018 Table A water, 42,788 AF of SWP carryover from 2017 and 11,000 AF from BVWSD and RRWSD. SCVWA's total imported water supply in 2018 was 87,108 AF. The disposition of water by SCVWA in 2018 to various sub-entities included delivery to the water divisions of SCVWA and to LACWWD #36, which received 41,999 AF. In 2018 SCVWA sold 5,000 AF of the BV-RRB water to the Kern County Water Agency which consists of 13 districts called member units. Kern County Water Agency's westside member units received all 5,000 AF. Devil's Den Water District, although not a member unit of the Kern County Water Agency, received 62 AF and 836 AF was accounted for as water loss. Part of the 836 AF, 386 AF, was used by the Rio Vista Treatment Plant's conservation garden and the remainder from meter reading differences. The remaining 39,211 AF were carried over in SWP storage for potential use in future years. Carryover supply has been available each year for the past 10 years.

5.1.2 – Wholesale Supply Reliability

Wholesale water supply reliability is a key priority for the SCVWA for both normal and drought weather conditions. As described in the 2015 UWMP, SCVWA plans to meet its water demands for wholesale and retail, potable water, for the next planning period through 2050 as shown in Table 5-1.

Table 5-1: SWP Table A Supply Reliability (AF)

Wholesaler (Supply Source)	2015	2020	2025	2030	2035-2050
Average Water Year					
Table A Supply	59,000	58,800	58,500	58,300	58,100
% of Table A Amount	62%	62%	61%	61%	61%
Single-Dry Year					
Historic Worst Case 1977	10,500	9,800	9,000	8,300	7,600
% of Table A Amount	11%	10%	9%	9%	8%
Worst Case Actual Allocation 2014	4,800	4,800	4,800	4,800	4,800
% of Table A Amount	5%	5%	5%	5%	5%
Multiple-Dry Year					
Four-Year Period	31,400	31,400	31,400	31,400	31,400
% of Table A Amount	33%	33%	33%	33%	33%
Three-Year Period	20,000	19,800	19,500	19,300	19,000
% of Table A Amount	21%	21%	20%	20%	20%

Source: Kennedy/Jenks Consultants 2017.

5.1.3 Banking

Other components of SCVWA's imported water supply reliability program include its banking agreements with Semitropic Water Storage District (SWSD) and with Rosedale-Rio Bravo Water Storage District (RRBWSD) both located in Kern County. Originally composed of two agreements with Semitropic Water Storage District, SCVWA banked 24,000 AF surplus Table A water in 2002 and 32,522 AF in 2003. After a 10% transmission loss, the total amount banked was 50,870. The first withdrawal of 4,950 AF occurred in 2009 from the 2002 account. Of the 4,950 AF withdrawn, 1,650 AF was delivered for water supply in the Valley in 2009, and the 3,300 AF balance was delivered in 2010. An additional 4,950 AF of water was withdrawn from SWSD in 2014, along with 4,950 AFY of Newhall Land's first priority extraction capacity which was provided to CLWA for its use in exchange for lower priority water that CLWA had previously banked in the Semitropic Banking Program. SWSD had recently expanded its groundwater banking program to incorporate its Stored Water Recovery Unit (SWRU).

In 2015, CLWA entered into another agreement with Semitropic to participate in the SWRU as an additional source of dry-year supply. Under this agreement, the 2002 and 2003 accounts containing 35,970 AF were transferred into this new program. Under the SWRU agreement, SCVWA can store and recover additional water within a 15,000 AF storage account. The term of the Semitropic Banking Program extends through 2035 with the option of a 10-year renewal. In 2017, 5,340 AF were delivered to storage and after a 10% transmission loss, 4,806 AF were banked. The recoverable balance in this account at the end of 2018 stands at 40,776 AF.

In 2005, SCVWA completed an agreement to participate in a long-term water banking program with RRBWSD. This long-term program allows storage of up to 100,000 AF at any one time and will be in place through the accumulation and recovery of 200,000 AF total. Since that time, with several deliveries of excess water and withdrawals, approximately 100,000 AF remain in storage at the end of 2018.

5.1.4 Recycled Water

Recycled water is currently produced at two water reclamation plants (WRP)s operated by the Santa Clarita Valley Sanitation District of Los Angeles County (SCVSD), the Valencia WRP and the Saugus WRP, with average annual production of 15,500 AFY and 6,100 AFY, respectively. Most of the treated effluent from these two plants is discharged to the Santa Clara River. As of 2018, there was pending legal action whether these discharges to the Santa Clara River are sufficient to maintain instream flow requirements for the protection of biological resources.

SCVWA is working with SCVSD and other area stakeholders on the best path forward to expand the Valley's recycled water resources. In addition, Vista Canyon Water Factory was anticipated

to come online in 2019 and eventually produce up to 440 AFY of recycled water use for new and existing users in the SCWD service area. The proposed Newhall Ranch WRP is anticipated to produce 4,200 AFY at buildout (2035 or later), meeting more than half of the anticipated non-potable demands for the new development.

An update to the 2002 Recycled Water Master Plan (RWMP) was conducted in 2016. The updated RWMP included near-term, mid-term, and long-term objectives for increasing the use of recycled water where it was economically feasible. The previous and current master plans considered various factors affecting recycled water sources, supplies, users and demands that would allow CLWA to develop a cost-effective recycled water system within its service area. The 2016 update remains a draft pending completion of a CEQA document.

5.1.5 Groundwater

The groundwater basin beneath the Santa Clarita Valley, identified in the DWR's interim update to Bulletin 118 as the Santa Clara River Valley Groundwater Basin, East Sub-basin (Basin No. 4-4.07), comprised of two aquifers, the Alluvium and Saugus Formation. The Alluvium generally underlies the Santa Clara River and its several tributaries, and the Saugus Formation underlies practically the entire Upper Santa Clara River area. The mapped extent of the Santa Clara River Valley East Groundwater Sub-basin in DWR Bulletin 118 and its relationship to the extent of the SCVWA service area are illustrated in Exhibit 5-1. The Exhibit shows groundwater wells and that the mapped sub-basin boundary approximately coincides with the outer extent of the Alluvium and Saugus Formation.

Since 1986, there have been several efforts which have evaluated and reported on the Alluvium and Saugus Formations, interpreted hydrologic conditions, and estimated sustainable yields from both formations. Generally, these investigations have similar conclusions for basin conditions and yield:

- The operational yield of the Alluvium would typically be 30,000 to 40,000 AFY for wet and normal rainfall years, with an expected reduction to 30,000 to 35,000 AFY in dry years.
- The operational yield of the Saugus Formation would typically be in the range of 7,500 to 15,000 AFY on a long-term basis, with possible short-term increases during dry periods into a range of 15,000 to 25,000 AFY, and to 35,000 AFY if dry conditions continue requiring additional local source supplies.
- These conclusions became the foundation of the Initial Groundwater Operating Plan (Initial Plan) first developed in 2004 after the adoption of a formal Groundwater Management Plan (GWMP) in 2003. The Initial Plan was updated in 2008 to evaluate the yield of the basin and present a sustainable operating plan for using groundwater resources from the

Alluvium and the Saugus Formation for a normal year and a dry year. They are summarized in Exhibit 5-1. The updated basin yield analysis completed in August 2009, had the following conclusions:

The Current Operating Plan, with currently envisioned pumping rates and distribution, comparable to the Initial Plan described above, will not cause detrimental short- term or long-term effects to the groundwater and surface water resources in the Valley and is, therefore, sustainable. Further, local conditions in the Alluvium in the eastern end of the basin can be expected to repeat historical groundwater level declines during dry periods, necessitating a reduction in desired pumping from the Alluvium due to decreased well yield. However, those reductions in pumping from the Alluvium

Table 5-2: Groundwater Availability by Aquifer and Division

Aquifer/Division	Number of Wells	Pump Capacity (GPM)	Max Capacity (AF)	Normal Year (AF)	Dry Year (AF)
Alluvial					
NCWD	8	4,620	7,400	1,950	1,250
SCWD	14	14,650	23,780	11,050	8,300
VWC	15	22,650	36,470	12,850	12,850
Total	37	41,920	67,650	25,850	22,400
Saugus					
NCWD	2	4,650	7,500	3,525	4,975
SCWD	2	19,050	30,700	8,245	19,865
VWC	5	10,200	16,435	920	11,090
LACWWD36	1	2,000	3,220	500	500
Total	10	35,900	57,855	13,190	36,430
All	47	77,820	125,505	39,040	58,830

Source: Kennedy/Jenks Consultants 2017.

can be made up by an equivalent amount of increased pumping on a short-term basis in other parts of the basin without disrupting basin-wide sustainability or local pumping capacity in those other areas. For the Saugus Formation, the modeling analysis indicated that it could sustain the pumping that is embedded in the Current Operating Plan.

- A Potential Operating Plan (pumping between 41,500 and 47,500 AFY from the Alluvium) would result in lower groundwater levels, due to failure of the basin to fully recover during wet cycles from depressed storage that would occur during dry periods.
- Long-term lowering of groundwater levels would also occur in the Saugus Formation (pumping between approximately 16,000 and nearly 40,000 AFY) with only partial water level recovery occurring in the Saugus Formation. Thus, the Potential Operating Plan would not be sustainable over a long-term period.

- Several climate change models were examined to estimate the potential impacts on local hydrology in the Santa Clarita Valley. The range of potential impacts extends from a possible wet trend to a possible dry trend over the long term from 2010 through 2095. Notable in the wide range of possibilities, however, was the output that, over the planning horizon of the 2010 and 2015 UWMP (through 2050), the range of relatively wet to relatively dry hydrologic conditions would be expected to produce sustainable groundwater conditions under the Current Operating Plan. Based on the preceding conclusions, groundwater utilization generally has continued in accordance with the Current Operating Plan; and the Potential Operating Plan is not being considered for implementation.

Groundwater Recharge

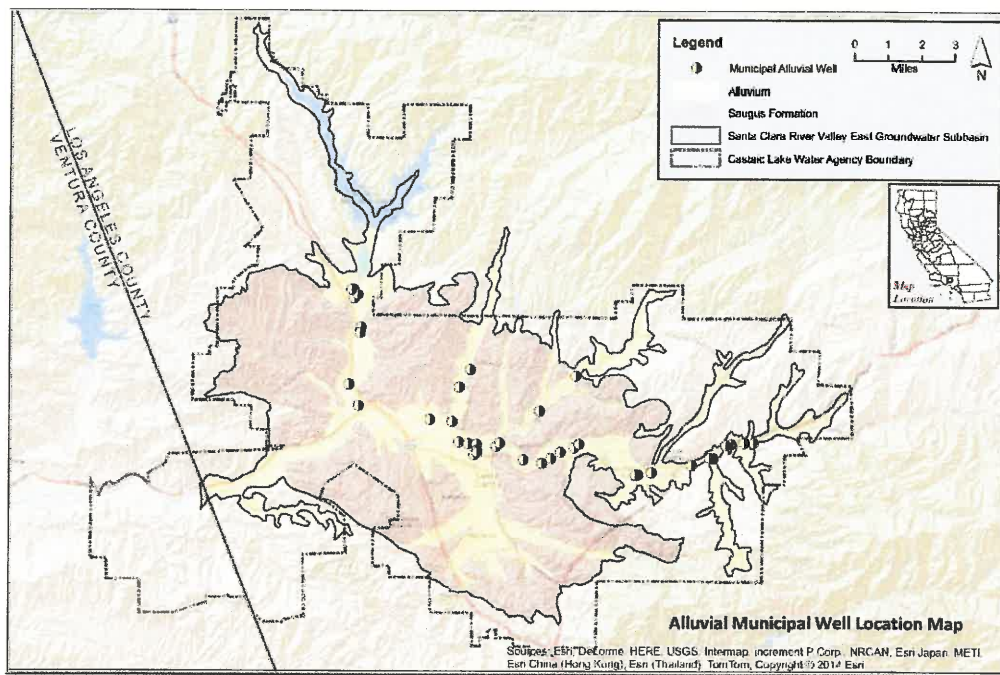
One of the types of water reuse that was considered in the updated RWMP is groundwater replenishment, which represents an opportunity to recharge the underlying aquifer. Two recharge feasibility studies were recently completed for the Agency as it advances efforts to utilize recycled water. These studies looked to evaluate the maximum potential recharge with a source of approximately 5,000 AFY of recycled water from Valencia WRP. The first study looked at a recharge area in the northwest portion of the sub-basin near Castaic Lake and recommended further geotechnical, geochemical, and modeling analysis of the proposed site. The initial analysis concluded that the retention time of recharged recycled water was less than the regulatory requirements. The second study was conducted in the eastern part of the sub-basin and recommended pilot studies at the proposed recharge sites to improve hydrogeologic understanding and evaluation of additional sources of diluent.

Sustainable Groundwater Management Act (SGMA)

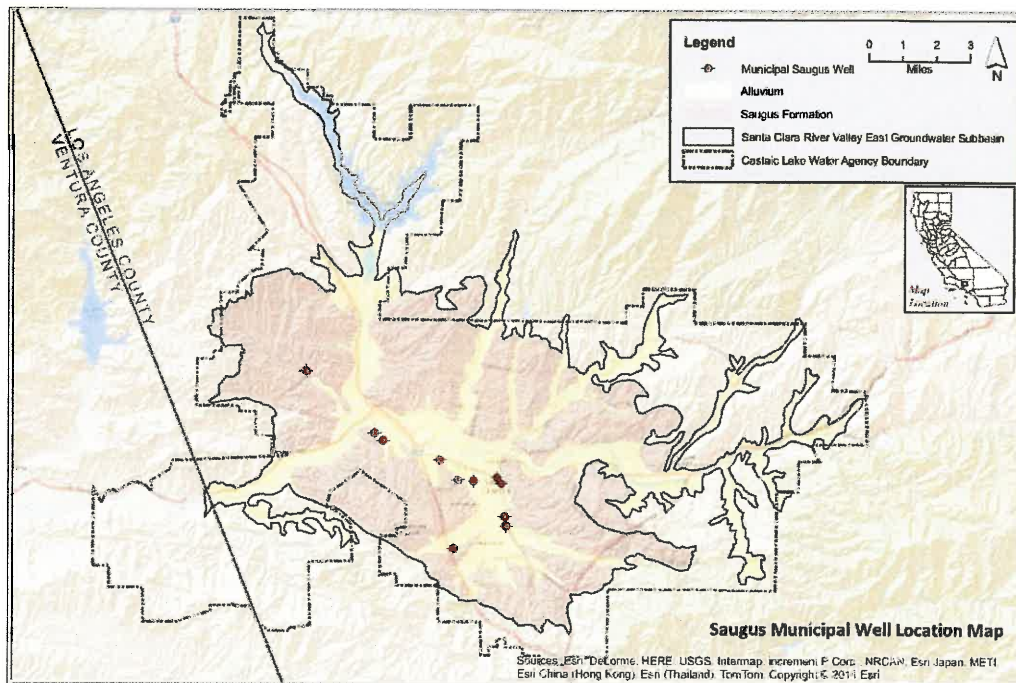
In May 2017, the Santa Clarita Valley Groundwater Sustainability Agency (SCV-GSA) was formed by a Memorandum of Understanding (MOU) including the SCVWA, City of Santa Clarita, LACWWD #36, and the County of Los Angeles. In 2018, the SCVWA entered into an administrative agreement to manage the affairs of the Agency. A Board of Directors of seven members and alternates meets quarterly or as needed to conduct activities of the Agency. More detailed information is available on the SCV-GSA website at www.SCV-GSA.org.

To date, the SCV-GSA has begun extensive public outreach and begun the necessary SGMA studies to evaluate the applicability of a Groundwater Sustainability Plan (GSP). Stakeholder Groups have been identified and an Advisory Committee is being formed to provide review and input for the planning process. A final GSP is due for submittal to DWR by early 2022.

EXHIBIT 5-1: ALLUVIAL AND SAUGUS FORMATION WELL LOCATION MAP



Path: Y:\Santa Clara\Water Report\Drawings\2015 UWWP\Figures\Figure 3-2 Alluvial Wells.mxd



Path: Y:\Santa Clara\Water Report\Drawings\2015 UWWP\Figures\Figure 3-2 Saugus Wells.mxd

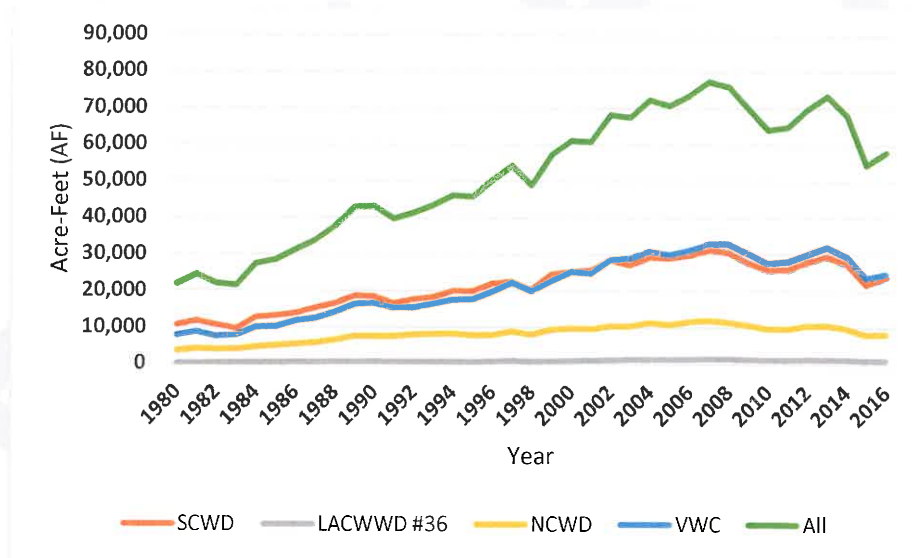
Source: Kennedy/Jenks Consultants, 2017

5.2 – Demand

Historically, demand has increased as the population increased. Exhibit 5-2 shows water use, demand, for the period 1980 through 2016. It also shows the demand by retail division, SCWD, LACWWD #36, NCWD and VWC as well as the total for all agencies. Although not part of SCVWA, LACWWD #36 receives wholesale water from the former CLWA. This exhibit shows the highest demand comes from CLWA's SCWD and VWC.

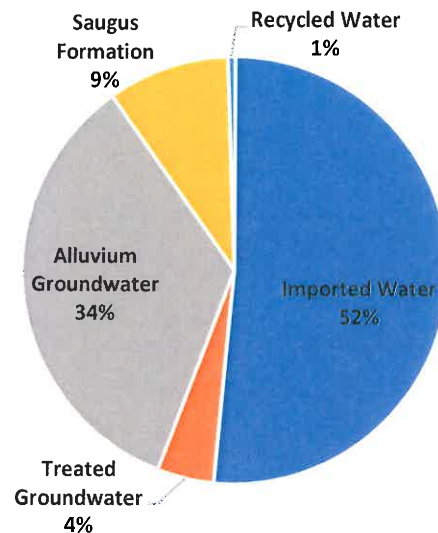
Demand over the last 10-years averaged 67, 586 AFY. Exhibit 5-3 shows the average amount drawn from wholesale or regional water from the SWP, groundwater, which includes the Alluvium wells and the Saugus Formation wells, and recycled water. Imported water represents 52% on average of the water used while ground water from the Alluvium aquifer represents 34% on average of water used. As shown, recycled water is about 1% on average.

Exhibit 5-2: Historic Water Use 1980-2016



Source: SCVWA 2018a.

Exhibit 5-3: Average Water Use by Source 2007-2016 (AF)



Source: SCVWA 2018a.

Retail demand with conservation and conservation through changes to the plumbing code are shown in Table 5-3. The conservation measures included in the table would satisfy Senate Bill X7-7 (SB X7-7) requirements. SB X7-7 requires water agencies to develop a plan to achieve a twenty percent per capita water use reduction by the year 2020.

Table 5-3: Summary of Recent and Projected Water Demands of Retail Agencies (AF)

Agency	2015	2020	2025	2030	2035	2040	2045	2050
LACWWD #36	976	2,300	2,700	3,100	3,500	3,900	4,300	4,700
NCWD	8,100	10,100	10,700	11,200	11,800	12,600	13,400	14,200
SCWD	21,783	28,400	29,100	29,900	30,800	32,400	33,900	36,000
VWC	23,642	28,100	32,100	36,600	40,000	39,600	39,300	39,000
Total Demand	57,966	68,900	74,600	80,800	86,100	88,500	90,900	93,900

Source: Kennedy/Jenks Consultants 2017.

Future wholesale water demand assumes the contract amounts from the SWP of 95,200 AF and from Buena Vista Water Storage District/ Rosedale-Rio Bravo Water Storage District of 11,000 AF.

Table 5-4 compares current and planned supply versus demand. The data indicate SCVWA has sufficient water from several sources and the capacity to accommodate growth. It also can provide water to LACWWD #36.

Table 5-4: Current and Planned Supply vs Retail Demand (AF)

	2015	2020	2025	2030	2035	2040	2050
Existing Supplies							
Total Groundwater	31,545	31,545	31,545	31,545	31,545	31,545	31,545
Total Recycled	450	450	450	450	450	450	450
Total Imported	78,667	78,467	78,167	75,587	75,387	75,387	75,387
Total Bank	22,950	22,950	12,950	12,950	12,950	12,950	7,950
Total Existing Supplies	134,412	133,412	123,112	120,532	120,332	120,332	115,332
Planned Supplies							
Total Groundwater	-	5,230	7,230	8,230	10,230	10,230	10,230
Total Recycled	-	565	5,156	7,627	9,604	9,604	9,604
Total Banking	-	7,000	7,000	17,000	17,000	17,000	22,000
Total Planned Supplies	-	12,795	19,386	32,857	36,834	36,834	41,834
Total Supply	134,412	159,002	161,884	186,246	194,000	194,000	199,000
Total Demand	57,966	68,900	74,600	80,800	86,100	88,500	93,900

Source: Kennedy/Jenks Consultants 2017.

5.3 – Water Treatment Facilities and Storage

Water from the SWP and other sources located outside the Valley is treated, filtered, and disinfected at SCVWA’s Earl Schmidt Filtration Plant and Rio Vista Water Treatment Plant, which have a combined treatment capacity of 125 million gallons per day, Table 5-5. Also included in the table is information for the Saugus Formation Well No. 1 and 2 perchlorate treatment plant. This water is delivered from the treatment plants to each of the water divisions and LACWWD #36 through a distribution network of pipelines and 26 water turnouts.

Table 5-5: SCVWA Water Treatment Facilities

	Earl Schmidt Filtration Plant	Rio Vista Water Treatment Plant	Saugus Perchlorate Treatment Plant
Location	32700 Lake Hughes Road, Castaic, CA	27234 Bouquet Canyon Road, Santa Clarita, CA	26407 Bouquet Canyon Road, Santa Clarita, CA
Age (years)	37	22	7
Capacity (mgd)	56	66	3
Type of treatment	Ozonation, rapid mix, contact clarification, filtration and chloramination	Ozonation, rapid mix, contact clarification, filtration and chloramination	Ion-Exchange

Source: SCVWA 2018a.

Combined treated water storage of SCVWA totals approximately 204 MG of water in 99 storage facilities/tanks, which can be gravity fed to Valley businesses and residences, even if there is a power outage. The system includes 64 pumping facilities/pump stations delivering water through 861 miles of pipe ranging from 2 to 102-inches in diameter.

In the event of a power outage or system failure, the public would be asked to reduce consumption to minimum health and safety levels, extending the available supply to a minimum of seven days. This would provide sufficient time to restore a significant amount of local groundwater production. After the groundwater supply is restored, the pumping capacity could meet the reduced demand until the imported water supply was reestablished. The overall system is designed to allow for isolation of major sectors and to distribute water through redundant pipelines and pump stations from wells.

5.4 – Water Quality

In 1998, the EPA began requiring community water systems to provide their customers annual consumer confidence reports on water quality to comply with the Safe Drinking Water Act. As required, the Agency publishes an annual Consumer Confidence Report in English and Spanish. The Agency's annual report provides information about the water requirements and water supplies. The 2019 Water Quality Report was prepared for the imported water wholesaler, and the four local retail purveyors, Santa Clarita Water Division, LACWWD #36, NCWD, and VWC.

Over the last couple of years, the Agency has received violation notices and has responded to them. SCVWA received a violation from the Los Angeles Regional Water Quality Control Board for discharge of effluent exceeding discharge limitations from Well V201. The violations were associated with Basin Objective limits for water discharged to the onsite storm drain during installation and testing of new treatment equipment. The discharged water contained levels of total dissolved solids and sulphate that exceeded the permit standard set for the stream. SCVWA reported this information to the LA Regional Board as part of routine compliance sampling for its discharge permit. SCVWA resolved the discharge issues by blending the discharge water to reduce the concentration of total dissolved solids and paid the fine.

In 2018, the nitrate results for Well W9 exceeded half the maximum contaminant level (MCL) for Nitrate. This exceedance triggered quarterly monitoring for nitrate. SCVWA neglected to begin the quarterly monitoring. The California State Water Resources Control Board Division of Drinking Water (DDW) issued a Tier 3 violation. This violation is a monitoring violation and requires SCVWA to note this in the annual Consumer Confidence Report.

In 2018, the Rio Vista Treatment Plant had a Certified Unified Program Agency inspection where a few violations were noted. There are no pending violations.

Since 1997, perchlorate plume was detected in seven wells. Perchlorate is an inorganic chemical used in solid rocket fuel, fireworks, explosives, and a variety of industries. It gets into drinking water from historic industrial operations that used, stored, or disposed of the material. In 2007, the DDW adopted an MCL of 6 micrograms/liter. DDW issued an amendment to

SCVWA Regional Division's Domestic Water Supply Permit on December 30, 2010, authorizing the use of a perchlorate treatment facility. On January 25, 2011, the SCVWA Regional Division introduced the treated water from the treatment facility into the distribution system in compliance with the amended water supply permit. To date, one of the impacted wells has been destroyed and replaced. Three have remained in or been returned to service with treatment as required. One remains out of service with its capacity replaced by an alternate source, and the two most recently impacted wells are in varying stages of returning to service. A lengthy litigation against Whittaker Bermite, the responsible party, resulted in a settlement agreement and significant recovery of damages as well as ongoing treatment costs.

Per- and polyfluoroalkyl substances (PFAS) are a group of manmade chemicals that are prevalent in the environment and were commonly used in industrial and consumer products to repel grease, moisture, oil, water, and stains. Water agencies do not put these chemicals into the water, but over time very small amounts enter the water supplies through manufacturing, wastewater discharge, and product use. Exposure to these chemicals may cause adverse health effects.

The Agency initially sampled 15 wells in April 2019, per DDW order. One well was immediately removed from service when it exceeded the original response level, a combined 70 parts per trillion (ppt) for perfluorooctanoic acid (PFOA) and perfluorooctanesulfonic acid (PFOS), two chemicals in a family of per- and polyfluoroalkyl substances (PFAS).

On February 6, 2020, DDW lowered its response levels to 10 parts per trillion (ppt) for perfluorooctanoic acid (PFOA) and 40 ppt for perfluorooctanesulfonic acid (PFOS), two chemicals in a family of per- and polyfluoroalkyl substances (PFAS). The state's previous response level set a combined 70 ppt for PFOA and PFOS. In addition to revised response levels, DDW has indicated it will issue a new compliance sampling order in the near future. The revised response level guidelines will be compared to a quarterly running annual average of sample results.

In August of 2019, SCVWA sampled all wells in the system. One well was immediately removed from service when it exceeded the original response level. Other wells that are found to exceed the revised response level will also be removed from service. Under the new guidelines, as many as 19 of the 41 operational wells have been impacted. The first PFAS treatment facility has started construction and is expected to be in operation by August of 2020, restoring three key wells to service, representing a significant amount of the affected groundwater. The fast-tracked project is estimated to cost \$6 million to build and \$600,000 annually to operate.

5.5 – Wastewater Collection Services

Wastewater treatment is provided by the Santa Clarita Valley Sanitation District of Los Angeles County. However, SCVWA does provide wastewater collection services, but no treatment, within a portion of what was the NCWD. Specifically, these facilities include a sewage lift station, force, and transmission mains. SCVWA is continuing to move forward with the goal to transfer the responsibilities for wastewater collection services to the City Santa Clarita.

NCWD had made significant progress towards this goal through the transfer of several thousand feet of transmission main to the City over the past 5 years. This included a significant stretch along Soledad Canyon Road and another stretch associated with the realignment of the transmission main as part of the Vista Canyon Project.

Currently, SCVWA is working with the Spring Canyon Development, the City of Santa Clarita, and the County of Los Angeles to identify improvements necessary to the existing sewage lift station and force main to allow for transfer to the City. These improvements are planned to be completed by the Spring Canyon Development as it constructs its facilities. That will then leave a portion of transmission main needed from Sand Canyon Road to the Vista Canyon Development. Preliminary design has been completed for this section. SCVWA is pursuing grant funding to complete the project.

5.6 – Solar Power Generation

SCV Water currently operates solar power generation systems. A small scale system is located at the former NCWD administration building. Two large scale systems are located on the Rio Vista Water Treatment Facility property. The two systems, one on the middle Mesa behind the Maintenance Building and one on the upper Mesa, function as a single project through the RES-BCT rebate tariff through Southern California Edison, which allows the Agency to offset energy costs from several identified SCE accounts at its facilities. The facilities were constructed through two a purchase power agreements in 2011 and 2014 and have a combined design capacity of 4.5 Mega Watts total. The Agency is currently evaluating the opportunity to buy out these purchase power agreements to take over ownership and operation of the solar facilities. These facilities provide low cost energy and offset energy costs.

Determinations

- As a wholesale and retail agency, SCVWA supplies come from SWP water (wholesale), groundwater, banked water, and recycled water.

- SCVWA operates two water treatment plants with a combined capacity of 122 mgd and a separate perchlorate treatment facility for Saugus Formation wells that has a capacity of 3 mgd.
- PFAS have been detected in the well system of a number of alluvial wells. There is a possibility that 19 wells may have PFAS that will require a response. The Agency has removed wells that exceed the State's Response Level from service pending assessment and treatment of new treatment facilities. SCVWA is in the process of building its first treatment facility for PFAS that is scheduled for completion in August of 2020. The Agency has authorized preliminary design or design for additional treatment facilities at additional wells, as well as a comprehensive PFAS groundwater treatment implementation plan. These PFAS treatment facilities will be developed and installed over the next several years.
- Combined treated water storage of SCVWA totals approximately 204 mg of water in 99 storage facilities/tanks, which can be gravity fed to Valley businesses and residences, even if there is a power outage. The system includes 64 pumping facilities/pump stations delivering water through 861 miles of pipe ranging from 2 to 102-inches in diameter.
- SCVWA receives wholesale water from the State Department of Water Resources via the State Aqueduct system under a long-term contract through the Castaic Reservoir. In addition, it has a contract for raw water with the Buena Vista Water Storage District and the Rosedale-Rio Bravo Water Storage District for up to 11,000 AFY for 30 years through 2036 and may be extended.
- SCVWA supplies include groundwater from 47 wells in the Alluvial and Saugus Formation. The 47 wells are capable of pumping 77,820 gpm, a maximum capacity of 125,505 AF, 39,040 AF in a normal year and 58,830 AF in a dry year. Currently 41 wells are operational. Other sources such as banking (10,000 AF), recycled water(450 AF), and imported water (75,387 AF) provide nearly another 100,000 AF. Total available supply will be approximately 200,000 AF by 2050 while demand rises from 57,000 AF in 2015 to a projected 93,900 AF in 2050. Thus, SCVWA has and is projected to have ample capacity through 2050.
- Wastewater treatment is provided by the Santa Clarita Valley Sanitation District of Los Angeles County. However, SCVWA does provide wastewater collection services, but no treatment, within a portion of what was the NCWD. At the time of SCVWA consolidation, NCWD was in the process of transferring that responsibility to the City of Santa Clarita. The Agency is continuing to move forward with the goal to transfer those

responsibilities to the City. Currently, SCVWA is working with the Spring Canyon Development, the City of Santa Clarita, and the County of Los Angeles to identify improvements necessary to the existing sewage lift station and force main to allow for transfer to the City. SCVWA is also working on completing the transfer of the last section, Sand Canyon Road to the Vista Canyon, through grant funding.

DRAFT

6: FINANCIAL ABILITY TO PROVIDE SERVICE

The Agency has set up its accounting system by division with three retail divisions and one regional division which tracks imported water. Each division is treated as an enterprise function. In 2019, the Agency adopted a two-year budget which combines all four divisions. This section will provide a consolidated view of the finances of the Agency and, where possible, show the finances of each division. This section will review revenues, expenses, debt service, rate structure, capital improvements, reserve policies, and OPEB.

6.1 – Revenues and Expenses

In FY 2018-19 adopted budget planned for the spending of \$144 million with anticipated revenues of \$153 million. Actual expenses were a little lower at \$131 million, while actual revenues were a little higher at \$155 million. In 2019, the Agency adopted a two-year balanced budget of \$159 million for FY 2019-20 of \$172 million for FY 2020-21. The total revenues and expenses include both regional or wholesale water from the SWP and retail water which is supplied to LACWWD #36 and drawn by residential and commercial customers from Santa Clarita, Newhall, and Valencia. Table 6-1 shows the revenues and expenses for the FY 2018-19, FY 2019-20, and FY 2020-21.

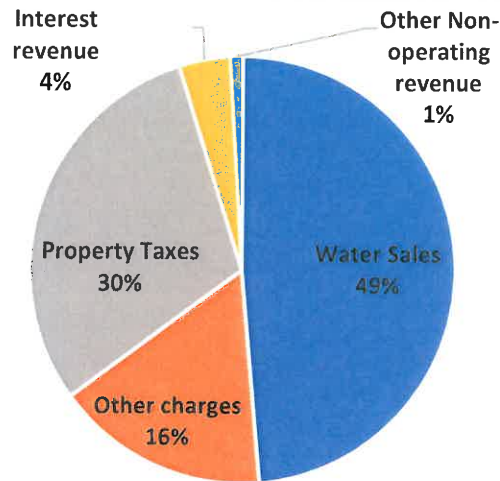
Table 6-1: Budgeted Revenues and Expenses FY 2018-19 to FY 2020-21

Revenues/Expenses	Adopted Budget FY 2018-19	Projected 6/30/2019 FY 2018-19	Adopted Budget FY 2019-20	Revised Budget FY 2020-21
Revenues				
Regional	68,717,253	69,511,288	71,883,274	78,590,793
Retail	84,629,723	85,156,212	87,493,395	93,821,712
Total	153,346,976	154,667,500	159,376,669	172,412,505
Expenses				
Regional	64,827,282	57,925,429	76,656,515	78,590,793
Retail	79,892,377	73,720,450	82,720,154	93,821,712
Total	144,719,659	131,645,879	159,376,669	172,412,505

Source: SCVWA 2019b, 2020f.

The Agency recently completed its first full year audit as a consolidated agency for FY 2018-19. Exhibit 6-1 shows the allocation of operating and non-operating revenues for all divisions, or the Agency as a whole. As shown in the exhibit, the main revenue sources are property tax and water sales, which are 30% and 49%, respectively.

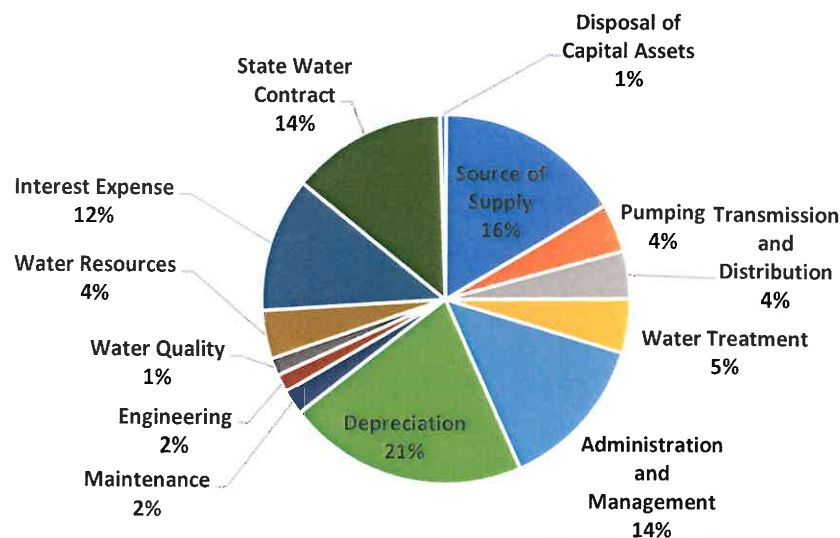
Exhibit 6-1: Revenue Sources All Divisions



Source: SCVWA 2020e.

Exhibit 6-2 shows the allocation of operating and non-operating expenses for all divisions. The largest expense is depreciation and amortization. This exhibit shows sources of water supply and the purchase of water from SWP are some of the largest expenses. Agency-wide interest expense and administration are 12% and 14%, respectively.

Exhibit 6-2: Expense Allocation All Divisions

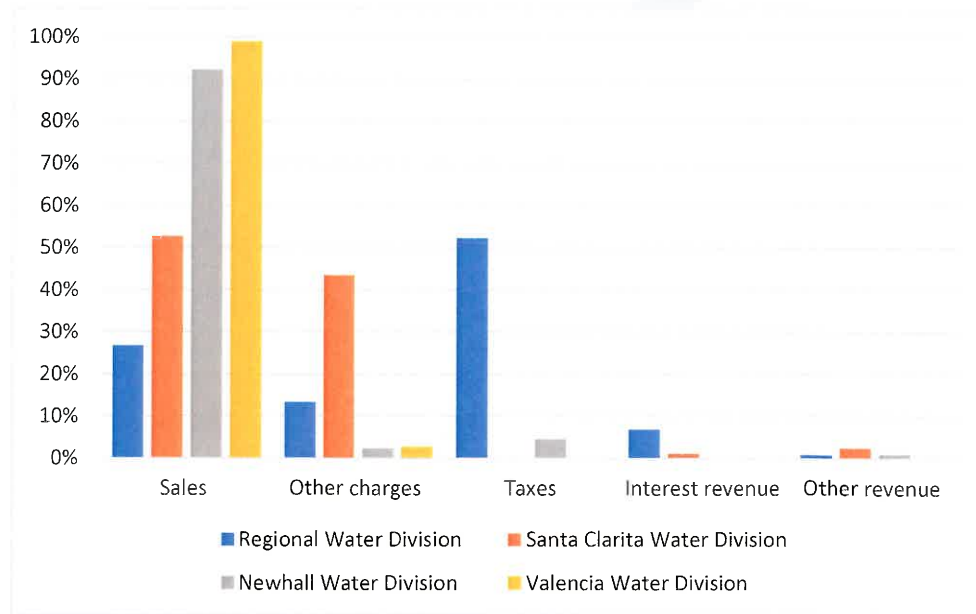


Source: SCVWA 2020e.

Since the Regional Division and the Retail Divisions are very different, it might be more instructive to view revenue and expense allocation for each division. Exhibit 6-3 shows revenue

sources for the first year of operations of the Agency and are derived from the FY 2018/19 audit. Although only one year, the allocations are fairly representative of revenues and expenses of the Agency. In Exhibit 6-3, it is interesting to note that wholesale or regional water only receives less than 30% of its revenues from water sales yet the Newhall and Valencia Divisions receive almost all of their revenues from sales. The Santa Clarita Division has a more balanced split of revenues between sales and charges for services. The regional water division receives over 50% of its revenues from property tax.

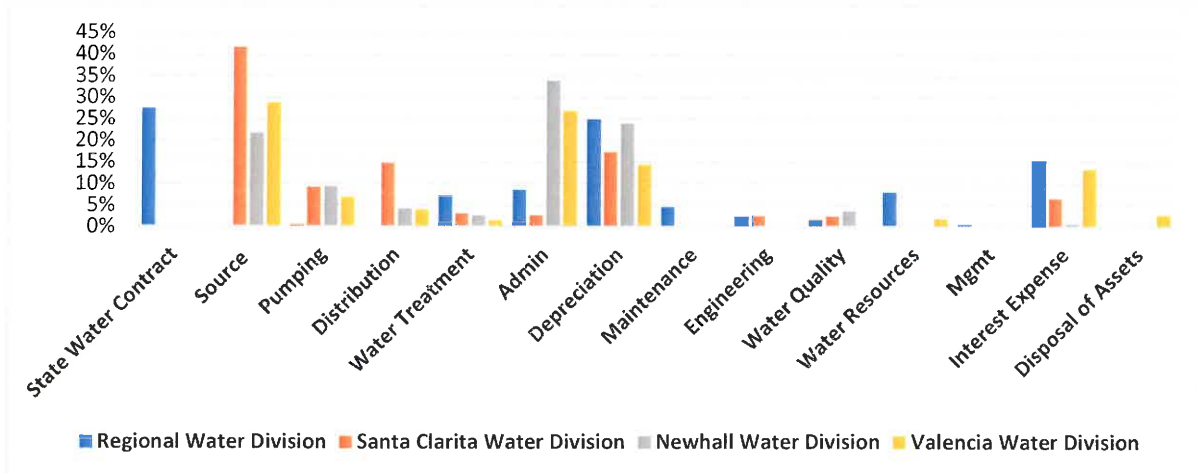
Exhibit 6-3: Allocation of Revenues by Division January 1 - June 30, 2018



Source: SCVWA 2020e.

Exhibit 6-4 shows the allocation of expenses. It shows the source of water is a large portion of expenses for all divisions. For the regional division it is represented by the State Water Contract. Also noteworthy is the high percentage of Valencia and Newhall expenses that go toward administration. The Agency has determined those costs are due to the way the financial system used by VWC and NCWD, prior to Agency formation, tracks expenses. The Agency is working to resolve the problem by updating the financial system which is slated to be completed by May of 2021.

Exhibit 6-4: Allocation of Expenses by Division January 1 -June 30, 2018



Source: SCVWA 2020e.

6.2 – Debt Service

Total debt includes Certificates of Participation (COPs), Revenue Bonds, and the VWD Acquisition Loan. As of June 30, 2019, outstanding principal was \$389 million. Over the next two years the Agency anticipates repaying approximately \$35 million each year. In FY 2019-20 the Agency paid an additional \$9 million to retire the debt on the 2008A COPs and 2014A Revenue Bonds early. The revised budget anticipates a payment of \$27 million in FY 2020-21. Never-the-less by June 30, 2021 the principal owed by the Agency is estimated at \$346 million. Total debt will likely increase due to an anticipated new bond for \$55 million that will be issued in FY 2020-21. Table 6-2 shows the Regional Division’s and the retail divisions current debt obligations.

In 2011 the Upper Santa Clara Valley Joint Powers Authority was created between CLWA and the Devil’s Den Water District. Through the JPA the CLWA and later the Agency was able to refinance several revenue bonds for a savings in excess of \$16 million.

The source of debt service repayment is Facility Capacity Fees and the 1% property tax revenues. The Facility Capacity Fees are considered payments from future users, while property taxes are payments from existing property owners and water system users. Debt proceeds are used to fund the Regional Division’s CIP program.

Table 6-2: Debt Service Projections for the Regional and Retail Divisions

Series	Payment Adopted Budget FY 2019/20	Payment Adopted Budget FY2020/21	Outstanding Principal 6/30/2021
Regional Division			
2008A COPs	\$6,049,303	\$6,098,284	\$0
2014A Revenue Bonds	3,146,500	3,146,750	0
1999 COPs	--	--	79,575,040
2010A COPs	5,273,681	5,274,506	42,080,000
2015A Revenue Bonds	5,018,550	5,021,650	52,595,000
2016A-R Revenue Bonds	2,523,600	2,516,400	19,960,000
2016A-N Revenue Bonds	1,965,800	1,967,225	28,655,000
Total	\$24,954,409	\$25,001,790*	\$222,865,040
Retail Divisions			
2012 (2007) NWD	\$453,809	\$453,809	\$1,497,165
2009 (2016) NWD	148,653	148,653	0
2017A SCWD	5,253,625	5,374,875	41,615,000
Acquisition VWD	4,717,595	4,717,595	53,623,858
2018A Bond VWD	976,975	976,975	26,735,000
Total	\$11,550,658	\$11,671,907	\$123,471,023

Source: SCVWA 2019b.

*Note: SCVWA prepaid 2008A and 2014A payments in FY 2019/20 for FY 2020/21, so payment in FY 2020/21 for Regional Debt payment was reduced to \$16,545,113.

6.3 – Water Rates

As a wholesaler and a retailer, the Agency has two sets of rates each derived from separate studies. Many of these studies were completed before consolidation for the individual divisions. Rates were not changed with consolidation but will be adjusted as new rates are needed.

6.3.1 – Retail Rates

Retail services are provided to three customer classes: single-family residential, irrigation customer, and all other. The other class includes multi-family residential, institutional, commercial, and industrial. Rates are composed of four components: a fixed monthly charge, a commodity charge, a private fire protection charge, and a jumper charge. The fixed charge depends on the size of the meter and is designed to recover the division's fixed costs, such as operations and maintenance, meter reading, billing, and accounting costs. The commodity charge is the charge based on consumption. The private fire service protection charge is

designed to recover the cost of providing water to properties that are required to have private fire suppression systems or specifically request them. The jumper charge is imposed to temporarily provide water when a property is not connected to the system.

Each water division has its own rates determined by rate studies before the consolidation. The vast majority of customers, (i.e., 85% in the Newhall Division) are single-family residential customers with a ¾-inch meter. For those customers, rates consist primarily of a fixed rate and a variable commodity charge. A summary of rates by division is shown in Table 6-3, where ccf is 100 cubic feet or 748 gallons.

Table 6-3: Water Rates Retail (3/4-inch meter)

Composition	Santa Clarita	Newhall	Valencia
Fixed (\$)	22.32	16.14	16.81
Commodity charge per CCF (\$)	1.99	2.8542	1.839
Purchased Water Pass-Thru Charges	not included	included	included
Pass-Thru Rate per CCF (\$)	.05	n/a	n/a
Untreated/recycled (\$)	n/a	n/a	1.577
Effective Date	2020	7/1/2019	2020
Rate Study	2017	2015	2017

Source: SCVWA 2020a.

6.3.2 – Wholesale Rates

The wholesale rate study was completed in 2016. Similar to retail rates, wholesale rates have two components, a fixed rate, and a variable charge. The fixed charge is designed to recover 80% of the Agency's fixed costs. The allocation of the charge among the retail purveyors is based on the share of each purveyor in the consumption of imported water during the past 10 years. This approach ensures a direct link between the consumption of imported water and the amount of costs covered, thus creating incentives for conservation. The variable charge is designed to recover not only the variable costs related to water consumption but also 20% of the fixed costs incurred by the Agency. The variable charge is based on the consumption of imported water during the fiscal year. At present the fixed charge is \$538/AF and the variable charge or commodity charge is \$244.46/AF.

SB 634 (Wilk) also requires that on or before January 1, 2019, SCVWA must develop a rate-setting process that includes an independent ratepayer advocate. Their role is to advise the board of directors and provide information to the public before the adoption of new wholesale and retail water service rates and charges. The organizational chart shown in a later chapter, Exhibit 8-1, shows that the Agency has met this requirement.

6.4 – Capacity Fees

Capacity fees are one-time fees imposed on customers requesting a new, an additional, or a larger connection to a division's water system. Capacity fees prevent a "free-rider" problem by allowing the agency to charge new customers for certain costs of the existing system. The agency avoids unfairly burdening existing customers with the cost of the system by distributing an equitable portion of the system cost to new customers.

There are several different methodologies for calculating capacity fees. The two most commonly used are 1) Equity Buy-In approach and 2) Incremental-Cost approach. The Equity Buy-In approach is most appropriate for agencies that are mostly built out but still have some capacity in the system to accommodate growth. This methodology ensures that new customers pay the cost of the existing facilities. By contrast, the Incremental-Cost approach is most appropriate for agencies anticipating construction of new facilities to meet new demand. The costs of the new facilities are distributed to new customers based on the number of expected additional meters, and the value of the additional Capital Improvement Program.

A division may find itself in a position where it satisfies both of these requirements. In that case the division's water system is already fairly built out, but the division also anticipates a substantial amount of expansion related CIP spending to deal with growth related increases in demand in the future. The division has adopted a hybrid approach to charge for both the cost of the existing system and the proportional cost of new capacity required to serve their demand on the water system. In 2018, the Agency adopted capacity fees for each division in the agency. The areas are shown in Exhibit 6-5. Fees for each area are shown in Table 6-4.

Table 6-4: 2018 Regional Facility Capacity Fees and Charges (\$/meter size)

Meter Size	Meter Size (inches)	WSA: West Valley SubWSA: 1, 2, 11, 12, 13, 14, 15, 21, 22, 24, 25, 28, 31, 32, 34, 35, 37, 38, 39, 40	WSA: East Valley SubWSA: 23, 26, 27, 33, 36	WSA: Newhall Ranch SubWSA: 41, 42	WSA: Whitaker-Bermite SubWSA: 47
5/8"	0.625	\$4,590	\$6,450	\$3,898	\$7,277
3/4"	0.75	\$6,886	\$9,674	\$5,847	\$10,915
1"	1.00	\$11,476	\$16,124	\$9,745	\$18,192
1 1/2"	1.50	\$22,952	\$32,248	\$19,489	\$36,384
2"	2.00	\$36,723	\$51,597	\$31,183	\$58,215

Source: SCVWA 2018d.

6.5 – Capital Improvements

The Agency maintains a Capital Improvement Plan based in part on its Asset Management Plan. The Asset Management Plan is a detailed plan for maintaining and replacement of the Agency's

facilities and equipment. The plan covers land, buildings, machinery, and equipment that have an original cost of \$5,000 or more.

In FY 2019-20 the Agency anticipates spending \$42 million for improvements on a regional basis and \$16 million on retail customer projects. Table 6-5 provides an overview of CIPs anticipated for FY 2019-20 and FY 2020-21 for Regional Division system improvements and their funding source. Similarly, Table 6-6 shows anticipated spending and funding sources for the retail system. Funding is derived from the Capital Project Fund and property taxes for regional improvements. Funding for major improvements for retail customer projects comes from a combination of water rates, reserves, and connection fees. Minor retail improvements are funded by water rates.

Table 6-5: Regional Division Capital Improvement Projects FY 2019-20 - FY 2020-21 Funding Sources

Regional	Proposed Cost	Capital Project Fund	Property Tax
Major Capital Projects	\$26,769,000	\$24,259,000	\$2,510,000
Minor Capital Projects	1,125,000	-	1,125,000
Capital Planning, Studies and Administration	10,152,938	-	10,152,938
New Capital Equipment	2,180,481	-	2,180,481
Major Repair and Replacement	1,755,000	-	1,755,000
Total Regional CIP	\$41,982,419	\$24,259,000	\$17,723,419

Source: SCVWA 2019b.

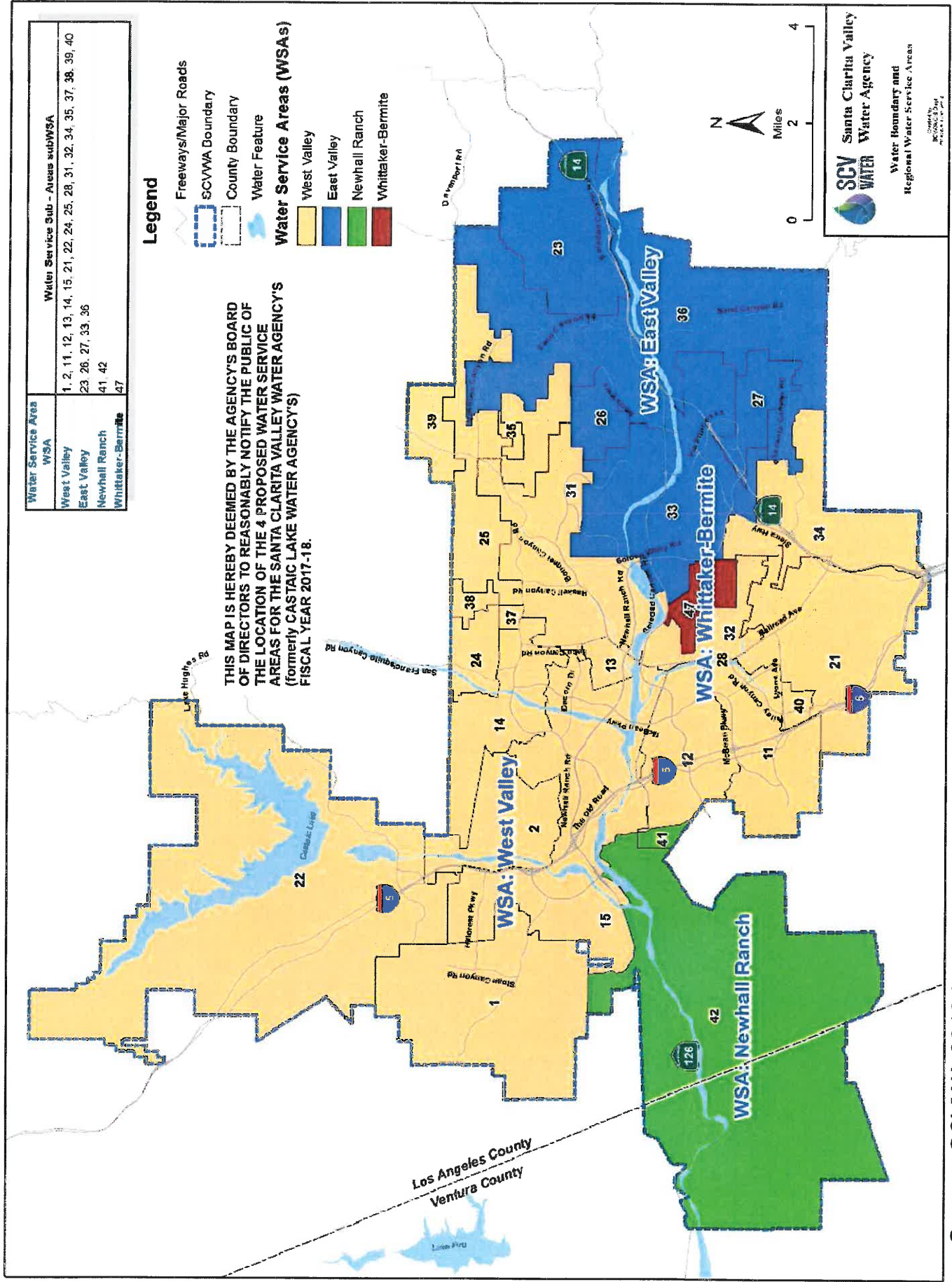
Table 6-6: Retail Divisions Capital Improvement Projects FY 2019-20 - FY 2020-21 Funding Sources

Retail	Proposed Cost	Water Rates	Reserves	Connection Fees
Major Capital Projects	\$7,958,000	\$2,468,268	\$3,462,232	\$2,027,500
Minor Capital Projects	8,513,439	8,513,439	-	-
Total Retail CIP	\$16,471,439	\$10,981,707	\$3,462,232	\$2,027,500

Source: SCVWA 2019b.

During its revision of the FY 2020/21 budget the Agency nearly doubled the funding for CIP's from \$57 million to \$112.8 million. Most of the increases were for major capital projects for both regional and retail divisions. The Board approved an increase for regional projects from \$27 million to \$50 million and for retail projects from \$5 million to \$33 million. Additional funding was derived from reimbursements to the Regional CIP fund and contributions from the Capital Project Fund and the Expansion Fund for retail projects.

EXHIBIT 6-5: FACILITY CAPACITY FEE REGIONS



6.6 – Financial Policies and Reserves

SCVWA is guided by its financial policies when developing a budget. The goal is to propose a balanced budget. Policies include its Investment Policy, Debt Management Policy, Disclosure Procedure Policy, Derivatives Policy, Purchasing Policy, Capitalization Policy, Wire Transfer Policy, and Reserve Fund Policy.

The Investment Policy is reviewed annually. The policy requires the Agency invest funds to provide the highest return with the maximum security while meeting cash flow demands and conforming to all relevant statutes.

The Debt Management Policy was established to serve as a guideline for the use of debt for financing infrastructure and project needs. Debt is issued and managed so as to maintain a sound financial position and protect credit quality. The policy identifies the criteria for issuing new debt that includes the Standards for Use and guidelines to determine when refinancing of outstanding debt will be beneficial to the Agency and its customers.

The Disclosure Procedures Policy requires local officials to fully disclose particular financial transactions to comply with the anti-fraud rules of federal securities laws. The purpose of the policy is to memorialize and communicate procedures in connection with obligations, including notes, bonds, and certificates of participation, issued by or on behalf of the Santa Clarita Valley Water Agency.

The Derivatives Policy establishes accounting and reporting standards for derivative instruments, a financial instrument which derives its value from the value of some other financial instrument, variable or index, including certain derivative instruments embedded in other contracts (collectively referred to as “derivatives”), and for hedging activities. The Derivatives policy states that derivatives will not be used to speculate on perceived movements in interest rates.

The Purchasing Policy outlines the procedures for the procurement of all goods and services and applying best practices for optimizing cost savings, quality products and services, and for assuring proper authority and limits as adopted by the Board of Directors in accordance with State law.

The Capitalization Policy for Fixed Assets is used by the Agency to set a threshold, above which qualifying expenditures are recorded as fixed assets, and below which they are charged to expense as incurred. Fixed assets are defined as those assets with a value in excess of \$5,000. The policy also identifies the useful life of various fixed assets.

The Wire Transfer Policy, bank transfer, or credit transfer, is a method of electronic funds transfer from one person or entity to another. The Agency recognizes the trend toward

electronic payment methods and will receive and distribute much of its funds through electronic wire transfers.

The Reserve Fund Policy is to ensure the Agency's financial stability, and to have sufficient funding available to meet its operating, capital, and debt service cost obligations. SCVWA has established six reserve funds.

1. The Capital Improvement and Replacement Reserve is designed to fund capital and asset replacement costs plus any contingency amounts in the event other sources for capital funding are insufficient to complete capital projects.
2. The Emergency Disaster Reserve is established to provide additional liquidity in the event of a natural disaster, financial crisis, economic uncertainty, loss of significant revenue sources, local disasters or capital obligations, cash flow requirements, and unfunded mandates.
3. The Capital Reserve is designed to fund unanticipated capital expenditures, or additional repair and replacement projects.
4. The Operating Reserve is designed to safeguard the financial viability and stability of the Agency and are funded from division specific revenues. The Operating Reserve also acts to safeguard against unexpected events such as drought and major catastrophic events.
5. The Revenue Rate Stabilization Reserve provides the Agency with the ability and flexibility to avoid sharp increases in customers' rates or to smooth out rate increases over an extended time frame.
6. The Water Supply Reliability Reserve provides a source of funding for the extraction of water from groundwater banking programs during dry years that will help to further mitigate rate increases.

The reserves are summarized in Table 6-7 showing reserves for regional as well as retail customers. As indicated, regional refers to wholesale water from State Water Project water, while retail refers to water provided to the three divisions: Newhall, Valencia, and Santa Clarita. The table shows the Agency has ample cash reserves to fund operations for over 3 years for the Regional Division and 274 days for retail divisions.

Table 6-7: Cash Reserves June 30, 2020

Reserve Fund	Regional	Retail	Total
Capital Improvement & Replacement Reserve	\$17,723,419	\$10,725,882	\$28,449,301
Emergency/Disaster Reserve	28,783,894	5,458,419	34,242,313
Capital Reserve	18,088,911	8,376,094	26,465,005
Operating Reserve	25,823,851	12,553,132	38,376,983
Revenue Rate Stabilization Reserve	3,650,860	6,892,569	10,543,429
Details of Cash Reserve Balance for FY 2019-20 Bonds	3,000,000	-	3,000,000
Total	\$97,070,935	\$44,006,096	\$141,077,031
Days Cash	1,231	274	588
Years	3.4	0.75	1.6

Source: SCVWA 2019b.

6.7 – Other Post-Employment Benefits

Other Post-Employment Benefits (OPEB) refers to non-pension obligations of the Agency to its retired employees. OPEB is accrued after vesting, which requires a minimum of 10 years of CalPERS service credit. At 10 years the Agency contributes 50% of the cost. Each additional year of service credit requires the employer to contribute another 5% until at twenty (20) years the employer contribution is 100%.

Prior to the merger, NCWD's past OPEB liabilities were fully funded and held in a trust (CERBT-California Employers' Retiree Benefit Trust). CLWA/SCWD past liabilities were also held in a CERBT trust, but past liabilities were not fully funded. As part of the merger, employee benefits between CLWA and NCWD were aligned and the Agency engaged a consultant to do an actuarial study to estimate liabilities.

The Agency has a policy to prefund benefits to reduce the long-term cost to the Agency. The Agency has determined it is advantageous to prefund for a number of reasons. Prefunding provides funding security for current and future retirees by accelerating funding. It allows access to the higher expected rates of return through equity-based investments in a qualified trust. Prefunding matches payment of past service liability associated with previous ratepayers to those ratepayers. In addition, payment of future normal costs creates the fairest intergenerational equity for current and future ratepayers while stabilizing this element of the rate base.

Table 6-8 shows the amount needed to fully fund OPEB liabilities by division as of June 30, 2019. The payment in FY 2019-20 would help meet the reserves needed to fully fund the liability. In February of 2020, the Agency made a payment of \$5,034,331 so that OPEB is up to

date. Under its prefunding policy the agency contributes 100% or more each year of the current year's obligation.

Table 6-8: Current OPEB Obligations by Division

Division	Values as of June 30, 2019				
	Regional	SCWD	Newhall	Valencia	Total
Actuarial Present Value of Projected Benefits	\$16,372,973	\$8,526,556	\$6,207,218	\$2,302,915	\$33,409,662
Actuarial Accrued Liability	11,945,282	6,423,500	5,286,292	294,354	23,949,428
Actuarial Value Of Assets	10,204,817	5,231,576	3,107,512	371,192	18,915,097
Unfunded Actuarial Accrued Liability	1,740,465	1,191,924	2,178,780	(76,838)	5,034,331

Source: MacLeod Watts 2020.

Determinations

- The SCVWA adopts a two-year budget and recently adopted a balanced budget for FY 2019-20 and FY 2020-21. The Agency anticipates spending approximately \$159 million in FY 2019-20 and approximately \$172 million in FY 2020-21. For FY 2018-19, the Agency anticipates \$131 million in expenses offset by \$155 million in revenues.
- The Agency recently completed its first full year audit as a consolidated agency. The largest expense is depreciation and amortization. This exhibit shows sources of water supply and the purchase of water from SWP are some of the largest expenses. Agency-wide interest expense and administration are 12% and 14%, respectively.
- Reviewing revenues and expenses for the divisions shows the largest source of revenues for the Regional Division is property tax, while the largest source for retail divisions is water sales, as expected. The source of water is a large portion of expenses for all divisions. Also noteworthy is the high percentage of Valencia and Newhall administrative expenses. The Agency has determined those costs are due to the way the financial system, used by VWC and NCWD prior to Agency formation, tracks expenses. The Agency is working to update its financial system which should resolve the problem.
- Total debt of the consolidated agency includes Certificates of Participation (COPs) and Revenue Bonds and the VWD Acquisition Loan for a total outstanding principal of \$389 million as of June 30, 2019. The Agency plans to pay down the debt by approximately \$36 million each year over the next two years.

- Water rates were set according to studies completed before consolidation. Ratepayers pay a base rate plus a commodity charge per one hundred cubic feet or CCF. Each retail agency has a different rate.
- In 2016, the Santa Clarita Water Division contracted for a capacity fee study. The approach allowed for new development to buy into existing facilities as well as to fund new facilities required by the development. In 2018, SCVWA adopted a regional capacity fee schedule for each area of the agency. The updated single-family residence capacity fee, for a ¾ inch meter, ranges from \$5,800 to \$10,900 depending on the area.
- The Agency has a Capital Improvement Plan. Regional projects are funded by the Capital Project Fund and property tax revenues. Retail projects are funded by water rates, reserves, and connection fees. The adopted budget indicated the Agency expects to fund \$41.9 million for regional and \$16.5 million for retail divisions. In the revised FY 2020/21 budget funding was increased to \$67.1 million for regional and \$45.7 for retail system projects.
- SCVWA is guided by its financial policies when developing a budget. Policies include its Investment Policy, Debt Management Policy, Disclosure Procedure Policy, Derivatives Policy, Purchasing Policy, Capitalization Policy, Wire Transfer Policy, and Reserve Funds Policy. The Agency has sufficient reserves for 1,231 days for the Regional Division and 274 days for the retail divisions.
- In February of 2020, the Agency made a payment of \$5,034,331 so that OPEB is up to date. Each year the budget allocates a prepayment to keep the total over time up to date.
- The SCVWA has sufficient revenues and reserves to provide services.

7: STATUS AND OPPORTUNITIES FOR SHARED FACILITIES

7.1 – Cost Savings through Economies of Scale

Since forming in 2018, the Agency has projected savings of nearly \$20 million by the end of FY 2020-21. These include economies of scale, unifying various software and systems across divisions, and integrating work teams for more efficient responses. The savings for VWC in taxes and fees are projected at \$10.5 million which are being used to pay for VWC legacy debt. SCVWA in its most recent budget identifies projected cost savings for SCVWA as a result of the consolidation, as shown in Table 7-1.

Table 7-1: Projected Cost Savings

	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020- 21	Total
Salaries and Benefits	\$ 328,493	\$ 1,001,101	\$ 1,037,134	\$ 1,074,249	\$ 3,440,977
Insurance	291,667	816,000	887,630	909,909	2,905,206
Elections	-	552,000	-	40,000	592,000
Audit and Tax Consulting	167,755	172,788	177,971	183,310	701,824
Internal Repair Crews	90,000	180,000	180,000	180,000	630,000
Legislative Advocacy	29,000	78,000	80,340	82,750	270,090
Other ²	248,950	208,338	228,118	229,951	915,357
Subtotal	\$ 1,155,865	\$ 3,008,227	\$ 2,591,193	\$ 2,700,169	\$ 9,455,454
VWC Taxes & Fees	1,286,479	3,064,447	3,077,085	3,090,102	10,518,113
Total Projected Savings	\$ 2,442,344	\$ 6,072,674	\$ 5,668,278	\$ 5,790,271	\$19,973,567

6 Month Period (January - June 2018)
²Other - Board reduction, memberships, registration fees and miscellaneous taxes
Source: SCVWA.2019b.

7.2 – Joint Powers Agreements

SCVWA is a member of several joint powers authorities that allow it to share costs with other agencies and improve service. SCVWA is also a member of ACWA/JPIA. The membership allows the Agency to realize savings in workers compensation, risk management and insurance as part of a pool.

The new agency joined with several local agencies to form a Groundwater Sustainability Agency (GSA) pursuant to Section 10723.6 of the Water Code. The purpose of the GSA is to develop and implement a groundwater sustainability plan within the agency in accordance with Chapter 6 (commencing with Section 10727) of Part 2.74 of Division 6 of the Water Code.

SCVWA is located in the Santa Clara River Valley East Basin, which extends throughout much of the Santa Clarita Valley. The basin is designated as a high priority basin by the Department of Water Resources.

SCVWA is a participant in the GSA which was created through a Memorandum of Understanding including the following members: 1) Newhall County Water District, 2) Castaic Lake Water Agency, 3) Santa Clarita Water Division, 4) Los Angeles County Waterworks District #36, 5) City of Santa Clarita, and 6) County of Los Angeles. The first three members are now combined into SCVWA. The members of the GSA have selected leadership to sit on the GSA Board of Directors and are discussing the transition of the GSA into a Joint Powers Authority.

SCVWA is also a member of State Water Project Contractors Authority. This JPA is comprised of many of the SWP contracting agencies and was formed to provide additional organizational and related capability to implement certain SWP-related programs.

The Agency is also a member of the Upper Santa Clarita Valley JPA formed by predecessor CLWA with the Devil's Den Water District (DDWD) in June 2011. The purpose of the JPA is twofold. The first is to provide for the financing / refinancing of capital improvement projects and to finance working capital of the Agency or DDWD. Refinancing several bonds resulted in a savings in excess of \$16 million. The second is to allow for the creation of a solar panel field that would cover 3,000 acres.

SCVWA is also a participant in advancing the Sites Reservoir through its membership on the Sites Reservoir Committee. This project has the potential of providing 5,000 AF of dry-year supplies.

7.3 – Management Efficiencies

Management efficiencies are often measured by whether the Agency has planning activities both long-range and short-range. The Agency develops a two-year budget. As part of the budget analysis, the Agency reviews performance measures and whether the department has achieved them, are progressing toward achievement, or whether they have not achieved the measure.

SCVWA has completed a five-year strategic plan. The purpose of the plan is to guide the Agency in the next 5 years. The overall goal is to provide “exemplary water management for a high quality of life in the Santa Clarita Valley.” The goal will be accomplished by fulfilling the mission of SCVWA, providing responsible water stewardship to ensure the Santa Clarita Valley has reliable supplies of high-quality water at a reasonable cost. The plan identified six areas to accomplish that goal.

1. Customer/Community - Implement and communicate policies supporting the social quality of life, and environmental values of the community.
2. Infrastructure Reliability – Implement, operate, and maintain water infrastructure to ensure sustainable water service provision.
3. Water Supply and Resource Sustainability – Implement programs to ensure the service area has reliable and sustainable supplies of water.
4. Water Quality and Environmental compliance - Protect the quality of water supplies and environment and ensure drinking water quality is consistent and meets or exceeds water quality requirements.
5. Financial Resiliency – Maintain a long range, transparent, stable, and well-planned financial condition, resulting in current and future water users receiving fair and equitable rates and charges.
6. High Performance Team – Grow a culture of continuous improvement that fosters SCVWA’s values.

Prior to SCVWA’s consolidation, the CLWA completed a Groundwater Management Plan in 2003. The plan area includes all of SCVWA territory. The Groundwater Management Plan included seven elements:

1. Monitoring of groundwater levels, quality, and subsidence
2. Monitoring and management of surface water flows and quality
3. Determination of basin yield and avoidance of overdraft
4. Development of regular and dry year/emergency water supply
5. Continuation of conjunctive use operations
6. Long-term salinity management
7. Integration of recycled water

The SCVWA has an adopted Urban Water Management Plan. The most recent plan was completed for 2015. Urban Water Management Plans need to be updated every five years. The Agency is compiling the 2020 Plan.

The SCVWA has also adopted an Asset Management Plan/Capital Improvement Plan. Details of the Capital Improvement Plan are discussed in the budget. The Asset Management Plan is a detailed plan for maintaining and replacement of the Agency’s facilities and equipment. The plan covers land, buildings, machinery, and equipment that have an original cost of \$5,000 or more.

Other planning tools include the Integrated Regional Water Management Plan (IRWMP), the CLWA Reliability Plan, the Communications Strategic Plan, 2018 Facility Capacity Fee Study, the Santa Clarita Valley Water Use Efficiency Strategic Plan (SCVWUESP), the SCVWA Organizational Assessment and Asset Management Program Gap Analysis Report, and the retail division's Water Master Plans.

Determinations

- The Agency projects savings of nearly \$20 million by the end of FY 2020-21 due to the consolidation and economies of scale.
- The Agency participates in a number of JPAs that allow it to share costs with other agencies and improve service. They range from the State Water Project Contractors Authority to the GSA to the ACWA/JPIA, which allows the Agency to realize savings in insurance costs.
- Management efficiencies are often measured by whether the Agency has planning activities both long-range and short-range. The Agency has demonstrated management efficiencies by several planning tools ranging from its two-year budget, its Capital Improvement and Asset Management Plan and its five-year strategic plan.

8: ACCOUNTABILITY AND GOVERNANCE

SB 634 (Wilk) provided that the initial board include all directors from the predecessor agencies plus an appointed member representing LACWWD #36. At that time, five were directors of NCWD and 10 were directors of CLWA for a total of 15. The Agency consists of three electoral divisions as defined by SB 634 (Wilk). Ultimately the Board will consist of nine members, three from each electoral division. Board members receive \$228.15 in compensation for each day of service for up to 10 days per month.

Membership will be reduced as terms expire, by vacancies, and by eliminating the appointed position on January 1, 2023. Those members whose terms expired in 2018 were not replaced and with one additional vacancy the board now consists of 12 members including the appointed representative of LACWWD #36. Following the 2020 general election, the terms of members that would have expired in 2020 now expire following the 2022 general election.

In 2019, the legislature passed SB 387 (Wilk) which was signed and became law in January of 2020. SB 387 (Wilk) amends SB 634 (Wilk) so that if a member resigns, vacates or is removed from office before the end of their term and certain circumstances are met, the number of directors up for election at an election may shift from two to one to better balance the number of Board positions up for election at each cycle. If the shift as described above does not occur by the 2020 election, then following that election Directors will draw lots and one Board seat will be designated to have one two-year term following the 2024 election (thereafter it will be a four-year term). The intent of SB 387 was to better balance the number of seats up at each election. After this shift, 5 positions will be up at one election and 4 at the other.

The electoral divisions are shown in Exhibit 8-1. Directors and the expiration date of their terms are shown in Table 8-1.

SCVWA Board of Directors meetings are held the first and third Tuesdays of each month at 6:30 p.m. All Board of Directors meetings are open to the public and comply with the Brown Act. Any member of the public who wishes to address the Directors at a Board meeting may do so during the portion of the meeting set aside for public comment.

Table 8-1: SCVWA Board of Directors

Director	Electoral Division	Term Expires
William Cooper, President	1	January 2023
Maria Gutzeit, Vice President	3	January 2021
Gary R. Martin	1	January 2021
B.J. Atkins	3	January 2021
Ed Colley	2	January 2021
Kathy Colley	2	January 2021
Robert J. DiPrimio	1	January 2021
Jeff Ford	LACWWD #36	January 2023
E.G. "Jerry" Gladbach	2	January 2023
R.J. Kelly, Vice President	1	January 2023
Dan Mortensen	3	January 2023
Lynne Plambeck	3	January 2023

Source: SCVWA 2019b, Martin 2020.

8.1 – Devil’s Den Water District (DDWD)

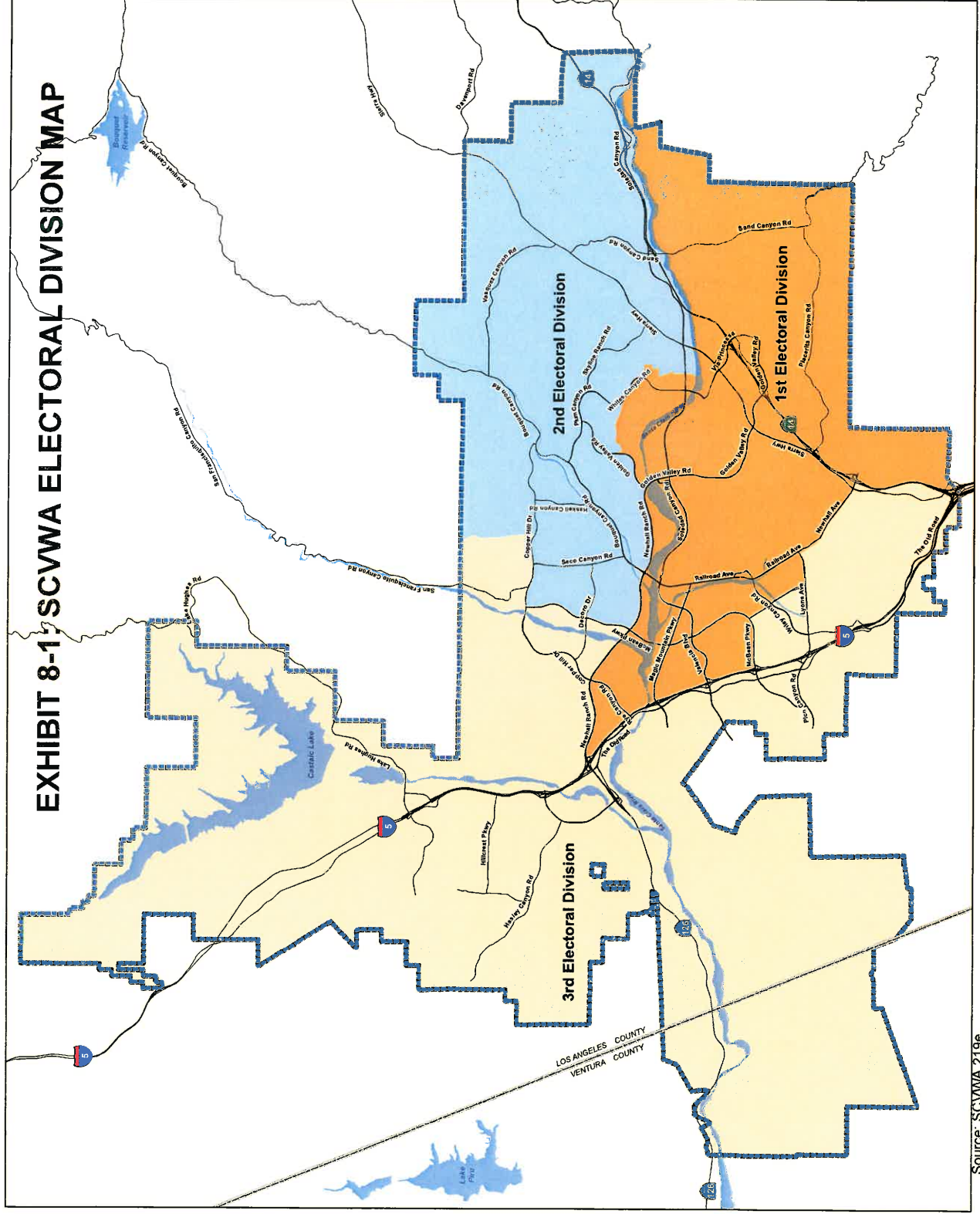
SCVWA maintains a unique relationship with the Devil’s Den Water District (DDWD) which is a California Water District that straddles the Kern County / Kings County boundary. There appears to be three residences in the district. It is a landowner-based district, where representation on the Board of Directors is determined by property owners in the District.

On October 25, 1988, the CLWA purchased land and equipment owned by Producers Cotton Oil Company. Of the 8,459 acres of land purchased in Kern and Kings Counties, approximately 7,759 acres are within the Devil’s Den Water District. The SCVWA holding represents nearly 90% of the District’s 8,676 acres. SCVWA leases all the property to Rolling Hills Farms (RHF), an outside party, under terms of an operating lease agreement. The lease is a trade agreement where RHF is allowed to farm in exchange for maintaining the property

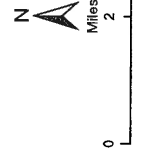
DDWD was originally a State Water Project contractor which was allocated 12,700 AFY. CLWA was also a State Water Project contractor with its own water supply contract. As a result of the land acquisition, DDWD’s water supply contract with the State was terminated and in 1991, added to CLWA’s water supply contract. Since DDWD is a landowner voter district and SCVWA owns the vast majority of the property within DDWD, the DDWD Board of Directors is composed of five designated representatives of SCVWA’s board now the SCVWA’s board, three from Division 1 and two from Division 2.



EXHIBIT 8-1: SCVWA ELECTORAL DIVISION MAP



- Legend**
- Major Roads
 - County Line
 - Water Features
 - SCVWA Service Area
 - SCVWA Electoral Divisions
 - 1st Electoral Division
 - 2nd Electoral Division
 - 3rd Electoral Division



Created by
SCVWA GIS Dept.
4 Feb 2018

8.2 – Staffing

When all of the former districts were consolidated, all current staff became part of SCVWA. The Organizational chart of the SCVWA is shown in Exhibit 8-2. The number of employees and their hiring agency is shown in Table 8-2. After the SCVWA consolidation, the newly formed Agency began a review of all positions and compensation. In its revision of the FY 2020-21 Budget the Board reduced the number of employees to 220.

Table 8-2: Historical Number of Employees

Agency	CLWA	SCWD	NCWD	VWC	Total
No. of Employees	86	59	30	48	223

Source: SCVWA 2018a.

8.3 – Communications with Customers

The Agency maintains a website that provides information to the public on a number of issues including water conservation, governance, water quality, and the learning center. The governance tab provides information about Board meetings, the Board of Directors, and the election process. It also includes a transparency tab that provides customers with easy access to information, such as Agency finances, operations, policies, and services.

The Agency publishes and distributes an e-newsletter (Water Currents). The newsletter is published monthly and provides residents with information on activities of the Agency, upcoming meetings of the Board and its committees. It also includes gardening tips, and water conservation programs. The Agency maintains a speakers' bureau to provide speakers for meetings of various community organizations on water-related topics.

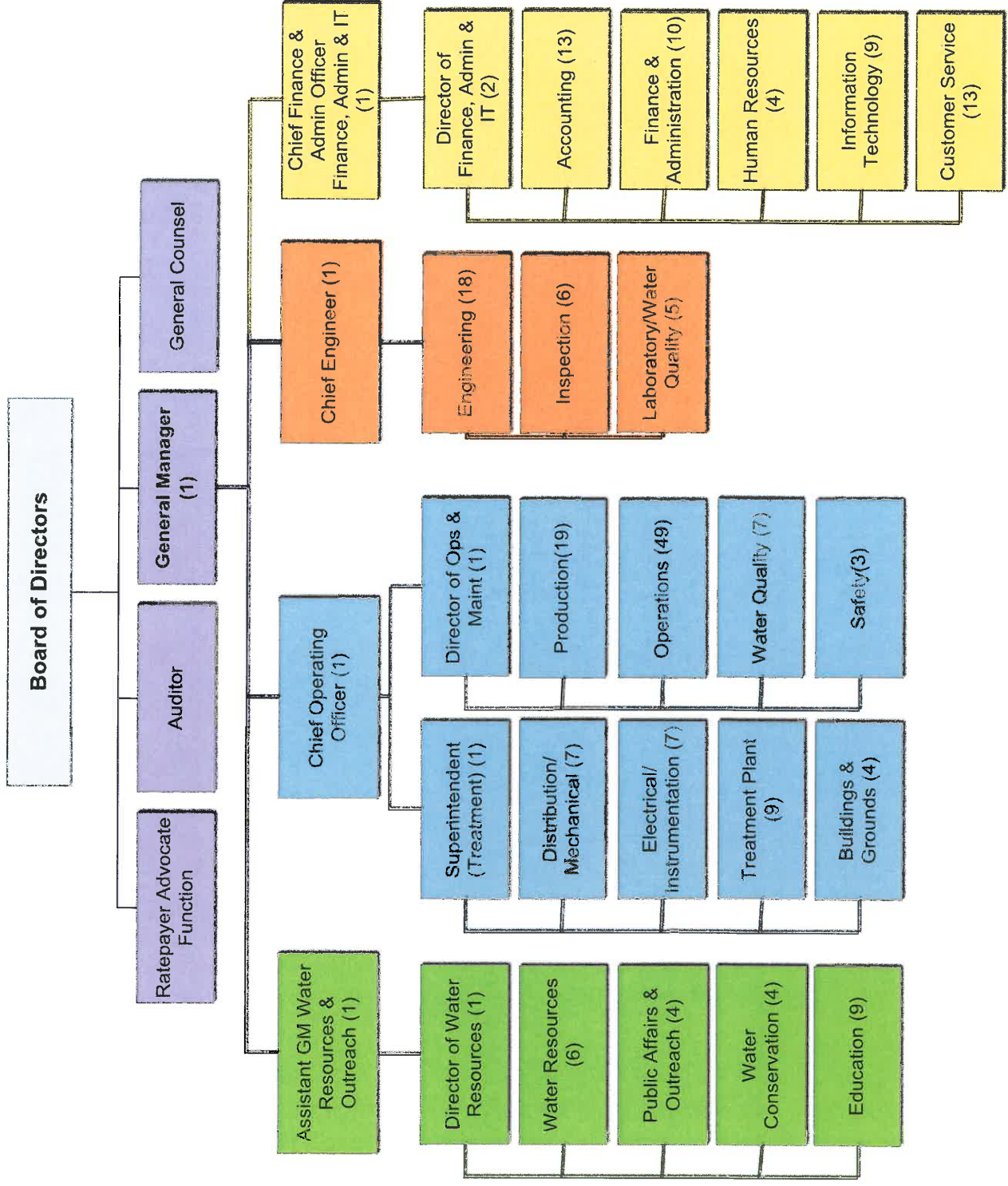
SCVWA is also active on social media. The Agency maintains an active presence on Facebook, Twitter, and Instagram. Multiple weekly posts are used to share information on the Agency and its programs, as well as water industry trends.

8.4 – Awards

The Agency has received a number of awards for excellence in service. Most recently, the Agency received CSDA's Transparency Certificate of Excellence in recognition of its outstanding efforts to promote transparency and good governance. In 2018, the Agency received Best in Blue Finalist consideration from the Association of California Water Agencies for excellence in outreach. Last fiscal year, FY 2018-19, the Agency received the Excellence Award from the California Society of Municipal Finance Officers and the Distinguished Budget Award from the Government Finance Officers Association.

EXHIBIT 8-2:

SCVWA ORGANIZATIONAL CHART



Determinations

- The Agency is governed by a 12-member Board of Directors representing its three electoral divisions. The 12 includes one appointed member representing LACWWD #36. The LACWWD #36 seat expires in 2023 (SB 634 10(c)). Eventually the 12 members will be reduced to nine members, due to attrition. Board members receive \$228.15 in compensation for each day of service for up to 10 days per month.
- The SCVWA Board of Directors meetings are held the first and third Tuesdays of each month at 6:30 p.m. Meetings are held at SCVWA headquarters at 27234 Bouquet Canyon Rd, Santa Clarita, CA 91350. Meetings are held in accordance with the Brown Act.
- The CLWA acquired 90% of the Devil's Den Water District in 1988 as part of the purchase of Producers Cotton Oil Company. CLWA subsequently received the SWP's allocation to Devil's Den Water District. The Devil's Den Water District is a California Water District and a landowner voter district. As the landowner of 90% of the District, former CLWA and now SCVWA directors serve as the governing board for Devil's Den Water District.
- The consolidated Agency initially had a staff of 223 from the four agencies. In its revision of the FY 2020-21 budget the Board reduced staff to 220.
- The Agency maintains a website that provides information to the public on a number of issues including, water conservation, governance, water quality, and the learning center.
- The Agency publishes and distributes an e-newsletter, (Water Currents). The newsletter is published monthly and provides residents with information on activities of the Agency.
- The Agency maintains an active presence on Facebook, Twitter, and Instagram. Multiple weekly posts are used to share information on the Agency and it's programs, as well as water industry trends.

9: MATTERS RELATED TO EFFECTIVE OR EFFICIENT SERVICE DELIVERY, AS REQUIRED BY COMMISSION POLICY

This chapter will discuss how LA LAFCO policies would affect service delivery. Government Code §56300 requires each Commission to establish policies and procedures in order to exercise its powers and authority. In the absence of a specific policy CKH acts as the default to guide the Commission. Policies applicable to SCVWA include the LA LAFCO conditions pertaining to the formation of the Agency and LA LAFCO's Sphere of Influence policy.

The SCVWA was formed by a legislative act, SB 634 (Wilk), in October 2017, in part, because LA LAFCO lacked the statutory authority under CKH to consolidate the two districts with the governing board that CLWA and NCWD desired. In particular, the size of the governing board needed to accommodate existing board members whose terms had not expired and to determine the ultimate make-up of the governing body. A subsequent piece of legislation, SB 387 (Wilk), was passed in 2019 to further guide the board reduction from four members in each electoral district to three.

The law which formed the Agency recognized that LAFCO had the sole and exclusive authority for completing changes of organization which included the consolidation of Castaic Lake Water Agency and Newhall County Water District. SB 634 (Wilk) required an application to be submitted to Los Angeles LAFCO and required the new agency to comply with any LAFCO conditions pertaining to the formation of the Agency.

The Commission adopted 22 conditions. To date, the Agency has complied with 20 of them. One of the conditions requires the Agency to apply to annex territory adjacent to the Agency boundary that was formerly served by the VWC. To meet this condition, the Agency has submitted an annexation application which is being processed by LAFCO. LA LAFCO Staff and Agency Staff are working cooperatively with regard to the application. Another condition requires the Agency to fund the MSR and establish policies consistent with current law. This MSR is a result of compliance with that condition. The Agency has been working with LA LAFCO cooperatively on the remaining conditions.

The Commission adopted its Sphere of Influence Policy on November 13, 2019. The policy states:

Coterminous Sphere of influence: A sphere of influence (SOI) for a city or special district that includes the same physical territory as the jurisdictional boundaries of that city or special district. The Commission adopts a Coterminous SOI if there is no anticipated need for services outside the jurisdictional boundaries of a city or special

district, or if there is insufficient information to support inclusion of additional territory within the sphere.

The Agency's operations are consistent with the Coterminous SOI for the Agency adopted by the Commission on April 11, 2018. The sole exception is where the Agency provides service to a portion of the former VWC territory, which is outside the Agency's existing jurisdictional and SOI boundary. This occurrence is being addressed with this MSR and SOI Update and the by the Agency's timely submittal of a proposal for annexation of the VWC territory. It is anticipated the annexation will be considered by the Commission in late 2020 or early 2021. In this regard, the Agency is providing effective or efficient service delivery, as required by the Commission's Sphere of Influence Policy.

Determination

- The Agency's operations must address LA LAFCO's approved conditions pertaining to the formation of the Agency. LA LAFCO adopted 22 conditions. To date, the Agency has complied with 20 of them. The Agency has been working with LA LAFCO cooperatively on the remaining conditions.
- The LA LAFCO Sphere of Influence for a coterminous sphere applies to SCVWA. The Agency's operations are consistent with the Coterminous SOI adopted by the Commission on April 11, 2018. The sole exception is where the Agency provides service to a portion of the former VWC territory which is outside the Agency's existing jurisdictional and SOI boundary. SCVWA has submitted an annexation proposal for the territory to LA LAFCO which will be considered in late 2020 or early 2021. In this regard the Agency is providing effective efficient services, as required by the Commission's SOI Policy.

10: SPHERE OF INFLUENCE CONSIDERATIONS

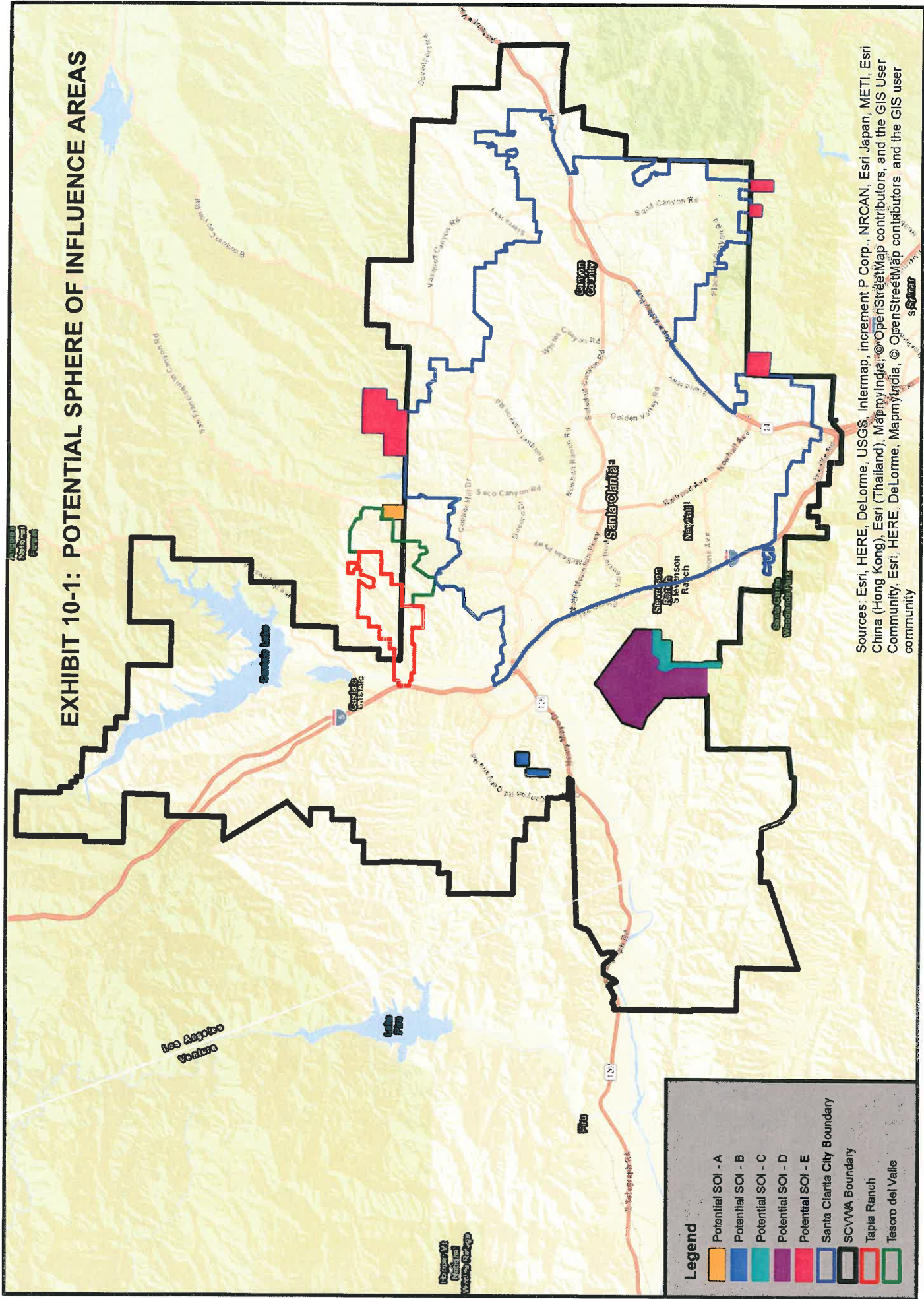
This MSR includes a discussion of an appropriate SOI for the agency. In establishing the SOI CKH prescribes the Commission must make determinations in five areas. They include:

1. **Present and planned land uses in the area, including agricultural and open space lands.** This consists of a review of current and planned land uses based on planning documents to include agricultural and open-space lands. This will address the research questions on present and planned land uses.
2. **Present and probable need for public facilities and services.** This includes a review of the services available in the area and the need for additional services.
3. **Present capacity of public facilities and adequacy of public services provided by the agency.** This section includes an analysis of the capacity of public facilities and the adequacy of public services that the SCVWA provides or is authorized to provide.
4. **Social or economic communities of interest.** This section discusses the existence of any social or economic communities of interest in the area if the Commission determines that they are relevant to the SCVWA. These are areas that may be affected by services provided by the Agency or may be receiving services in the future.
5. **Present and probable need for services to unincorporated disadvantaged communities.** Beginning July 1, 2012, the Commission must also consider services to disadvantaged communities which are defined as inhabited areas within the SOI.

There are seven potential areas to consider for the SOI. These areas are identified in Exhibit 10-1 as area A, B, C, D, and E and Tapia Ranch and Tesoro del Valle developments, Phase A -D.

Area A as shown is a small area that was previously within the jurisdictional boundary of the former NCWD but outside the jurisdictional boundary of the former CLWA. Area A is also outside the jurisdictional boundary of the SCVWA as determined by SB 634 (Wilk) and the conditions pertaining to the formation of the Agency. There are currently no services provided to the area. It could be included as a way to complete the consolidation of NCWD.

EXHIBIT 10-1: POTENTIAL SPHERE OF INFLUENCE AREAS



NAD 83
5-27-20 JL
SCVWA
Map produced by Law of the Land Consultants



Area B includes two small discontinuous areas that are islands surrounded entirely by existing SCVWA jurisdictional territory. The islands are part of a land fill and are undeveloped. Consequently, SCVWA provides no services to these two islands.

Area C is an area served by VWC that is also outside SCVWA boundaries. The area is located just west of I-5 off Valencia Boulevard. The area includes 577 parcels on approximately 343 acres. At build out the development would include 546 single-family homes. One of the LAFCO conditions pertaining to the formation of the Agency is that the Agency apply for annexation by January 1, 2020. The application has been submitted, but a Sphere amendment is needed. The Sphere amendment can be proposed in the MSR or separately and approved concurrently by LAFCO with its consideration of the annexation.

Area D is the undeveloped area that appears as an inverted key. Present zoning is residential. The area can be developed in the future but there are currently no plans to do so.

Area E is territory within the Santa Clarita City limits but not in SCVWA boundaries. There is one area in the north and two on the southeast border. All the territory is in the Angeles National Forest and undeveloped.

A sixth area would include the proposed Tapia Ranch subdivision, located approximately 1.5 miles southeast of the Castaic community south of Castaic Lake, approximately 1 mile east of I-5, and north of the agency boundary. The extent of the proposed subdivision is shown in Exhibit 10-1. The Tapia Ranch site includes approximately 1,167 acres of undeveloped hillside and canyon land. At build-out the development would include 405 detached single-family homes. It is likely that the Agency would provide water to the development.

The last area is the Tesoro del Valle master-planned community. The development is a phased development with four phases. Phase A was developed in 2006, and Phase B-D, sometimes referred to as Tesoro Highlands, has yet to be developed. Tesoro del Valle contains over 1000 residential units, an elementary school, recreation center, a private park, and the Tesoro Adobe Historic Park.

Most of the Tesoro development will be in the current Agency boundaries, but a small portion of Tesoro Highlands is outside. Tesoro Highlands, at buildout, will include 820 residential units, a community center, a senior center, open space, and a helipad. Of those residential units 346 are outside Agency boundaries. The area is also shown in Exhibit 10-1.

The Agency has completed a service agreement to provide water to the Tesoro development from Buena Vista Water Storage District

As required, the following will evaluate each area according to the five determination areas. Whether or not to include the area will depend on three criteria. First is whether the area will likely be developed and require services. Considering the definition of the SOI as the logical extent the Agency's service boundary, if the area because of its geographical characteristics is not likely to need services it should not be included, unless there are other considerations. Second, one of the five determination areas, the present and planned land use. If the area is already designated for residential use it could need services at some point in the future. A designation of National Forest could also determine the need for services. The decision to include an area may come down to potential for development within this SOI cycle.

Present and planned land uses in the area, including agricultural and open space lands.

Area A currently is designated as OS-NF, Open Space – National Forest. The area will most likely remain that designation. It would be included to complete the consolidation of NCWD. Area B currently does not receive water service but appears as two discontinuous islands within the Agency's boundaries. In the Los Angeles Santa Clarita Area Plan it is designated as Significant Ecological Area. It is currently undeveloped and likely to remain that designation. Area C is developed, predominantly residential, but includes an area of OS-P, parkland, a high school, middle school, and elementary school. It is likely to remain with its current designations. Area D is designated as H2 or Residential 2, two dwelling units per acre, and H5, Residential 5, five dwelling units per acre. The area currently is not slated for development but can be developed in the future.

Area E is currently undeveloped and is zoned National Forest. At present there are no other planned land uses.

Tapia Ranch is currently designated RL2, RL5, and RL10, rural lands with one dwelling unit per 2 acres, 5 acres and 10 acres, or non-urban. The Santa Clarita Valley Area Plan designated the area as 'Hillside Management' because some slopes exceed 25%. The Area Plan allows for development of 405 dwelling units. The completed project will convert much of the rural lands to higher density residential leaving 724.5 acres of the 1,167 acres as open space.

The Tesoro del Valle Phase A subdivision is already developed. The mix of residential land uses would be unchanged. The Tesoro Highland subdivision is currently zoned as national forest and has been pre-zoned by the City in anticipation of annexation for residential development.

Present and probable need for public facilities and services.

Areas A and B currently are not served and would only require services if they were developed. Area C already has services as it is developed but would benefit from being part of the Agency boundary, particularly so residents could vote for the directors who set their water rates.

Area D currently does not need services as it is undeveloped. Any proposed development in this area would require services.

Area E also does not require services at present. Single family residents may install a private well or request service from SCVWA. Large scale developments will likely require service from the Agency.

Tapia Ranch currently has no services but upon development would require municipal services that the Agency provides. The Development Plan sets aside 6.8 acres as a recreational facility, which could include equestrian trails as determined by the homeowner's association.

The Tesoro Highlands subdivision would require an estimated 298 AFY of water. The source would be the Agency's storage facilities at Buena Vista Water Storage District (BVWSD) and Rosedale-Rio Bravo Water Storage District (RRBWSD).

Present capacity of public facilities and adequacy of public services provided by the agency.

As shown in Chapter 5, the Agency has sufficient capacity to serve new developments. Water supply through groundwater, SWP water, banked water and recycled water exceeds demand by a factor of two. In addition, there is sufficient capacity at the water treatment facilities.

In 2006 CLWA certified that it had estimated 4,375 AFY available to support water demands for newly annexed areas. Of that amount 1,500 AFY of BV-RRB supplies was identified for future demand of the Tesoro project.

The BVWSD and RRBWSD facilities have a contract with the former CLWA, now SCVWA, for 11,000 AFY. The Tesoro subdivision would require an additional 298 AFY. SCVWA would provide water as the CLWA had already agreed to provide water in 2017.

Social or economic communities of interest.

These are areas that may be affected by services provided by the Agency or may be receiving services in the future. There are two communities of interest that may be affected by a new Sphere of influence. One is the City of Santa Clarita and the other is the Community of Castaic. Neither of these communities would be affected by development at Tapia Ranch or Tesoro del Valle as it relates to water issues because the Agency charges impact fees based on the cost of new facilities and the cost of existing facilities. Second, the Agency has sufficient water supply

to serve proposed new development. These communities would be affected by other issues such as traffic and air quality that would be addressed in the CEQA analysis for the development.

Present and probable need for services to unincorporated disadvantaged communities.

The most recent map prepared by LA LAFCO shows a DUC adjacent to the Santa Clarita City limits but already within SCVWA boundaries. Upon development and annexation water would be provided by SCVWA, fire by Los Angeles County Fire District which currently serves the area, and sewer by annexation to Santa Clarita Valley Sanitation District of Los Angeles County.

Conclusions

Based on this analysis area A should be included in the Sphere. Including the area in the SCVWA Sphere would make the consolidation with NCWD whole.

Area B should be included in the SOI because the two islands are surrounded by SCVWA territory. Although the area is part of a landfill adding the area will make a more logical boundary.

Area C should be included because the area is mostly developed and receives services. The area was served by VWC before the formation of SCVWA. Like Area A adding the area to the Sphere would make the inclusion of VWC into SCVWA whole. Since SCVWA has already applied to LAFCO to annex the territory, inclusion in the Sphere would allow for concurrent annexation.

Area D should be considered because the land use designation allows it to be developed. Adding it to the Sphere allows an annexation to create a logical boundary. At present there are no pending plans to develop this area.

Area E should be included in the SOI since the territory lies within the City of Santa Clarita. All other territory within the City receives water services from SCVWA. If these areas are ever developed, they would need water services from the Agency.

Tapia Ranch should be considered for inclusion in the SOI as the landowner proposes to add 405 new dwelling units which would require water services. The Agency has already entered into a deposit and funding agreement with the owner and has provided a water availability letter as a step toward potential annexation.

The portion of the Tesoro Highlands that are currently outside Agency boundaries should be included as it will likely require water service and annexation to SCVWA upon development. The Agency has already entered into an annexation agreement with the owner.

With the addition of the Tesoro development and inclusion of Area A in the Sphere an island of approximately 85 acres would be created between the two areas. The island, like Area A, is located in the Angeles National Forest. A closer examination of the terrain of the island shows that it consists of the ridgeline between Tesoro and Area A. It would be very difficult to develop that area and provide water service. Since the ridgeline, the island, is zoned National Forest and because of terrain, it is unlikely to ever require services. Therefore, it is not recommended to be included in the Sphere.

11: RECOMMENDATIONS

This section discusses recommendations which do not require Commission action. It is apparent it will take some time to fully adjust to the consolidation. One area to focus on would be consolidation of administrative staff. Newhall and Valencia Divisions appear to spend a larger portion of their budget on administration than the other divisions, as shown in the Exhibit 6-4. The Agency is aware of this issue and has determined it is due to how those two divisions record administrative costs. The Agency is in the process of updating its financial system which when completed in 2021 should result in more consistent assessment of administrative costs between divisions.

11.1 – Future Studies

In the future, it might be useful to do an agency wide rate study so that residents in one division do not pay different rates than another division. The rate study should identify cost of service principles to ensure fair rate allocation for all customers.

The addition of a rate payer advocate is a good addition to lend the voice of ratepayers to deliberations on new rates. However, it is unclear how the rate payer advocate would communicate with rate payers to provide and receive input on rates. The Agency might consider a citizens advisory committee to work with the rate payer advocate. The Agency might consider a citizens advisory committee to work with the rate payer advocate. A citizens advisory committee could result in more communication with rate payers, enhanced transparency, and greater acceptance of the rate setting process.

The Agency should consider reviewing its position with respect to the Devil's Den Water District. DDWD appears to be primarily in agricultural use and potentially uninhabited by CKH standards. One of the concerns is the distance between the DDWD and SCVWA. As part of the analysis provided in this MSR, Kings LAFCO and Kern LAFCO were contacted for information about DDWD. Very little data was available so it might be useful to request an update to the DDWD MSR by Kings and/or Kern LAFCO to shed light on the operation of that district. This would allow SCVWA and LAFCO to determine the best way to serve that area.

The Agency may want to consider a consolidation with LACWWD #36, a matter which was addressed in Section 4(i) of SB 634 (Wilk), the law which created the SCVWA:

Los Angeles County Waterworks District #36, Val Verde, upon mutual agreement between it and the agency, may be annexed or consolidated into the agency following appropriate procedures under the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (Division 3 (commencing with Section 56000) of Title 5 of the Government Code). Any proposed future change of organization or reorganization involving the agency and the Los Angeles County Waterworks District #36, Val Verde, or any other public agency under the Local Agency Formation Commission for the County of Los Angeles on or after January 1, 2018, shall be subject to the filing with the Local Agency Formation Commission for the County of Los Angeles and shall be subject to review, consideration, and determination by the Local Agency Formation Commission for the County of Los Angeles consistent with the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (Division 3 (commencing with Section 56000) of Title 5 of the Government Code).

In addition to the reference in the law, it is important to note LAFCOs are also tasked with promoting the efficient delivery of governmental services, including retail water service. LAFCO analyses often examine a range of service providers, identify potential improvements and efficiencies, and examine whether there exists a duplication of service.

The recent consolidation of several different water agencies into a new agency, the SCVWA, has transformed the landscape of water agencies in the Santa Clarita Valley. The Castaic Lake Water Agency was formed, originally, as a wholesale water provider; as a State Water Project (SWP) member, it delivered wholesale water to several retail water providers (the Los Angeles County Waterworks District #36, Val Verde; the Newhall County Water District; the Santa Clarita Water Company; and the Valencia Water Company). In short, these agencies served separate and distinct roles. Under that structure, the LACWWD #36 was a retail provider, and the former CLWA was primarily a wholesale provider (although CLWA had purchased two retail water providers, its retail water service territory was geographically limited).

With the recent consolidation, the SCVWA now provides both wholesale water and retail water service throughout most of the Santa Clarita Valley. Because SCVWA sells wholesale water to LACWWD #36, its (LACWWD #36) service territory is also within the SCVWA Agency jurisdictional boundary. In that regard, there now exists two agencies with overlapping boundaries, and both that can provide retail water.

In terms of representation, LACWWD #36 has a representative who serves on the SCVWA Board of Directors, appointed by the Los Angeles County Board of Supervisors. According to SB 634 (Wilk), that Board position will be eliminated on January 1, 2023. However, as mentioned previously, the territory served by the LACWWD #36 is also within the boundaries of the

SCVWA and is within the 3rd Electoral Division. In that regard, residents within the current boundary of LACWWD #36 are able to vote for elected representatives to the SCVWA Board, and these residents would continue to do so if a consolidation of LACWWD #36 and SCVWA went forward.

As documented in this MSR, the SCVWA has demonstrated that it has ample water supply to address the demand from existing customers within the boundaries of LACWWD #36 (approximately 1,350 service connections). Should LACWWD #36 and SCVWA representatives be open to exploring a potential consolidation SB 634 (Wilk) requires the mutual agreement of both agencies and that the consolidation must go through LAFCO. It is recommended that an analysis be performed to evaluate cost savings due to economies of scale and reduction in administrative costs.

The 10 mutual water companies identified in Exhibit 1-2 are non-profit corporations that provide potable water to their shareholders. All 10 are within the Agency boundaries. They receive wholesale water from the Agency which they then sell to their shareholders. As private companies, much of their financial information is not readily available. It is difficult to assess their ability to provide services. The assumption is that they are providing adequate services. Therefore, it is not recommended to transfer the provision of potable water services unless the mutual company or its shareholders request SCVWA to provide the service.

12: SUMMARY OF DETERMINATIONS

Population Projections

- Current population of the Agency is estimated at 273,000.
- It is estimated there will be a slower growth rate than in recent history of about 2% per year through 2035. The 2015 UWMP estimates growth in the service area to a population of 396,100 by 2040.

Disadvantaged Unincorporated Communities

- In 2018, 80% of the statewide annual median household income was \$56,982. There are two DUCs identified in Exhibit 4-1. One area was identified as a DUC that met the income requirement in the vicinity of Canyon Country adjacent to the City of Santa Clarita, but within Agency boundaries. There is a second DUC along the southeast boundary of the Agency. Part of the area is within SCVWA and the remaining portion is adjacent and beyond the he SOI. Both areas are likely to receive water from SCVWA or from private wells in areas outside the Agency. They receive fire protection from Los Angeles County Fire Department, and sewer service from Santa Clarita Valley Sanitation District of Los Angeles County.

Present and Planned Capacity of Public Facilities

- As a wholesale and retail agency, SCVWA supplies come from SWP water (wholesale), groundwater, banked water, and recycled water.
- SCVWA operates two water treatment plants with a combined capacity of 122 mgd and a separate perchlorate treatment facility for Saugus Formation wells that has a capacity of 3 mgd.
- PFAS have been detected in the well system of a number of alluvial wells. There is a possibility that 19 wells may have PFAS that will require a response. The Agency has removed wells that exceed the State's Response Level from service pending assessment and treatment of new treatment facilities. SCVWA is in the process of building its first treatment facility for PFAS that is scheduled for completion in August of 2020. The Agency has authorized preliminary design or design for additional treatment facilities at additional wells, as well as a comprehensive PFAS groundwater treatment

implementation plan. These PFAS treatment facilities will be developed and installed over the next several years.

- Combined treated water storage of SCVWA totals approximately 204 mg of water in 99 storage facilities/tanks, which can be gravity fed to Valley businesses and residences, even if there is a power outage. The system includes 64 pumping facilities/pump stations delivering water through 861 miles of pipe ranging from 2 to 102-inches in diameter.
- SCVWA receives wholesale water from the State Department of Water Resources via the State Aqueduct system under a long-term contract through the Castaic Reservoir. In addition, it has a contract for raw water with the Buena Vista Water Storage District and the Rosedale-Rio Bravo Water Storage District for up to 11,000 AFY for 30 years through 2036 and may be extended.
- SCVWA supplies include groundwater from 47 wells in the Alluvial and Saugus Formation. The 47 wells are capable of pumping 77,820 gpm, a maximum capacity of 125,505 AF, 39,040 AF in a normal year and 58,830 AF in a dry year. Currently 41 wells are operational. Other sources such as banking (10,000 AF), recycled (450 AF), and imported water (75,387 AF) provide nearly another 100,000 AF. Total available supply will be approximately 200,000 AF by 2050 while demand rises from 57,000 AF in 2015 to a projected 93,900 AF in 2050. Thus, SCVWA has and is projected to have ample capacity through 2050.
- Wastewater treatment is provided by the Santa Clarita Valley Sanitation District of Los Angeles County. However, SCVWA does provide wastewater collection services, but no treatment, within a portion of what was the NCWD. At the time of SCVWA consolidation, NCWD was in the process of transferring that responsibility to the City of Santa Clarita. The Agency is continuing to move forward with the goal to transfer those responsibilities to the City. Currently, SCVWA is working with the Spring Canyon Development, the City of Santa Clarita, and the County of Los Angeles to identify improvements necessary to the existing sewage lift station and force main to allow for transfer to the City. SCVWA is also working on completing the transfer of the last section, Sand Canyon Road to the Vista Canyon, through grant funding.

Financial Ability to Provide Service

- The SCVWA adopts a two-year budget and recently adopted a balanced budget for FY 2019-20 and FY 2020-21. The Agency anticipates spending approximately \$159 million in FY 2019-20 and approximately \$172 million in FY 2020-21. For FY 2018-19, the Agency anticipates \$131 million in expenses offset by \$155 million in revenues.

- The Agency recently completed its first full year audit of the consolidated agency. The largest expense is depreciation and amortization. This exhibit shows sources of water supply and the purchase of water from SWP are some of the largest expenses. Agency-wide interest expense and administration are 12% and 14%, respectively.
- Reviewing revenues and expenses for the divisions shows the largest source of revenues for the Regional Division is property tax, while the largest source for retail divisions is water sales, as expected. The source of water is a large portion of expenses for all divisions. Also noteworthy is the high percentage of Valencia and Newhall administrative expenses. The Agency has determined those costs are due to the way the financial system, used by VWC and NCWD prior to Agency formation, tracks expenses. The Agency is working to update its financial system which should resolve the problem.
- Total debt of the consolidated agency includes Certificates of Participation (COPs) and Revenue Bonds and the VWD Acquisition Loan for a total outstanding principal of \$389 million as of June 30, 2019. The Agency plans to pay down the debt by approximately \$36 million each year over the next two years.
- Water rates were set according to studies completed before consolidation. Ratepayers pay a base rate plus a commodity charge per one hundred cubic feet or CCF. Each retail agency has a different rate.
- In 2016, the Santa Clarita Water Division contracted for a capacity fee study. The approach allowed for new development to buy into existing facilities as well as to fund new facilities required by the development. In 2018, SCVWA adopted a regional capacity fee schedule for each area of the agency. The updated single-family residence capacity fee, for a ¾ inch meter, ranges from \$5,800 to \$10,900 depending on the area.
- The Agency has a Capital Improvement Plan. Regional projects are funded by the Capital Project Fund and property tax revenues. Retail projects are funded by water rates, reserves, and connection fees. The adopted budget indicated the Agency expects to fund \$41.9 million for regional and \$16.5 million for retail divisions. In the revised FY 2020/21 budget funding was increased to \$67.1 million for regional and \$45.7 for retail system projects.
- SCVWA is guided by its financial policies when developing a budget. Policies include its Investment Policy, Debt Management Policy, Disclosure Procedure Policy, Derivatives Policy, Purchasing Policy, Capitalization Policy, Wire Transfer Policy and Reserve Funds Policy. The Agency has sufficient reserves for 1,231 days for the Regional Division and 274 days for the retail divisions.

- In February of 2020, the Agency made a payment of \$5,034,331 so that OPEB is up to date. Each year the budget allocates a prepayment to keep the total over time up to date.
- The SCVWA has sufficient revenues and reserves to provide services

Status and Opportunities for Shared Facilities

- The Agency projects savings of nearly \$20 million by the end of FY 2020-21 due to the consolidation and economies of scale.
- The Agency participates in several JPA's that allow it to share costs with other agencies and improve service. They range from the State Water Project Contractors Authority to the GSA to the ACWA/JPIA, which allows the Agency to realize savings in insurance costs.
- Management efficiencies are often measured by whether the Agency has planning activities both long-range and short-range. The Agency has demonstrated management efficiencies by several planning tools ranging from its two-year budget, its capital improvement and asset management plan to its five-year strategic plan.

Accountability and Governance

- The Agency is governed by a 12-member Board of Directors representing its three electoral divisions. The 12 includes one appointed member representing LACWWD #36. The LACWWD #36 seat expires in 2023 (SB 634 10(c)). Eventually the 12 members will be reduced to nine members, due to attrition. Board members receive \$228.15 in compensation for each day of service for up to 10 days per month.
- The SCVWA Board of Directors meetings are held the first and third Tuesdays of each month at 6:30 p.m. Meetings are held at SCVWA headquarters at 27234 Bouquet Canyon Rd, Santa Clarita, CA 91350. Meetings are held in accordance with the Brown Act.
- The CLWA acquired 90% of the Devil's Den Water District in 1988 as part of the purchase of Producers Cotton Oil Company. CLWA subsequently received the SWP's allocation to Devil's Den Water District. The Devil's Den Water District is a California Water District and a landowner voter district. As the landowner of 90% of the District, former CLWA and now SCVWA directors serve as the governing board for Devil's Den Water District.
- The consolidated Agency initially had a staff of 223 from the four agencies. In its revision of the FY 2020-21 budget the Board reduced staff to 220.
- The Agency maintains a website that provides information to the public on a number of issues including, water conservation, governance, water quality, and the learning center.

- The Agency publishes and distributes an e-newsletter, (Water Currents). The newsletter is published monthly and provides residents with information on activities of the Agency.
- The Agency maintains an active presence on Facebook, Twitter, and Instagram. Multiple weekly posts are used to share information on the Agency and it's programs, as well as water industry trends.

Matters related to Effective or Efficient Service Delivery, as Required by Commission Policy

- The Agency's operations must address LA LAFCO's approved conditions pertaining to the formation of the Agency. LA LAFCO adopted 22 conditions. To date, the Agency has complied with 20 of them. The Agency has been working with LA LAFCO cooperatively on the remaining conditions.
- The LA LAFCO Sphere of Influence for a coterminous sphere applies to SCVWA. The Agency's operations are consistent with the Coterminous SOI adopted by the Commission on April 11, 2018. The sole exception is where the Agency provides service to a portion of the former VWC territory which is outside the Agency's existing jurisdictional and SOI boundary. SCVWA has submitted an annexation proposal for the territory to LA LAFCO which will be considered in late 2020 or early 2021. In this regard the Agency is providing effective efficient services, as required by the Commission's SOI Policy.

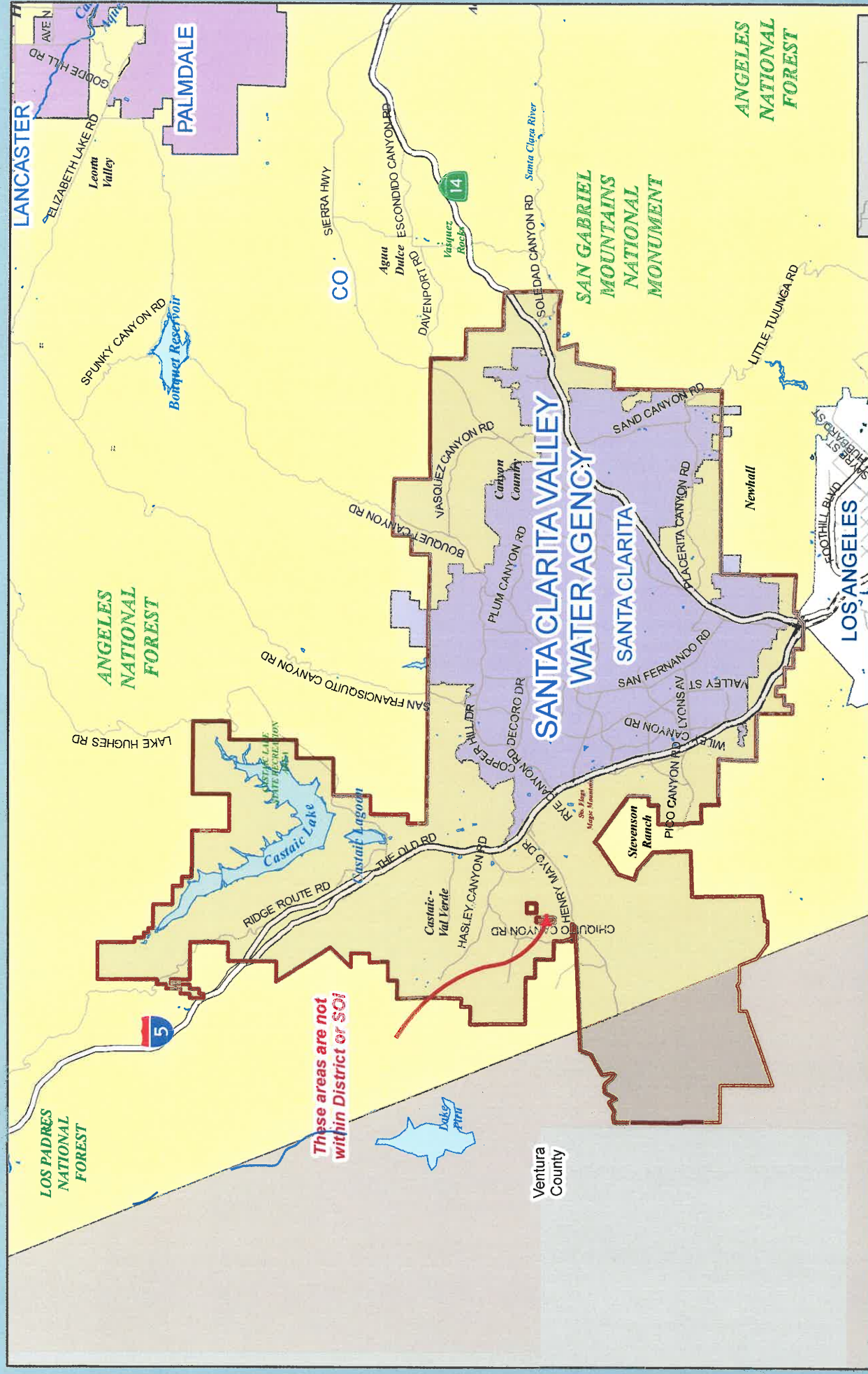
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- Young, Minney & Corr LLP. 2020. Ralph M. Brown Act (Cal. Govt. Code Sections 54950-54963). Website: <http://mycharterlaw.com/wp-content/uploads/2018/01/2018-Brown-Act-Booklet.pdf> Accessed February 29.



Legend

- Santa Clarita Valley Water Agency
- Santa Clarita Valley Water Agency, Sphere of Influence (SOI), Coterminous

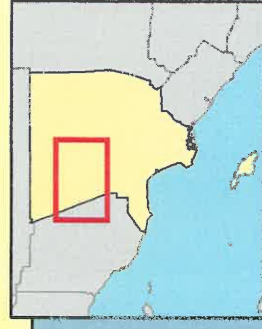
Santa Clarita Valley Water Agency Existing Sphere of Influence

Sphere of Influence History	
Action	Effective Date
Adopted	04-11-18

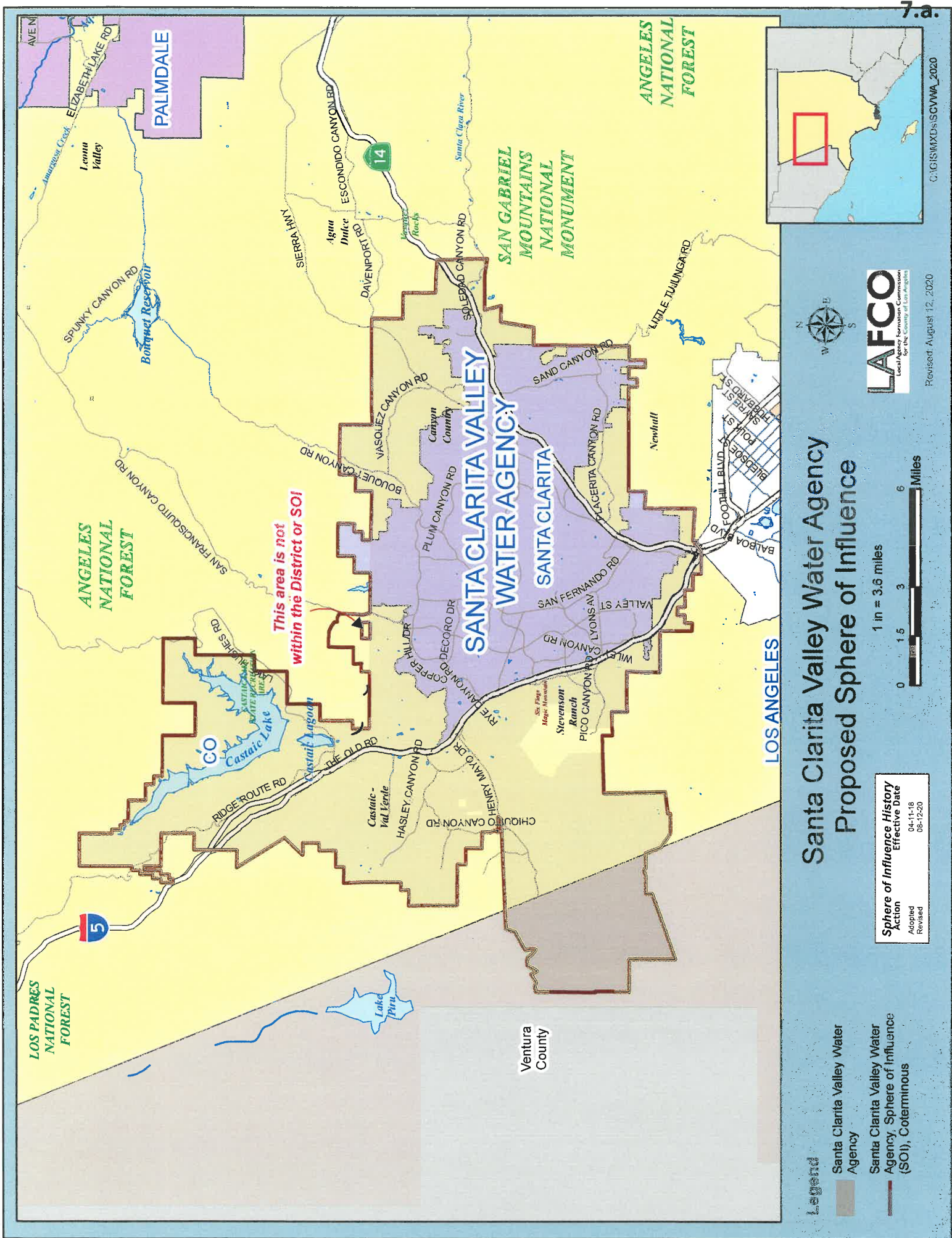
1 in = 3.6 miles



Revised August 12, 2020



C:\GIS\MXDs\SCV\WA_current





July 23, 2020

Local Agency Formation Commission
Attn: Paul Novak
80 South Lake Avenue Suite 870
Pasadena, CA 91101

RE: Support LAFCO's Municipal Service Review and Sphere of Influence Update for the Santa Clarita Valley Water Agency

Mr. Novak:

Chiquita Canyon, a 639-acre landfill located in Castaic and has been in continuous operation for more than 40 years and is owned and operated by Waste Connections, is in full support of LAFCO's Santa Clarita Valley Water Agency Municipal Service Review and Sphere of Influence update.

Chiquita Canyon currently owns two parcels which are planned to be included in the updated Sphere of Influence. We support the inclusion of our parcels. Chiquita Canyon continuously works with our local community and county to help its growth socially and economically.

We appreciate the work LAFCO has put into this.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Steve Casullo', is written over the word 'Sincerely'.

Steve Casullo
District Manager, Chiquita Canyon Landfill



July 30, 2020

VIA FEDEX & EMAIL

Mr. Paul Novak
Executive Officer
Local Agency Formation Commission for the County of Los Angeles
80 South Lake Avenue
Suite 870
Pasadena, CA 91101

Re: Municipal Service Review and Sphere of Influence Update for Santa Clarita Valley Water Agency

Dear Mr. Novak:

Thank you for sending us the agenda and staff report for the Municipal Service Review and Sphere of Influence Update for Santa Clarita Valley Water Agency to be heard by the Local Agency Formation Commission for the County of Los Angeles on August 12, 2020. We understand that one of the items for consideration within the report is the inclusion of "Area D" to be within the Sphere of Influence of the Santa Clarita Valley Water Agency. Stevenson Ranch Venture LLC, a Delaware limited liability company ("Stevenson Ranch") and a subsidiary of Five Point Operating Company LP ("FivePoint"), is the owner of land commonly known as Legacy Village, which appears to be designated within Area D. As the owner of Stevenson Ranch, FivePoint supports the staff recommendation to include Area D within the Sphere of Influence of the Santa Clarita Valley Water Agency.

Sincerely,

A handwritten signature in blue ink, appearing to read "Lynn Jochim".

Lynn Jochim
Chief Operating Officer, FivePoint
Vice President, Stevenson Ranch

**SCVWA MSR/SOI Update
Comments from (July 23 to July 30, 2020)**

Ed Dunn <waterscv@gmail.com>

To: Paul Novak pnovak@lalafco.org

Thursday 7/30/2020

Good morning Paul,

Thanks for your latest email,

I didn't get to it, until last night, and I appreciate so much, that you took time out of your very busy schedule, and workload to, email me! ' Yes, I would like very much if you included my correspondence, to and from you, into the record, for the boards perusal.

An additional item, that was just brought to my attention, is an agreement between the Newhall County Water District, (NCWD),and the CLWA, for the purpose of ending their lawsuit, prior to the consolidation! The binding agreement, was, that CLWA would keep all the NCWD's assets and liabilities separate from any other divisions in the newly formed Water agency!

Right now, the SCV Water is going BACK, on that binding agreement, and some of us believe, that NEGATES, and or Dissolves, the agreement, and possibly we don't HAVE a valid SCV Water, anymore?

It may be time that we get "Judicial Watch," from Washington D.C., involved? They have already had success, with the L.A. County Registry-Recorder, and some successes up north!

Our intention, is to continue to expose the SCV Water Agency of the "NON Public Server," that it is, and go back to the efficient water divisions that we previously had!

They will be individual Public District governments and serve like school, flood, and all other public districts, and NOT have a Sacramento developed, Monopoly, that only serves corporate interests, as their track record indicates!

The "Public Districts," were formed for the PURPOSE of more efficient local public government, as opposed to large unwieldy expensive governments!

This is also one of those emails, that you may include, for the board.

Thank you for all your help!

Ed Dunn

On 7/29/2020 4:57 PM, Paul Novak wrote:

Ed:

This Friday (31st) is the deadline to submit written comments, to the extent you would like us to reference said comments in the staff report, and to include a copy in the agenda package for the Commissioners. Please let me know if you would like me to include our emails this week, or if you plan to submit separate/additional comments.

Thank you.

- Paul

From: Ed Dunn <waterscv@gmail.com>

Sent: Tuesday, July 28, 2020 9:35 AM

To: Paul Novak <pnovak@lalafco.org>

Subject: Re: Public Review Draft of the Santa Clarita Valley Water Agency (SCVWA) Municipal Service Review (MSR) and Sphere of Influence Update

Hi Paul,

OK, Gotcha , on the previous notice,

Yes! Did see that it was only a NOTICE of a DRAFT, and NOT the final, so I was waiting for the final, because like all legal documents, much can change between a draft and the "final!" I was waiting to comment on the final document, which is the only document that really matters, so that was what I was waiting for.

So when the final draft, finally came, there is not much time to respond, when there are many things going on.

I wondered how I missed the final draft,....well it is because the final had NOT been completed, and sent!

It would be considerate of LAFCO, if we could have more time for comment.

Thanks for any help in this matter.

Sincerely,

Ed Dunn

On 7/27/2020 5:25 PM, Paul Novak wrote:

Mr. Dunn:

Thank you for contacting me about the SCVWA MSR and SOI Update.

I regret that I am unable to accommodate your request for additional time to review the draft MSR and SOI Update. As soon as the draft became available, which was July 17th, I notified all known stakeholders, including you. Speaking generally, and when notice is required, LAFCO law generally provides for a 21-day advance notice. Given notice on July 17th, and a Commission Meeting on August 12th, stakeholders were afforded approximately 25 days advance notice. I would note, further, that the draft MSR & SOI Update is not a complicated document, and it is relatively short document (about 91 pages, including title pages, table of contents, acronym list, multiple pages of charts and exhibits, and references).

As I noted in the email, if you provide me with an email with comments by this Friday (30th), staff can reference it in our staff report, and include a copy in the agenda package provided to all commissioners; anything after that date will be forwarded to the Commission as well. Additionally, you have the ability to testify (via phone) at the August 12th Commission Meeting.

- Paul Novak

On Jul 26, 2020, at 4:48 PM, Ed Dunn <waterscv@gmail.com> wrote:

Dear Mr. Novak.

How on earth can we digest and comment, in a few days, an MSR that took months to prepare?

As you know, this is the MSR, that LAFCO had a responsibility to do, BEFORE any legislation to consolidate and Combine, all water resources into ONE MONOPOLY! The LAW required any consolidation, of this type, MUST go to the public for a vote! What Happened there? It Didn't go to the public, where it no doubt would NOT have passed?

I respectfully ask that the public be allowed 60 to 90 days to evaluate this MSR?

When one looks at the continual, factual past performance, of the agency in question, then there can only be ONE conclusion, that the agency is "out of public control," and does NOT operate in the public interest! Most ALL actions point out quite clearly, that the agency operates, 90% of the time for the benefit of PRIVATE Enterprise, and "corporate welfare! Naming the primary benefactors, would be: in particular, the Newhall Land and Farming, the Lennar Corp,(the present owner), and its subsidiary, THE Five Point Corporation! That is what the factual record shows!

The agency Borrows recklessly, and fails to make reasonable, responsible payments, on the principal of its loans, resulting in taking the public, deeper and deeper into debt, with the public receiving little benefit from it!

AS A POINT OF INTEREST, THE SCV WATER, RIGHT NOW, HAS A TOTAL PRINCIPAL DEBT, OF NEARLY ONE THIRD OF A BILLION DOLLARS?

The SCV Water, continuously spends MILLIONS of dollars on expansion of water systems, that are necessary for NEW growth, but ALWAYS hooks in the present resident, with paying much of it, by calling it "increasing reliability!"

When the agency was in discussions with The NCWD, to end a lawsuit, one of the items that the agency agreed to was, that with the new merger/consolidation, the Agency, would keep all the debts and assets of NCWD desperate from any others! They are already violating that agreement!

Since they are NOW, talking about going against that agreement, that settled the lawsuit, that seems to invalidate the settlement, if they do!

The agency has a huge annual expenditure on "PUBLIC RELATIONS, even though it has No competition! IT has an expensive PR employee, also with a very large spending budget! The agency, historically pays a Sacramento Lobbying firm, 80 Thousand Dollars, per year to help control the legislature,....thus SB634, that results in the agency being a MONOPOLY, taking control of ALL water, in the Santa Clarita Valley, AND control of wind power, water power, recycled water,....all decisions made by a handful of persons on their board of directors, and the ability, to place the public in deep debt, without a vote of the people!

That small handful of board members, have already taken action of their NEW authority, under SB634 to place the public in an additional 10 million dollar debt. by approving a 10 million dollar borrowing under their NEW authority in SB634. They can DO THIS, EVERY YEAR, with NO VOTE of our local voters!

Do you know any other special district, local government. like school board, flood control board, that can DO that, without a vote of the local people?

The Agency has refused the local residents, ANY use of their recycled water, because the agency is saving it for the benefit of its favorite beneficiary, and its project, the NEWHALL RANCH PROJECT! For 30 years all our 30 million gallons per day, recycled water, has been dumped into the Santa Clara river, and down to the ocean. Orange County has been USING, its recycled water for 30 YEARS! The City of Lancaster is USING theirs, IN their city! What's WRONG here!

The community has EMPTY AVAILABLE pipes, that can deliver that water, to Saugus and Canyon Country! In My opinion, THE CLWA/SCVWATER, are committing a crime, of the greatest magnitude, especially when the State of California, mandated many years ago, that the recycled water, MUST BE DISPENSED IF IT IS AVAILABLE! They seem to be in violation of State Law?

Please be advised, that our present residents have, and ARE, paying every sent for that finished recycled water, BUT are NOT allowed to have ANY The Newhall Ranch project is RIGHT NOW, installing recycled water pipes, in the ground, to attempt to SPIKE all that supply, for THAT corporate entity! All the residents of the City Of Santa Clarita, will SUPPLY and PAY, for All the recycled water for the benefit of a corporate development, OUTSIDE of the city, and will pay for it FOREVER! Does this sound like a responsible agency's good deeds, for its residents? Does it sound like government: "By The People, and FOR the People?

There are many MORE items that should have shown up in the MSR, including the CLWA Extorting millions, of dollars, from the community, through a connived watering, system, of the Central Park when the area was equipped with AG wells in an irrigation system, that the farmers had previously used. This extortion of funds, is STILL going on TODAY! The CLWA refused to allow the City to use the \$100 per acre-foot AG water wells, to irrigate the park. They forced them to use THE Santa Clarita water company's DRINKING, water, at over \$1000, per acre foot for all these years, up to and including the present! They added insult to injury, by charging an additional 6 MILLION DOLLARS in connection fees, for improvements that were NOT needed or installed by CLWA. Isn't this a form of EXTORTION or legal LARCENY?

Having not had time to read such a long document as the MSR yet, I am asking for a 60 to 90 day extension, for myself and others to be able to read it.

Mr, Novak, I believe that I have mentioned to you, in conversation, that what LAFCO did in the past, that appeared to be highly illegal, in extorting territory for CLWA, from the Newhall County Water District,(NCWD) was done between LAFCO, a consultant, and the CLWA, and I don't hold You responsible for that!

I am hoping that THIS time, you can prevail to get an HONEST MSR on the SCV Water Agency, that shows its monopolistic profile, and the result of refusing to serve the local residents, and primarily serve

corporate welfare interests! It Also is still carrying on with some of its past dirty DEEDS of fleecing the public of the public's funds!

My understanding that historically these MSRs, are supposed to come out, looking beautiful, even when they are NOT A-1 at all!

I also understand that you only have so much latitude, given that the SCV WATER board member that has been there for 30 years, may ALSO still be on your LAFCO board!

Even if he recuse himself, he is family, with everyone, and he will looking for an OK,...all is fine from LAFCO

My reason for writing you this information, is so that you won't be blindsided if others come in with the similar info?

It also provides you with a yardstick by which you can evaluate the validity of the MSR.

That probably is MORE important to everyone?

Not many are interested in water, enough, to be bothers with it, but it has finally gone too far, and what we consider possibly very bad corruption needs to be exposed. Enough is Enough!

So we have the data, and other agencies have it also, so it isn't only with us!

Do the best you can, under the circumstances, and I'm hoping the MSR will shed some light on the real world of the SCV Water Agency and maybe we could count on some IMPROVMENT corrections?

There is NO room for THIS MONOPOLY in our Government's By The People Country!

Thanks for keeping us informed

Edwin A. Dunn Former elected director of The CLWA and elected President of the NEWHALL COUNTY WATER District.(NCWD)

On 7/17/2020 4:58 PM, Paul Novak wrote:
Greetings:

As you may recall, E Mulberg & Associates (consultant to LAFCO) is preparing the Santa Clarita Valley Water Agency (SCVWA) Municipal Service Review (MSR) and Sphere of Influence Update under contract to LAFCO.

I am emailing to inform you that the Public Review Draft of the Santa Clarita Valley Water Agency (SCVWA) Municipal Service Review (MSR) and Sphere of Influence Update is now available on LAFCO's website. You can access the draft on LAFCO's website here:

<https://lalfco.org/wpcontent/uploads/documents/msr/Notice%20of%20Hearing%20SCVWA%20MSR%20SOI%20No.%202020-06.pdf>

It is under LAFCO's "Announcement" section on our homepage; the PDF include the notice of availability, the public hearing notice, and the DRAFT MSR & SOI Update prepared by E Mulberg & Associates.

As noted in the public hearing notice, this item will be on the agenda for the Commission Meeting on Wednesday, August 12, 2020, at 9:00 a.m.; the notice further states that "Given the ongoing public health emergency, the meeting will proceed as a virtual meeting with public participation by U.S. mail, internet and/or telephone."

As we noted in the notice of availability, the staff report will include/address any comments received by July 30, 2020.

Should you have any questions or concerns, please do not hesitate to contact me.

Thank you.

Paul A. Novak, AICP
Executive Officer
Local Agency Formation Commission
for the County of Los Angeles
80 South Lake Avenue
Suite 870
Pasadena, CA 91101
pnovak@lalfco.org
626/204-6500

**SCVWA MSR/SOI Update
Comments from Jerry and Carmillis (Cam) Noltemeyer (July 29, 2020)**

From: camandjerryn@netzero.net <camandjerryn@netzero.net>

Sent: Wednesday, July 29, 2020 6:42 PM

To: Alisha O'Brien <aobrien@lalafco.org>

Subject: LAFCO Public Hearing MSR No.2020-06

Regarding MSR No. 2020-6 Public Hearing Wednesday , August 12,2020 at 9:00 a.m.

We are Valencia residents for over 30 years and now find ourselves unfortunately as part of the Santa Clarita Valley Water Agency.

We do not agree with the Governance and Accountability Map showing the 3 Electoral Divisions. It isn't even realistic. It creates two very strange divisions and one very large division. What was it based on? This will create a fight

All you have to do is look at the Exhibit 1-1 : Santa Clarita Valley Water Agency Boundary Map.

Look at LA County Waterworks District 36. and Valencia Water Division, Santa Clarita Division, Newhall County Water District.

This is the map when they passed this bill without a vote of the people.

Also, for your information the Santa Clarita Valley County Water District has been refunding debt of \$232,594,096 and \$55,191,090 of new money.

The have formed a Community Facility District (Mello Roos) for the benefit of developers, The are ALL still not elected officials of SCWCV Water Agency.

Please review our concerns for the ratepayers.

Jerry and Carmillis (Cam) Noltemeyer



27234 Bouquet Canyon Road, Santa Clarita, CA 91350

(661) 297-1600 | yourSCVwater.com

DATE: July 30, 2020

TO: Paul Novak, Executive Director, LAFCO

FROM: Stephen L. Cole, Assistant General Manager, SCV Water

RE: Comments on Draft Municipal Services Review and Sphere of Influence Update - Santa Clarita Valley Water Agency. (July 17, 2020).

We appreciate the opportunity to provide input on the Draft Municipal Services Review and Sphere of Influence Update (Draft MSR). Our comments below primarily reflect clarifications or supplemental information that provide greater context to some of the important issues addressed in the Draft MSR. Each item is referenced by page and section, as well as the purpose of the comment.

For the ultimate recommendations on the Sphere of Influence, SCV Water requests that any adjustment be coordinated to conform with any proposed annexation boundaries and agreements already in place with Tapia and Tesoro. For Tesoro, the SCV Water Board expressly removed some areas in a revised agreement to better reflect the open space areas that will not require water service.

One particular edit we would like to call your attention to is the reference to governance by retail divisions, when in fact it is by electoral divisions, which were established in compliance with the California Voter's Rights Act during the drafting of SB634. This appears in three locations in the document, and the corrections have been noted below.

Thank you again for the opportunity to participate in this process. We welcome any questions you may have on the contributions contained in this memo.

Page 1-2, 4th paragraph: CLARIFICATION

“The Santa Clarita Valley Water Agency (SCVWA or Agency or District)

Page 1-7, 4th paragraph: CLARIFICATION (correction in number of service connections)

SCWC should be 31,650 service connections (instead of 27,500)

Per 2018 SCV Water Report <https://yourscvwater.com/wp-content/uploads/2019/06/2018-SCV-Water-Report.pdf>

Page 5-1, 1st paragraph: CLARIFICATION (to explain that SWP water is treated prior to reaching storage facilities, and provide additional date on water sources)

Currently reads: “Water is stored at its 99 storage facilities then sent to one of its two treatment facilities before being conveyed to its retail divisions for distribution.”

Should read (in part):

Imported water flows from Castaic Lake to one of two treatment facilities before being conveyed to its retail divisions for distribution. The distribution system includes 887 miles of pipe and 64 pump stations and 99 storage facilities. The Agency also has other sources that include two banking facilities in Kern County, 41 operational groundwater wells, and recycled water. This section will describe supply sources and demand as well as capacities of its facilities.

Page 5-2, Section 5.1.1, Middle of first paragraph: CLARIFICATION (to clarify delivery total is for both receiving entities)

Currently reads: “The disposition of water by SCVWA in 2018 to various sub-entities included delivery to the water divisions of SCVWA and to LACWWD #36, which received 41,999 AF. “

Should read:

SCVWA’s total imported water supply in 2018 was 87,108 AF. The disposition of imported water by SCVWA in 2018 to various sub-entities included delivery to the water divisions of SCVWA and to LACWWD #36, totaling 41,999 AF.

Page 5-2, Section 5.1.1, middle of first paragraph: CLARIFICATION (Unclear reference to our banking program. As it currently reads, it sounds like we delivered Water to Kern County Water Agency in the role of wholesaler).

Currently reads:

“Some water went to the Kern County Water Agency which consists of 13 districts called member units. Kern County Water Agency’s westside member units received 5,000 AF in 2018.”

Should read:

In 2018 SCVWA sold 5,000 AF of the BV-RRB water to the Kern County Water Agencies Westside Districts. Devil’s Den Water District, received 62 AF and 836 AF was accounted for as water loss

Page 5-3, Section 5.1.3, first sentence. CLARIFICATION. (only lists one water banking partner, and not the other)

Currently reads: “Other components of SCVWA’s imported water supply reliability program include its banking agreements with Semitropic Water Storage District in Kern County. “

Should read:

Other components of SCVWA’s imported water supply reliability program include various banking programs with Semitropic Water Storage District (SWSD) and with Rosedale-Rio Bravo Water Storage District (RRBWSD), both located in Kern County.

Page 5-3, Section 5.1.3, first paragraph, 2nd sentence from the end. Incomplete description of our arrangement with Newhall Land.

Currently reads: “...with another 5,000 given to Newhall Land for SCVWA’s use of their first priority extraction capacity”.

Should read:

“along with 4,950 AFY of Newhall Land’s first priority extraction capacity which was provided to CLWA for its use in exchange for lower priority water that CLWA had previously banked in the Semitropic Banking Program...”

Page 5-11, Section 5.4 (Water Quality) 2nd paragraph: CLARIFICATION
(Additional explanation of resolution of violation).

Red text is our addition to the current text in the document.

“Over the last couple of years, the Agency has received violation notices and has responded to them. SCVWA received a violation from the Los Angeles Regional Water Quality Control Board for discharge of effluent exceeding discharge limitations from Well V201. The violations were associated with Basin Objective limits for water discharged to the onsite storm drain during installation and testing of new treatment equipment. The discharged water contained levels of total dissolved solids and sulphate that exceeded the permit standard set for the stream. SCVWA reported this information to the LA Regional Board as part of routine compliance sampling for its discharge permit. SCVWA resolved the discharge issues by blending the discharge water to reduce the concentration of total dissolved solids and sulphate and paid the fine.

Page 5-11, Section 5.4, 5th paragraph (Perchlorate paragraph): CLARIFICATION (of scope, treatment and funding source)

Since 1997, perchlorate has been discovered in seven wells. Perchlorate is an inorganic chemical used in solid rocket fuel, fireworks, explosives, and a variety of industries. It gets into drinking water from historic industrial operations that used, stored, or disposed of the material. In 2007, the DDW adopted an MCL of 6 micrograms/liter. DDW issued an amendment to SCVWA Regional Division’s Domestic Water Supply Permit on December 30, 2010, authorizing the use of a perchlorate treatment facility. On January 25, 2011, the SCVWA Regional Division introduced the treated water from the treatment facility into the distribution system in compliance with the amended water supply permit. To date, one of the impacted wells has been destroyed and replaced, three have remained in or been returned to service with treatment as

required, one remains out of service with its capacity replaced by an alternate source, and the two most recently impacted wells are in varying stages of returning to service.

A lengthy litigation against Whittaker Bermite, the responsible party, resulted in a settlement agreement and significant recovery of damages as well as ongoing treatment costs.

Page 5-12, first paragraph (PFAS): CLARIFICATION (to include first detection, voluntary sampling, and place narrative in chronological order)

Suggested alternate text:

Per- and polyfluoroalkyl substances (PFAS) are a group of manmade chemicals that are prevalent in the environment and were commonly used in industrial and consumer products to repel grease, moisture, oil, water, and stains. Water agencies do not put these chemicals into the water, but over time very small amounts enter the water supplies through manufacturing, wastewater discharge, and product use. Exposure to these chemicals may cause adverse health effects.

The Agency initially sampled 15 wells in April 2019, per DDW order. One well was immediately removed from service when it exceeded the original response level, a combined 70 parts per trillion (ppt) for perfluorooctanoic acid (PFOA) and perfluorooctanesulfonic acid (PFOS), two chemicals in a family of per- and polyfluoroalkyl substances (PFAS). In August of 2019, SCVWA voluntarily sampled all active wells in the system.

On February 6, 2020, DDW lowered its response levels to 10 ppt for PFOA and 40 ppt for PFOS. In addition to revised response levels, DDW has indicated it will issue a new compliance sampling order in the near future. The revised response level guidelines will be compared to a quarterly running annual average of sample results. Wells that are found to exceed the revised response level will also be removed from service. Under the new guidelines, 19 of the 41 operational wells have been impacted. The first PFAS treatment facility has started construction and is expected to be in operation by August of 2020, restoring three key wells to service, representing a significant amount of the affected groundwater. The fast-tracked project is estimated to cost \$6 million to build and \$600,000 annually to operate.

Page 5-13, Section 5.6 (Solar): CLARIFICATION. (Supplemental and clarifying information on the acquisition – and potential sale – of two solar power generation systems)

Currently reads: SCV Water currently operates solar power generation systems. A small-scale system is located at the former NCWD administration building. Two large scale systems are located on the Rio Vista Water Treatment Facility property. The two systems, one on the middle Mesa behind the Maintenance Building and one on the upper Mesa, function as a single project through a purchase power agreement and have a combined design capacity of 4.5 Mega Watts total. These facilities provide low cost energy and offset energy costs.

Suggested alternate text:

SCV Water currently operates solar power generation systems. A small-scale system is located at the former NCWD administration building. Two large scale systems are located on the Rio Vista Water Treatment Facility property. The two systems, one on the middle Mesa behind the Maintenance Building and one on the upper Mesa, function as a single project through the RES-BCT rebate tariff through Southern California Edison, which allows the Agency to offset energy costs from several identified SCE accounts at its facilities. The facilities were constructed through two a purchase power agreements (PPA's) in 2011 and 2014 and have a combined design

capacity of 4.5 Mega Watts total. The Agency is currently evaluating the opportunity to buy out these PPA's and take over ownership and operation of the solar facilities to further reduce its These facilities provide low cost energy and offset energy costs.

Page 5-13 (Determinations); 2nd bullet point: CLARIFICATION (more specific location of PFAS contamination (it's in a subset of wells, not the entire system); clarification on Agency action to remove wells from service and install treatment.)

Suggested text:

"PFAS has been detected in the well system a number of alluvial wells. There is a possibility that 18 wells may have PFAS that will require a response. The Agency has removed wells that exceed the State's Response Level from service pending assessment and completion of new treatment facilities. SCVWA is in the process of building a its first treatment facility for PFAS that is scheduled for completion in August July, 2020. The Agency has authorized preliminary design or design for additional treatment facilities at additional wells, as well as a comprehensive PFAS groundwater treatment implementation plan. These PFAS treatment facilities will be developed and installed over the next several years."

3rd bullet point: CLARIFICATION (Math error in treatment plant capacity)

"SCVWA operates two water treatment plants with a combined capacity of 122 112 mgd ..."

Page 7-2 (Joint Powers section), 3rd Paragraph: CLARIFICATION (characterization of SWP JPA role. It is not related to our function as a wholesaler)

Currently reads:

SCVWA is also a member of State Water Project Contractors Authority. This JPA governs the State Water Project or water that flows through the California Aqueduct. This agreement allowed the former Castaic Lake Water Agency to sell wholesale water to Newhall, Santa Clarita, and VWC to serve retail customers in their respective divisions.

Should read:

"SCVWA is also a member of State Water Project Contractors Authority. This JPA is comprised of many of the SWP contracting agencies and was formed to provide additional organizational and related capability to implement certain SWP-related programs.

Page 7-2 (Joint Powers section), 4th Paragraph: CLARIFICATION (characterization of Santa Clarita Valley JPA)

Currently reads:

The Agency is also a member of the Upper Santa Clarita Valley JPA with the Devil's Den Water District. The purpose of the JPA is twofold. One is to allow CLWA to refinance its bond debt. Refinancing several bonds resulted in a savings in excess of \$16 million. The second is to allow for the creation of a solar panel field that would cover 3,000 acres.

Should read:

"The Agency is also a member of the Upper Santa Clarita Valley JPA formed by predecessor CLWA with the Devil's Den Water District (DDWD) in June, 2011. The purpose of the JPA is twofold to provide for the financing and refinancing of capital improvement projects and to

finance working capital of the Agency or DDWD. Refinancing several bonds resulted in a savings in excess of \$16 million. The second is to allow for the creation of a solar panel field that would cover 3,000 acres.”

Page 8-1: First paragraph (Accountability and Governance) CLARIFICATION (the Agency consists of three ELECTORAL divisions, not RETAIL divisions.)

3rd Sentence should read:

“The Agency consists of three electoral divisions as defined in SB 634. Ultimately the Board will consist of nine members, three from each electoral division.”

Page 8-1: Second Paragraph. CLARIFICATION (on process to ensure balanced elections resulting in no more than 5 or 4 seats being up for election at each cycle)

Currently reads:

“Two directors will be elected for each electoral division at the 2020 general election, and at every election on that 4-year election cycle thereafter. One director will be elected for each electoral division at the 2022 general election and at every election on that 4-year election cycle thereafter.”

Should read:

In 2019, the legislature passed SB 387 (Wilk) which was signed and became law in January of 2020. SB 387 (Wilk) amends SB 634 (Wilk) so that if a member resigns, vacates or is removed from office before the end of their term and certain circumstances are met, the number of directors up for election at an election may shift from two to one to better balance the number of Board positions up for election at each cycle. If the shift described above does not occur by the 2020 election, then following that election Directors will draw lots and one Board seat will be designated to have one two-year term following the 2024 election (thereafter it will be a four-year term). The intent of SB 387 was to better balance the number of seats up at each election. After this shift, 5 positions will be up at one election and 4 at the other.

Page 8-6: (Determinations) 1st bullet point: CLARIFICATION (as above, divisions are electoral and not retail)

Currently reads:

The Agency is governed by a 12-member Board of Directors representing its three retail divisions.

Should read:

The Agency is governed by a 12-member Board of Directors. Of these, 11 of these represent electoral divisions defined in the Agency Act (SB 634) and one represents LACWWD #36.

Page 8-6; (Determinations) ADDITION (List mentions website, newsletter and other outreach efforts, but not social media, which is an important component of our customer communications)

Suggested additional Determination:

- The Agency maintains an active presence on Facebook, Twitter and Instagram. Multiple weekly posts are used to share information on the Agency and it's programs, as well as water industry trends.

Page 9-1: Paragraphs 3 – 4. CLARIFICATION. (nature of LAFCO role in approved conditions following the passage of SB634; and Agency's response)

Suggested text:

The law which formed the Agency recognized that LAFCO had the sole and exclusive authority for completing changes of organization which included the consolidation of Castaic Lake Water Agency and Newhall County Water District. SB 634 (Wilk) required an application to be submitted to Los Angeles LAFCO and required the new agency to comply with any LAFCO approved conditions pertaining to addressing the creation of the Agency.

One of the conditions imposed by LA LAFCO required the Agency to apply to annex territory adjacent to the Agency boundary that was formerly served by the VWC. To date, the Agency has submitted an annexation application which was determined to be incomplete at this point in time, however, LA LAFCO Staff and Agency Staff are working cooperatively with regard to the application. The conditions also require the Agency to fund the MSR and establish policies consistent with current law. This MSR was prepared pursuant to that condition.

Page 10-6, Section 10: (Sphere of influence)

For all conclusions included in this section, SCV Water requests that any SOI adjustment be coordinated to conform with any proposed annexation boundaries and agreements already in place with Tapia and Tesoro. For Tesoro, the SCV Water Board expressly removed some areas in a revised agreement to better reflect the open space areas that don't need water service.

Section 12: Summary of Determinations (CONSISTENCY)

As these items are a summary of previously listed determinations, all comments entered above for those determinations are also entered here for the record.

These include:

Accountability and Governance, Bullet 1 should read:

The Agency is governed by a 12-member Board of Directors. Of these, 11 of these represent **electoral** divisions defined in the Agency Act (SB 634) and one represents LACWWD #36.

Staff Report

August 12, 2020

Agenda Item No. 8.a.

Protest Hearing on Annexation No. 2020-03 to the Consolidated Fire Protection District of Los Angeles County (Vernon)

On July 8, 2020, your Commission approved a request for the annexation of approximately 3,300± acres of inhabited territory into the boundaries of the Consolidated Fire Protection 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:	3,300± acres
Inhabited/Uninhabited:	Inhabited
Applicant:	Consolidated Fire Protection District of Los Angeles County (CFPD)
Resolution:	June 23, 2020
Application Filed with LAFCO:	June 1, 2020
Certificate of Filing:	June 15, 2020
Location:	The affected territory is generally located west of the intersection of Interstate 710 and Bandini Blvd.
City/County:	City of Vernon
Affected Territory:	The affected territory includes the entire City of Vernon and consists of industrial, commercial, and residential land. The Los Angeles River runs right through the City of Vernon. The topography is flat.
Surrounding Territory:	The Cities of Los Angeles, Commerce, Maywood, Bell and Huntington Park surround the affected territory.
Landowner(s)/Real Party/ Parties of Interest:	There are multiple owners of record.

Registered Voters:	104 registered voters as of May 26, 2020.
Purpose/Background:	The purpose of this annexation is for the entire City of Vernon to receive fire protection, emergency medical, and related services from the Consolidated Fire Protection District of Los Angeles County.
Jurisdictional Change(s):	The jurisdictional change that will result from this proposal is the annexation of the City of Vernon to the Consolidated Fire Protection District of Los Angeles County.
Within SOI:	Yes
Protest Proceedings:	Pursuant to Government Code Section 57000(b), if the proposal is approved by the Commission, the Commission shall conduct protest proceedings.
California Environmental Quality Act (CEQA) Clearance:	The proposal is categorically exempt from the provisions of CEQA pursuant to State CEQA Guidelines Section 15320 because it consists of a change in the organization or reorganization of local governmental agencies where the changes do not change the geographical area in which previously existing powers are exercised. A Categorical Exemption was adopted by the Los Angeles County Board of Supervisors acting as the governing body for CFPD, as lead agency, on June 23, 2020, which was considered and adopted by your Commission, as a responsible agency, on July 8, 2020.
Additional Information:	None

FACTORS TO BE CONSIDERED PURSUANT TO GOVERNMENT CODE 56668:

a. Affected population, territory and adjacent areas:

The existing population is 209 residents as of January 1, 2018. The population density is 15.79 persons per acre.

The estimated future population is 209 residents (no anticipated change).

The affected territory is 3,300+/- acres/5.2+/- miles. The affected territory is the entire City of Vernon and consists of industrial, commercial, and residential land. There are no proposed/future land use changes due to this proposal.

The assessed valuation is \$6,083,555,787 as of April 27, 2020.

The per capita assessed valuation is \$29,107,922.

On June 23, 2020, the County adopted a negotiated tax exchange resolution; all other involved public agencies have adopted a corresponding property tax transfer resolution.

The topography of the affected territory is flat.

The Los Angeles River traverses the City of Vernon from north to south.

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 modest growth in the next ten years.

b. Governmental Services and Controls:

The affected territory includes the entire City of Vernon which requires organized governmental services.

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 is minimal. The Consolidated Fire Protection District of Los Angeles County will be able to maintain consistent staffing levels at a slight reduction in annual costs to the City.

c. Proposed Action and Alternative Actions:

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

The effect of alternate actions is for the City of Vernon to continue to provide its own fire protection, emergency medical and related services. The effect of alternate actions on mutual social and economic interests and on the local governmental structure of the County is minimal. Both agencies have mutually agreed for Consolidated Fire Protection District of Los Angeles County to assume fire protection, emergency medical and related services under “Agreement for services by and between the Consolidated Fire Protection District of Los Angeles County and the City of Vernon.”

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, land left fallow under a crop rotational program, or land enrolled in an agricultural subsidy or set aside program. 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”) 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, conform to lines of assessment or ownership, and have been reviewed and approved by LAFCO's GIS/Mapping Technician.

The Consolidated Fire Protection District of Los Angeles County is a fire protection district. The proposed annexation to Consolidated Fire Protection District of Los Angeles County is therefore subject to the provisions of its principal act, which is the Fire Protection District Law of 1987, also known as the Bergeson Fire District Law (Health and Safety Code Section 13800 *et seq*). Pursuant to Health and Safety Code Section 13810, “[a]ny territory, whether incorporated or unincorporated, whether contiguous or noncontiguous, may be included in a district.”

The affected territory in this proposed change of organization or reorganization is contiguous to the existing boundaries of the District, and the proposal complies with the contiguity provisions of the Fire Protection District Law of 1987 (Health and Safety Code Section 13810).

Health and Safety Code Section 13811 states:

“Territory which has been classified as a state responsibility area may be included in a district, except for commercial forest lands which are timbered lands declared to be in a state responsibility area. The executive officer of the local agency formation commission shall give mailed notice of the commission’s hearing on any proposal to include a state responsibility area in a district, whether by annexation or formation, to the Director of Forestry and Fire Protection. The commission may approve the proposal. Upon inclusion of a state responsibility area in a district, whether by formation or annexation, the state shall retain its responsibility for fire suppression and prevention on timbered, brush, and grass-covered lands. The district shall be responsible for fire suppression and prevention for structures in the area and may provide the same services in the state responsibility area as it provides in other areas of the district.”

Health and Safety Code Section 13811 does not apply because the affected territory in this proposed change of organization or reorganization has not been classified as a state responsibility area.

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. Regional Transportation Plan:

The Southern California Associated Governments (SCAG) adopted its 2016-2040 Regional Transportation Plan (RTP) and Sustainable Communities Strategy (SCS) pursuant to Government Code Section 65080. The closest highway to the annexation is part of the RTP and SCS’s State Highway improved program. The Closest highway in the RTP/SCS is Interstate 710, which traverses the affected territory north to south.

h. Consistency with Plans:

The proposal is consistent with the existing City of Vernon General Plan designations.

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

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

i. Sphere of Influence:

The affected territory is within the Sphere of Influence of the Consolidated Fire Protection District of Los Angeles County.

j. Comments from Public Agencies:

Staff received a comment on June 23, 2020; Carlos R. Fandino, Jr. (City Administrator of the City of Vernon) sent a letter to the Commission in support of the proposed annexation (attached).

k. Ability to Provide Services:

The District currently provides fire protection services to over 2.3 million parcels of land (7,257,278± acres) throughout Los Angeles County. The annexation would add 1,683 parcels (3,300± acres) to its service area. The District has indicated that it has the ability to

provide fire protection, emergency medical, and other related services to the affected territory once the annexation is complete.

l. Timely Availability of Water Supplies:

There are no known issues regarding water supply or delivery.

m. Regional Housing Needs:

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).

n. Comments from Landowners, Voters, or Residents:

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

o. Land Use Designations

The proposal is consistent with the existing City of Vernon General Plan designations.

The proposal is consistent with the existing City of Vernon zoning designations.

p. Environmental Justice:

The proposal makes no representations on exclusions of peoples of any race, culture, and/or income with respect to the location of public facilities and public services.

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

q. Hazard Mitigation Plan:

The County of Los Angeles All-Hazard Mitigation Plan (approved February 13, 2019) establishes the County's emergency policies and procedures in the event of a disaster and addresses allocation of resources and protection of the public in the event of an emergency.

The Safety Element of the General Plan for the City of Vernon (approved December 3, 2007) addresses reduction of the potential risk of death, injuries, and economic damages resulting from natural and man-made hazards.

The affected territory is not within a Very High Fire Hazard Zone pursuant to maps published by the California Department of Forestry and Fire Protection (Cal Fire). The affected territory is not within the maps that identify state responsibility area. Both the County of Los Angeles All-Hazard Mitigation Plan and the Safety Element of the General Plan include information relating to mitigation and management of wildfire and fire hazard severity zones.

ADDITIONAL INFORMATION/OTHER MATTERS (RELEVANT TO THE PROPOSAL):

None

CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA) CLEARANCE:

On July 8, 2020, your Commission found the proposal to be categorically exempt from the provisions of CEQA pursuant to State CEQA Guidelines Section 15320 because it consists of a change in the organization or reorganization of local governmental agencies where the changes do not change the geographical area in which previously existing powers are exercised. In addition, there are no cumulative impacts, unusual circumstances, nor other limiting factors that would make the exemption inapplicable based on the proposal records.

PUBLIC HEARING NOTICE:

Newspaper Notice: LAFCO is required to provide notice of the public hearing “in one or more newspapers of general circulation within each affected county, affected city, or affected district,” pursuant to Government Code §56153, and notice “shall be commenced at least 21 days prior to the date specified in the notice for the public hearing,” pursuant to Government Code §56154. LAFCO published a hearing notice in the Daily Commerce on July 20, 2020 that meets the requirements of Government Code § 56157(h).

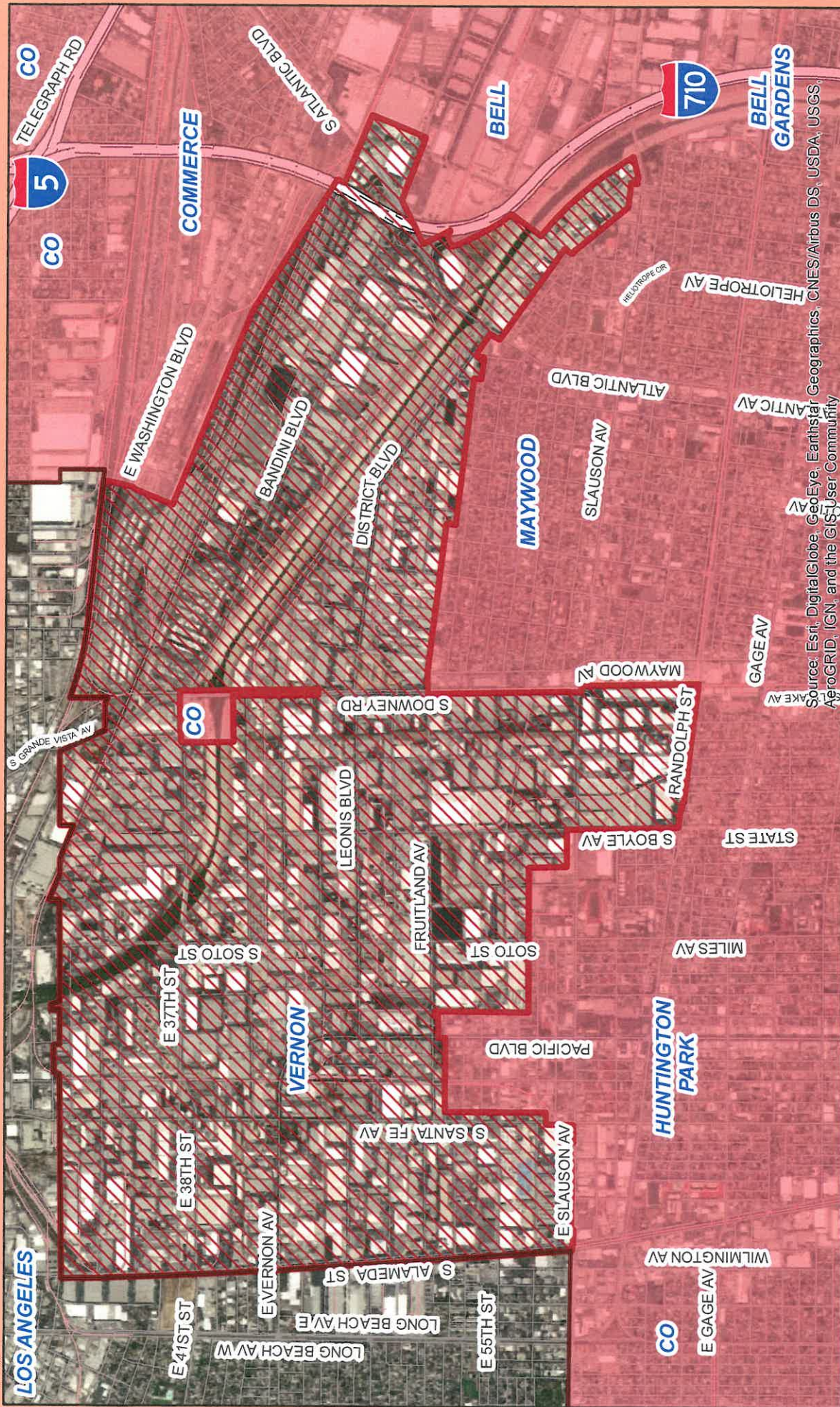
Mailed Notice: Because the number of notice otherwise required to be mailed exceeds 1,000 notices, mailed notice is not required, pursuant to Pursuant to Government Code § 56157(h).

CONCLUSION:

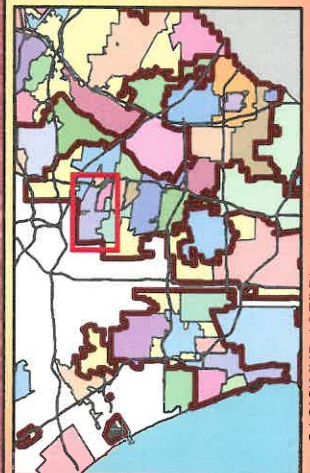
Staff recommends approval of the proposal as a logical and reasonable extension of the Consolidated Fire Protection District of Los Angeles County which will be for the interest of landowners and/or present and/or future inhabitants within the district and within the annexation territory.

RECOMMENDED ACTION:

1. Open the protest hearing and receive written protests; and
2. Close the protest hearing; and
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, adopt a resolution either terminating the annexation proceedings if a majority protest exists pursuant to Government Code Section 57078, ordering Annexation No. 2020-03 to the Consolidated Fire Protection District of Los Angeles County (Vernon) directly, or ordering the annexation subject to confirmation by the registered voters of the affected territory.



Source: Esri, DigitalGlobe, GeoEye, Earthstar Geographics, CNES/Airbus DS, USDA, USGS, AeroGRID, IGN, and the GIS User Community



Annexation No. 2020-03 to the Consolidated Fire Protection District of Los Angeles County (Vernon)



Legend

- Annexation No. 2020-03
- Consolidated Fire Protection District Boundary
- Consolidated Fire Protection District Sphere of Influence
- City of Vernon

1 in = 0.5 miles
0 1,125 2,250 4,500 Feet

August 12, 2020

**RESOLUTION NO. 2020-00PR
RESOLUTION OF THE LOCAL AGENCY FORMATION
COMMISSION FOR THE COUNTY OF LOS ANGELES
MAKING DETERMINATIONS ORDERING
"ANNEXATION NO. 2020-03 TO THE CONSOLIDATED FIRE PROTECTION DISTRICT
OF LOS ANGELES COUNTY (VERNON)"**

WHEREAS, the Consolidated Fire Protection 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 Vernon; and

WHEREAS, the proposed annexation consists of approximately 3,300± acres of inhabited territory and is assigned the following distinctive short-form designation: "Annexation No. 2020-03 to the Consolidated Fire Protection District of Los Angeles County (Vernon)"; 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 fire protection, emergency medical, and related services to the City of Vernon; and

WHEREAS, on July 8, 2020, the Commission approved Annexation No. 2020-03 to the Consolidated Fire Protection District of Los Angeles County (Vernon); and

WHEREAS, pursuant to Government Code Section 57002, the Commission set the protest hearing for August 12, 2020 at 9:00 a.m., conducted as a virtual meeting with public participation by U.S. mail, internet and /or telephone; 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 July 22, 2020, which is at least 21 days prior to the protest hearing; 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 this action is within the scope of its California Environmental Quality Act findings made at the Commission hearing on July 8, 2020.
2. The Commission finds that the number of property owners is 642, and the number of registered voters is 104, and the total assessed value of land within the affected territory is \$6,083,555,787.

a) The Commission finds that the number of property owners who filed written protests in opposition to Annexation No. 2020-03 to the Consolidated Fire Protection District of Los Angeles County (Vernon) and not withdrawn is 0, 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. 2020-03 to the Consolidated Fire Protection District of Los Angeles County (Vernon) and not withdrawn is 0, 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 3,300± acres, is inhabited, and is assigned the following short form designation:
- " Annexation No. 2020-03 to the Consolidated Fire Protection District of Los Angeles County (Vernon)"
5. Annexation No. 2020-03 to the Consolidated Fire Protection District of Los Angeles County (Vernon) is hereby approved, subject to the following terms and conditions:
- a. The Consolidated Fire Protection District of Los Angeles County 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 the Consolidated Fire Protection 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 12th day of August 2020.

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**

Staff Report

August 12, 2020

Agenda Item No. 9.a.

Extend the Term of the Contract to the Consultant for the Municipal Service Review (“MSR”) and Sphere of Influence (“SOI”) Update for the Cities of La Mirada and Whittier

In 2019, and after conducting competitive Request for Proposal (“RFP”) and evaluation processes, the Commission awarded consulting contracts to RSG, Inc., to prepare MSR/SOI Updates. The Commission awarded RSG a contract for an MSR/SOI Update of the Consolidated Fire Protection District of Los Angeles County (“CFPD”), and a separate contract for an MSR/SOI Update for the Cities of La Mirada and Whittier.

Due to the urgency of the CFPD MSR/SOI Update, LAFCO staff directed RSG to perform and complete the MSR/SOI Update of the CFPD ahead of the MSR/SOI Update for the two cities. At your meeting on July 8, 2020, the Commission adopted the MSR/SOI Update for the CFPD, thereby concluding RSG’s work on that effort.

RSG is now ready to resume work on the MSR/SOI Update for the Cities of La Mirada and Whittier. An issue has arisen, however, with the “term” of the existing contract between LAFCO and RSG. Specifically, Section 2.1 of the contract states:

2.1 This CONTRACT shall be effective upon execution by all parties and shall continue in effect through June 30, 2020. LAFCO shall have the sole option to renew the CONTRACT on a month to month basis, for up to six additional months, until the work is completed. [emphasis added]

Staff is seeking the Commission’s authorization to negotiate and execute an amendment to the contract to extend the term through March 31, 2021, with potential month-to-month extensions, to be exercised by the Executive Officer thereafter as necessary, for up to six additional months. Staff has conferred with RSG representatives, who are supportive of the proposed contract amendment.

Recommended Action:

Staff recommends that the Commission:

1. Direct staff to negotiate and execute an extension of the term of the existing contract with RSG, Inc., to extend the term (Section 2.1) through March 31, 2021, with potential month-to-month extensions to be exercised by the Executive Officer thereafter as necessary, for up to six additional months, relative to the MSR/SOI Update for the Cities of La Mirada and Whittier, with said amendment being approved as to form by LAFCO Counsel; and

2. Delegate authority to the Executive Officer to exercise month-to-month extensions of the contract term with RSG, Inc. as necessary for up to six additional months to complete the MSR/SOI Update for the Cities of La Mirada and Whittier.

Staff Report

August 12, 2020

Agenda Item No. 9.b.

Request for Authorization to Commence Negotiations to Extend Lease at 80 South Lake Avenue, Pasadena

At your meeting of August 10, 2011, the Commission authorized the Executive Officer to execute a lease of office space at 80 South Lake Avenue. The lease, with IDS Real Estate Group (IDS or landlord), was executed on August 11, 2011, for a term of ten years; this lease will expire on November 21, 2021.

An IDS representative recently contacted LAFCO staff to inquire if LAFCO intends to extend its lease past the November 21, 2021 expiration (see email, enclosed). Your staff made it clear to IDS that any change in the LAFCO lease requires advance Commission approval. Staff is, therefore, asking the Commission to authorize the Executive Officer to commence negotiations with IDS for a potential lease extension.

This is not a request to execute a lease extension. Should negotiations produce mutually agreeable terms, staff would agendize the lease extension for Commission review and approval. The recommendation (below) also directs the Executive Officer to provide the Commission with periodic updates.

With respect to the current location at 80 South Lake, staff notes the following:

- The existing location in Pasadena is centrally located near the geographical center of Los Angeles County, two blocks south of the Foothill (Interstate 210) Freeway and about three miles north of the terminus of the Pasadena (SR-110) Freeway, near major bus lines, and two blocks from public transportation (Lake Avenue Gold Line Station). The current location is accessible and convenient to the public.
- Prior to LAFCO's move-in in 2011, IDS constructed substantial tenant improvements to suit LAFCO's needs. The facilities, layout, and size of the suite remain suitable to LAFCO's purposes.
- Compared to extending its lease at the former location in Glendale, the 80 South Lake Avenue location saved LAFCO more than \$22,000 in rent and parking costs over the first two years of the lease.
- Because office rent levels were relatively depressed at that time, LAFCO executed a long-term lease (ten years). This long-term lease has afforded LAFCO with significant cost savings, as current market rent levels in Pasadena are substantially higher than LAFCO's current rent.

- Based upon the prior move (from Glendale to Pasadena), staff estimates that LAFCO would incur approximately \$25,000 in one-time costs were it to re-locate to a new office suite.

Recommended Action:

Staff recommends that the Commission:

1. Authorize the Executive Officer to commence negotiations with IDS on a potential lease extension;
2. Instruct the Executive Officer to provide periodic updates to the Commission relative to the status of negotiations with IDS.

From: Lauren Allen <lauren@idsrealestate.com>
Sent: Wednesday, July 15, 2020 4:21 PM
To: Paul Novak <pnovak@lalafco.org>
Cc: Alex Burton <aburton@idsrealestate.com>; Justin Eden <jeden@idsrealestate.com>
Subject: 80 SL Lease Renewal

Hi Paul,

Hope you are doing well! We are starting our 2021 budget season for 80 South Lake, so I wanted to check in with you and see if LAFCO plans to renew next year? The current Suite 870 lease expires on November 30, 2021.

Thank you,
Lauren



Lauren Allen, CPA, CPM - BRE Lic. #02018426
Manager
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515 S. Figueroa Street, 16th Floor
Los Angeles, California 90071
T: 213.347.6479 F: 213.627.9937
E: lauren@idsrealestate.com
www.idsrealestate.com

Staff Report

August 12, 2020

Agenda Item No. 9.c.

California Association of Local Agency Formation Commissions (“CALAFCO”) Annual Conference: Appointment of Voting Representative and Alternate

CALAFCO is governed by a sixteen (16) member board of directors. Each of the four CALAFCO regions (Central, Coastal, Northern, and Southern) appoints four commissioners, one each from a County, city, special district, and public representative. The Southern Region includes the six LAFCOs in the Southern Region (Imperial, Los Angeles, Orange, Riverside, San Bernardino, and San Diego).

CALAFCO requires each LAFCO to appoint a voting member and an alternate for voting purposes. The CALAFCO Annual Conference traditionally provides the venue for representatives to elect commissioners to serve upcoming two-year terms on the CALAFCO Board of Directors.

The CALAFCO Annual Conference was originally planned to take place in Monterey on October 21-23, 2020. Due to issues associated with the COVID-19 pandemic, the CALAFCO Board of Directors has canceled an in-person conference (and is considering whether to host some form of “virtual” conference). CALAFCO therefore plans to conduct the election of Southern Region CALAFCO board-members via email.

Staff is asking the Commission to appoint a Voting Member and Alternate for the purposes of electing Southern Region representatives to the CALAFCO Board of Directors. Historically, these appointments were largely made by determining which commissioners planned to attend the Annual Conference. Given that there will be no “in-person” attendance at an Annual Conference, staff recommends that the Commission appoint Commission Chair Jerry Gladbach as the Voting Member and Commission First Vice Chair Don Dear as the Alternate.

Recommended Action:

1. Designate Commission Chair Jerry Gladbach as the Voting Member and Commission First Vice Chair Don Dear for the purposes of voting to elect commissioners to serve upcoming two-year terms on the CALAFCO Board of Directors.

Staff Report

August 12, 2020

Agenda Item No. 9.d.

CALAFCO University Sessions

In light of the COVID-19 pandemic, several agencies and organizations, such as the California Association of Local Agency Formation Commissions (CALAFCO) have adapted to continue serving its constituents and the general public. Beginning in August, CALAFCO is offering its members free and low-cost virtual CALAFCO University sessions. Additional sessions are expected to be added on a monthly basis (www.calafco.org).

The following CALAFCO University Session will be held in the month of August:

Session	Description	Date	Time	Registration Deadline
Being a LAFCO Commissioner— What does it really mean?	The role of Commissioners, the Brown Act and PRA for Commissioners and Conflicts of Interests.	Fri., Aug. 21, 2020	10:00-11:00am	Aug. 14, 2020

If you are interested in this session, please email Adriana Romo at aromo@lalafco.org before the registration deadline so that she may complete your registration.

This staff report is provided for information purposes only. No Commission action is required.



Join Us for a Very Special LAFCo 101 Webinar Series

ABOUT THIS SERIES

CALAFCO is here for you during the Pandemic with a series of three, **no-cost LAFCo 101 webinars**. These are not your ordinary "Just the basics" webinars! Join us for informative and fun (yes, **FUN!**) webinars that explore all the basics of LAFCo. Whether you are looking to jump start your level of knowledge or take your skills to the next level, there is always something to learn at LAFCo 101.

SESSION ONE

Navigating the Basics and Beyond - LAFCo 101 for LAFCo Staff

DATE: Thursday, August 6, 2020

TIME: 9:30 a.m. to 11:00 a.m.

Registration closes July 30, 2020 at 5:00 p.m.

SR and Joe will cover LAFCo 101 topics such as the authority and purpose of LAFCo; the LAFCo review process; the laws involved in LAFCo decisions and updating Spheres of Influence and Municipal Service Reviews.

Presenters: SR Jones, Executive Officer, Nevada LAFCo and Joe Serrano, Executive Officer, Santa Cruz LAFCo

This session is approved for 1.5 AICP CM credits

SESSION TWO

The Magical World of LAFCo Clerking – A Look at Processes and Supporting Your Commissioners from a Clerk and Analyst Perspective

DATE: Thursday, August 13, 2020

TIME: 9:30 a.m. to 11:00 a.m.

Registration closes on August 6, 2020 at 5:00 p.m.

Martha, Amanda and Terry will delve into LAFCo clerk and analyst best practices, taking an application from receipt through to hearing and completion, Brown Act and Public Records Act and how to effectively respond to the needs of your Executive Officer, Commissioners and the public all while keeping your sanity.

Presenters: Martha Poyatos, Executive Officer, San Mateo LAFCo; Amanda Olivas, Clerk, Fresno LAFCo; Terri Tuck, Clerk, Yolo LAFCo

SESSION THREE

Being a LAFCo Commissioner – What Does it Really Mean?

DATE: Friday, August 21, 2020

TIME: 10 a.m. to 11:00 a.m.

Registration closes August 14, 2020 at 5:00 p.m.

This session is designed specifically for LAFCo Commissioners. Scott and David will cover the role of LAFCo Commissioners, the Brown Act and PRA for Commissioners and Conflicts of Interests. Navigating the Brown Act, Open Meetings Act and Public Records Act can be a challenge sometimes, so we'll dive into how to keep yourself and your LAFCo out of trouble in these areas.

Presenters: Scott Browne, Legal Counsel, various LAFCos and David West, Commissioner, Imperial LAFCo

REGISTRATION INFORMATION

NO REGISTRATION FEE IS REQUIRED FOR ANY OF THE SESSIONS FOR MEMBERS OF CALAFCO. THIS SERIES IS DESIGNED ONLY FOR THE MEMBERS OF CALAFCO.

Individual registration for each session is required. Registrations are online only. Click on the links below to register.

[SESSION ONE](#)

[SESSION TWO](#)

[SESSION THREE](#)

Registration must be received by the date noted for each session.

No late registrations will be accepted.

Once you register on Eventbrite you will receive the Zoom Registration link with your confirmation email. You will then need to use that Zoom Registration link prior to the session to get the Webinar link to join that session. **DO NOT WAIT UNTIL THE LAST MINUTE TO DO THIS STEP.**

You can also find this information on the CALAFCO website at www.calafco.org.

For additional information or questions, please contact CALAFCO University lead Martha Poyatos at mpoyatos@smcgov.org



CALAFCO

1020 12th Street, Suite 222
Sacramento, CA 95814
916-442-6536
www.calafco.org

Staff Report

August 12, 2020

Agenda Item No. 9.e.

FY 2019-20 Davis Farr Audit Planning Letter to the Commission

Davis Farr is commencing its fifth annual audit of this Commission's financial statements in accordance with its contract. As part of the annual audit, Davis Farr has provided the required audit planning letter to the Commission dated, July 16, 2020 as enclosed. The letter informs the Commission of the audit review process, the auditor's risk assessment measures, and provides the Commission a direct contact to the firm's partner.

Staff Recommendation:

1. Receive and file the enclosed Davis Farr Audit Planning Letter to the Commission dated July 16, 2020.



Davis Farr LLP
2301 Dupont Drive | Suite 200 | Irvine, CA 92612
Main: 949.474.2020 | Fax: 949.263.5520

July 16, 2020

Los Angeles Local Agency Formation Commission
Pasadena, California

We are in the process of performing the audit of the Los Angeles Local Agency Formation Commission (LAFCO) for the year ending June 30, 2020.

Professional Auditing standards recommend that, as a part of our audit, we inquire with those in governance to ascertain whether or not anyone on the Commission has knowledge of matters that might have a bearing on the auditor's risk assessment for the LAFCO's annual audit.

Example of these matters are:

- Known or suspected instances of employee fraud
- Areas in which the internal controls of the LAFCO are thought by the Commission to be weak
- Known or suspected misstatements in the accounting records of the LAFCO
- Known or suspected use of improper accounting practices by the LAFCO
- Any awareness of pressure upon the LAFCO or LAFCO management with respect to achieving certain financial results
- Matters that warrant particular attention during the audit
- Information about unusual transactions or other matters relevant to the audit

Generally, the scope of the audit is limited to matters involving amounts that would be significant to the financial statements of the LAFCO taken as a whole. If additional time is required to respond to the concerns of the Commissioners, we will estimate for the LAFCO the costs involved.

Please respond within 45 days from the date of this letter if the Commissioners has any matters to report that meet the above criteria.

Auditing Standards require the auditors to communicate the planned scope and timing of the audit. Additionally, at the conclusion of the audit, we plan to communicate the auditor's responsibilities under generally accepted auditing standards and significant findings from the audit.

Timing of Audit

We plan to begin the audit examination of the LAFCO on September 21, 2020. We plan to be completed with fieldwork by the end of September, and we plan to present the audit report and results of the audit to the Commissioners at the completion of the audit.

Planned Scope of Audit

In addition to our standard audit approach, we perform a risk assessment each year to develop our audit plan. For the fiscal year ended June 30, 2020, we have identified the audit risk areas noted below for testing:

- Risk of errors recording LAFCO's Net Pension Liability. We plan to obtain the actuarial valuation calculating LAFCO's Net Pension Liability and related balances. We will review the actuary's assumptions for reasonableness and adherence to the accounting standards. We will review LAFCO's accounting and we will ensure that the footnotes contain accurate and complete disclosures in accordance with the accounting standards.
- Risk of errors recording LAFCO's OPEB Liability: We plan to obtain the actuarial valuation calculating LAFCO's OPEB Liability and related balances. We will review the actuary's assumptions for reasonableness and adherence to the accounting standards. We will review LAFCO's accounting and we will ensure that the footnotes contain accurate and complete disclosures in accordance with the accounting standards.
- We will discuss with the LAFCO management the impact of COVID-19 on the LAFCO's revenues and expenses, if any, and perform additional testing to determine the accuracy of account balances that could be impacted.
- Each year we are required to incorporate an element of unpredictability into our audit approach. This year, we plan to obtain all the payroll registers prepared for the fiscal year and compare the total of those payroll registers to the total salary expense recorded in the general ledger.

If any member of the Commission has information relevant to our audit (matters involving amounts that would be significant to the financial statements of the LAFCO taken as a whole) please contact the undersigned at (949) 7873-1740 or jfarr@davisfarr.com.

Sincerely,

A handwritten signature in blue ink that reads "Jennifer Farr".

Jennifer Farr, CPA
Partner

Staff Report

August 12, 2020

Agenda Item No. 10.a.

Legislative Update

Staff reports on the following two bills:

- **SB 625 (Bradford)**: Introduced by Senator Steven Bradford on May 26th, SB 625 is intended to address outstanding issues at the Central Basin Municipal Water District (CBMWD). The bill would:
 - Remove Central Basin's existing board of directors,
 - Cancel the November 2020 election;
 - Appoint the Water Replenishment District of Southern California (WRD) as the receiver over CBMWD;
 - Provide more time for the CBMWD to comply with statutory deadlines to continue an existing parcel tax (preserving \$3.1 million in on-going funds);
 - Direct LAFCO to prepare an MSR emphasizing "governance structure" options for a new CBMWD board of directors.

The Assembly approved SB 625 (70-2) on June 15, 2020. As of the writing of this report (June 26, 2020), SB 625 is now before the Senate, at the Senate Rules Committee, and awaiting assignment to a committee.

Commission Position: **SUPPORT** (June 10th Meeting)

- **SB 414 (Caballero)**: This bill would authorize the creation of small system water authorities that will have powers to absorb, improve, and competently operate non-compliant public water systems. It would require the State Water Resources Control Board (SWRCB) to provide written notice to cure to all public agencies, private water companies, or mutual water companies that operate a public water system that has either less than 3,000 service connections or that serves less than 10,000 people, and are not in compliance, with one or more state or federal primary drinking water standards. The bill is sponsored by the Eastern Municipal Water District (located in Riverside County) and the California Municipal Utilities Association. The intent is to give the State Water Resources Control Board (SWRCB) authority to mandate the dissolution of existing drinking water systems (public, mutual, and private) and authorize the formation of a new public water authority. The focus is on non-contiguous systems. While the SWRCB has existing authority to mandate consolidation of these systems, SB 414 would add the authority to mandate dissolution and the formation of a new public agency. LAFCO would be responsible for dissolving any state-mandated public agency dissolution, and the formation of the new water authority. The SWRCB's appointed administrator would act as the applicant on behalf of the state. LAFCO would have ability to approve with modifications the application, and the new agency would have to report to the LAFCO annually for the first three years.

The California Association of Local Agency Formation Commission (CALAFCO) has informed staff that the author intends to introduce a series of amendments that would “strip LAFCOs of their part and authority in the formation of the new water authority—a public agency that would otherwise be formed at the discretion and by the authority of LAFCO.” On July 23, 2020, CALAFCO sent Senator Caballero a letter opposing the amendments (copy enclosed), which provided a thorough and comprehensive series of objections and concerns; your staff agrees with the position taken by CALAFCO.

Staff is asking the Commission to oppose the proposed amendments to SB 414.

As of the writing of this report (July 29th), the Legislature is currently in session; staff will provide a verbal update at the Commission Meeting.

Staff Recommendation:

1. Take a position opposing the amendments to SB 414, and direct staff to communicate the position in communications with members of the State Legislature and the Governor; and
2. Receive and file the Legislative Update.

Enclosures: Proposed amendments to SB 414
 July 23, 2020 Letter from CALAFCO to Senator Caballero opposing the
 proposed amendments to SB 414

06/29/20 12:00 PM
RN 20 13583 PAGE 1
Substantive

AMENDMENTS TO SENATE BILL NO. 414
AS AMENDED IN ASSEMBLY JUNE 25, 2019

Amendment 1

In the title, in line 1, strike out “Sections 56017.1, 56017.2, 56069, 56653, 56658,”, strike out line 2 and insert:

Section 116769 of, and to add Section 116683 to, the Health and Safety Code,

Amendment 2

In the title, in line 4, strike out “authorities.” and insert:

authorities, and making an appropriation therefor.

Amendment 3

On page 7, strike out lines 1 to 7, inclusive, and strike out pages 8 to 13, inclusive, on page 14, strike out lines 1 to 31, inclusive, and insert:

SECTION 1. Section 116683 is added to the Health and Safety Code, to read: 116683. (a) In addition to the procedures described in Section 116682, for a public water system that either has fewer than 3,000 service connections or serves fewer than 10,000 people, the state board may order the formation of a small system water authority pursuant to Division 23 (commencing with Section 78000) of the Water Code.

(b) (1) A small system water authority formed pursuant to Division 23 (commencing with Section 78000) of the Water Code and a formation coordinator selected by the state board for a small system water authority shall be subject to the liability limits described in Section 116684.

(2) For purposes of a small system water authority, the interim operation period described in Section 116684 shall commence with the appointment of a formation coordinator pursuant to Section 78031 of the Water Code, and shall last until the services of the formation coordinator are terminated.

SEC. 2. Section 116769 of the Health and Safety Code is amended to read:

116769. (a) The fund expenditure plan shall contain the following:

(1) A report of expenditures from the fund for the prior fiscal year and planned expenditures for the current fiscal year.

(2) A list of systems that consistently fail to provide an adequate supply of safe drinking water. The list shall include, but is not limited to, all of the following:

(A) Any public water system that consistently fails to provide an adequate supply of safe drinking water.

(B) Any community water system that serves a disadvantaged community that must charge fees that exceed the affordability threshold established by the board in order to supply, treat, and distribute potable water that complies with federal and state drinking water standards.



(C) Any state small water system that consistently fails to provide an adequate supply of safe drinking water.

(3) A list of public water systems, community water systems, and state small water systems that may be at risk of failing to provide an adequate supply of safe drinking water.

(4) An estimate of the number of households that are served by domestic wells or state small water systems in high-risk areas identified pursuant to Article 6 (commencing with Section 116772). The estimate shall identify approximate locations of households, without identifying exact addresses or other personal information, in order to identify potential target areas for outreach and assistance programs.

(5) An estimate of the funding needed for the next fiscal year based on the amount available in the fund, anticipated funding needs, other existing funding sources, and other relevant data and information.

(6) A list of programs to be funded that assist or will assist households supplied by a domestic well that consistently fails to provide an adequate supply of safe drinking water. This list shall include the number and approximate location of households served by each program without identifying exact addresses or other personal information.

(7) A list of programs to be funded that assist or will assist households and schools whose tap water contains contaminants, such as lead or secondary contaminants, at levels that exceed recommended standards.

(8) An evaluation of the operational performance of each small system water authority organized under Division 23 (commencing with Section 78000) of the Water Code in delivering safe and clean drinking water that meets all applicable water quality standards.

(b) The fund expenditure plan shall be based on data and analysis drawn from the drinking water needs assessment funded by Chapter 449 of the Statutes of 2018 as that assessment may be updated and as information is developed pursuant to Article 6 (commencing with Section 116772).

(c) The fund expenditure plan shall prioritize funding for all of the following:

(1) Assisting disadvantaged communities served by a public water system, and low-income households served by a state small water system or a domestic well.

(2) The consolidation or extension of service, when feasible, and administrative and managerial contracts or grants entered into pursuant to Section 116686 where applicable.

(3) Funding costs other than those related to capital construction costs, except for capital construction costs associated with consolidation and service extension to reduce the ongoing unit cost of service and to increase sustainability of drinking water infrastructure and service delivery.

Amendment 4

On page 14, in line 32, strike out "SEC. 8." and insert:

SEC. 3.

Amendment 5

On page 15, in line 2, strike out “2019” and insert:

2020

Amendment 6

On page 15, in line 7, strike out “2019.” and insert:

2020.

Amendment 7

On page 16, between lines 22 and 23, insert:

78012. “Formation coordinator” means a person with the qualifications set forth in subdivision (e) of Section 78036 of the Health and Safety Code who is selected by the state board to assist with the formation of an authority, as described in subdivision (g) of Section 78036 of the Health and Safety Code.

Amendment 8

On page 16, in line 23, strike out “78012.” and insert:

78013.

Amendment 9

On page 16, in line 26, strike out “78013.” and insert:

78014.

Amendment 10

On page 16, in line 28, strike out “78014.” and insert:

78015.

Amendment 11

On page 16, in line 30, strike out “78015.” and insert:

78016.

Amendment 12

On page 16, in line 33, strike out “78016.” and insert:
78017.

Amendment 13

On page 16, in line 37, strike out “78017.” and insert:
78018.

Amendment 14

On page 16, in line 39, strike out “78018.” and insert:
78019.

Amendment 15

On page 17, in line 1, strike out “78019.” and insert:
78020.

Amendment 16

On page 17, in line 3, strike out “78020.” and insert:
78021.

Amendment 17

On page 17, in line 5, strike out “78021.” and insert:
78022.

Amendment 18

On page 17, in line 6, strike out “78022.” and insert:
78023.

Amendment 19

On page 17, strike out lines 24 to 40, inclusive, strike out pages 18 and 19, on page 20, strike out lines 1 to 13, inclusive, and insert:

78031. (a) (1) If the state board exercises its authority pursuant to Article 1 (commencing with Section 116270) of Chapter 4 of Part 12 of Division 104 of the Health and Safety Code or other authority and issues an order or citation pursuant to Section 116650 or Section 116655 of the Health and Safety Code to one or more public water systems, the state board shall include in that order or citation a schedule or timetable to bring the system into compliance. If the public water system fails to timely comply with the order or citation, the state board may determine whether it will remedy the noncompliance of a public water system by using the authority granted pursuant to Section 116682 of the Health and Safety Code, the authority granted pursuant to Section 116683 of the Health and Safety Code, or by other authority granted to the state board.

(2) If the state board decides to order the formation of a small system water authority pursuant to Section 116683 of the Health and Safety Code and this division to remedy the noncompliance, the state board shall appoint a formation coordinator pursuant to Section 78036 at the same time it makes that decision. The formation coordinator shall evaluate whether the formation of an authority is feasible, under all relevant circumstances, and shall promptly submit a report to the state board stating whether formation of an authority is feasible.

(b) If the formation coordinator's report submitted pursuant to paragraph (2) of subdivision (a) indicates that the formation of an authority is feasible, before ordering the formation of an authority pursuant to Section 116683 of the Health and Safety Code, the state board shall make all of the following findings:

(1) The public water system ordered to join the proposed authority either has fewer than 3,000 service connections or serves fewer than 10,000 people.

(2) The public water system ordered to join the proposed authority has consistently failed to provide an adequate supply of safe drinking water or is at risk of doing so, as determined by the state board. The state board may implement this paragraph through the adoption of a policy handbook that is not subject to the requirements of Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code.

(3) The formation of an authority is appropriate and technically feasible.

(4) There is no pending local agency formation commission process that is likely to resolve the problem in a reasonable amount of time.

(5) The formation of an authority is an effective, affordable, and economically reasonable means of providing an adequate supply of safe drinking water.

(c) An authority shall include at least five public water systems, unless the formation coordinator determines that the authority would be economically feasible and operationally viable with fewer than five public water systems. An authority may include the following:

(1) A public water system from a county service area or other dependent special district that wishes voluntarily to join the proposed authority.

(2) A public water system that has been meeting drinking water standards and that wishes to voluntarily join the proposed authority.

(3) A public water system identified by the state board as consistently serving water that fails to meet drinking water standards in the county in which the proposed authority will be formed.

(4) A public water system for which a petition was submitted to the state board pursuant to subparagraph (B) of paragraph (2) of subdivision (a) of Section 78033 and not denied by the state board.

(d) Except for a public water system ordered to join an authority pursuant to subdivision (a), a public water system may join an authority even if it does not satisfy the requirements in paragraphs (1) and (2) of subdivision (b).

(e) This part is not intended to apply to consolidations that commenced before the effective date of this division.

78032. (a) If a water corporation regulated by the Public Utilities Commission receives an order or citation as set forth in Section 78031, the Public Utilities Commission shall proceed with the consolidation or receivership, or both, under the Public Utilities Commission's existing programs, or, in consultation with the state board, the Public Utilities Commission shall cause the dissolution and transfer of the assets of the water corporation into an authority pursuant to Section 116683 of the Health and Safety Code and this chapter.

(b) The state board shall provide the Public Utilities Commission with notice of its determination within 30 days of making the determination described in Section 78031.

Amendment 20

On page 20, in line 14, strike out "July 1, 2021," and insert:

180 days after the state board determines, pursuant to Section 78031, that it intends to remedy a noncompliant public water system by forming an authority,

Amendment 21

On page 20, in lines 17 and 18, strike out "a notice under subdivision (a) of Section 78030 is located" and insert:

an order or citation from the state board pursuant to Section 116650 or Section 116655 of the Health and Safety Code is located,

Amendment 22

On page 20, in lines 18 and 19, strike out "may consider the formation of" and insert:

has made a determination to form

Amendment 23

On page 20, in line 21, after the period insert:

The state board shall, at the same time, also take reasonable steps to provide that notice to individual domestic well owners and state small water systems located within the county where the entity receiving an order or citation as described in paragraph (1) is located.

Amendment 24

On page 20, in line 22, strike out “entity” and insert:

entity, including a state small water system, or individual domestic well owner

Amendment 25

On page 20, in line 24, strike out “administrator” and insert:

formation coordinator

Amendment 26

On page 20, in lines 24 and 25, strike out “on or before December 31, 2021.” and insert:

no later than 180 days after the issuance of notice pursuant to paragraph (1).

Amendment 27

On page 20, in line 25, after “entity” insert:

or individual domestic well owner

Amendment 28

On page 21, in line 15, strike out “On or before November 1, 2021, a county or city receiving” and insert:

No later than 90 days after the issuance of

Amendment 29

On page 21, in line 16, strike out “from” and insert:

by

Amendment 30

On page 21, in line 16, strike out “(a)” and insert:

(a), a county or city

Amendment 31

On page 21, in line 18, strike out “providing” and insert:

not included in the notice provided pursuant to subdivision (a) that provide

Amendment 32

On page 21, in line 26, strike out “administrator” and insert:

formation coordinator

Amendment 33

On page 21, in lines 26 and 27, strike out “on or before December 1, 2021.” and insert:

no later than 180 days after the issuance of notice pursuant to subdivision (a).

Amendment 34

On page 21, in line 35, strike out “November 1, 2021, the administrator” and insert:

90 days after the state board issues notice pursuant to subdivision (a), the formation coordinator

Amendment 35

On page 21, in line 38, strike out “being included” and insert:

inclusion

Amendment 36

On page 21, between lines 38 and 39, insert:

(e) If an individual domestic well owner or a state small water system wishes to be included in an authority, the individual domestic well owner or state small water system shall be responsible for paying for the reasonable cost of service, as provided in Section 116682 of the Health and Safety Code.

(f) If the state board makes the findings described in Section 78031 or the findings described in Section 116682 of the Health and Safety Code, the state board may consolidate a public water system without complying with the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (Division 3 (commencing with Section 56000) of Title 5 of the Government Code).

Amendment 37

On page 21, in line 39, strike out “(a)”

Amendment 38

On page 21, in line 40, strike out “78032,” and insert:

78031,

Amendment 39

On page 22, in line 2, strike out “system that submitted the plan is” and insert:

systems are

Amendment 40

On page 22, in line 3, after “of” insert:

any of

Amendment 41

On page 22, in line 3, strike out “system,” and insert:

systems,

Amendment 42

On page 22, in line 5, strike out “system” and insert:

systems

Amendment 43

On page 22, strike out lines 6 to 18, inclusive, and insert:

78035. (a) No later than 90 days after the state board determines, pursuant to Section 78031, that it intends to order the formation of an authority, the formation

coordinator shall consult with the executive officer of the local agency formation commission and with identifiable local community groups representing consumers and ratepayers of the public water systems regarding the proposed formation and receive their recommendations as to the draft conceptual formation plan developed pursuant to this section. No later than 300 days after the state board determines that it intends to order the formation of an authority, the formation coordinator shall submit to the state board a draft conceptual formation plan that includes all of the following:

Amendment 44

On page 22, between lines 23 and 24, insert:

(4) Identification of any adjacent agencies that could provide services in lieu of the formation of the authority and identification of nearby public water systems that could benefit from inclusion in the authority.

Amendment 45

On page 22, in line 24, strike out “(4)” and insert:

(5)

Amendment 46

On page 22, in line 26, strike out “(5)” and insert:

(6)

Amendment 47

On page 22, in line 27, strike out “for service” and insert:

developed

Amendment 48

On page 22, in line 28, strike out “(6)” and insert:

(7)(A)

Amendment 49

On page 22, in line 29, strike out “system” and insert:

systems

Amendment 50

On page 22, in line 31, strike out “all”

Amendment 51

On page 22, strike out lines 34 to 36, inclusive, and insert:

(B) The plan described in subparagraph (A) shall include provisions for interim water supplies, the assessment of water rights, an asset inventory and schedule for immediate maintenance, an analysis of alternatives to address the water quality violations that includes the costs of those alternatives, a capital improvement plan as described in Section 78110, and an assessment of the finances of the authority and the funding sources that may be required for long-term and sustainable compliance with all drinking water standards.

(b) The formation coordinator shall consult with, and consider the input of, the executive officer of the local agency formation commission and identifiable local community groups representing consumers and ratepayers of the public water systems regarding the proposed formation throughout the development of the draft conceptual formation plan.

(c) The formation coordinator shall submit the draft conceptual formation plan to the state board and any applicable local agency formation commission for comments within 60 days of its receipt. The formation coordinator shall finalize the draft conceptual formation plan for public comment no later than 30 days after receiving the comments of the state board.

Amendment 52

On page 22, in line 37, strike out “(c)” and insert:

(d)

Amendment 53

On page 22, in line 39, strike out “an interim” and insert:

a

Amendment 54

On page 23, in lines 3 and 4, strike out “On or before March 1, 2021, the state board shall establish and publish a list of” and insert:

The state board may, from time to time, select

Amendment 55

On page 23, in line 5, strike out “in subdivision (e)” and insert:
established in advance by the state board

Amendment 56

On page 23, in line 5, strike out “administrators” and insert:
formation coordinators

Amendment 57

On page 23, in line 7, strike out “administrator” and insert:
formation coordinator

Amendment 58

On page 23, strike out lines 10 to 14, inclusive, in line 15, strike out “(d)” and insert:

(c)

Amendment 59

On page 23, in line 15, strike out “bear the cost of the administrator and”

Amendment 60

On page 23, in line 17, strike out “the administrator” and insert:
a formation coordinator

Amendment 61

On page 23, in line 18, strike out “administrator” and insert:
formation coordinator

Amendment 62

On page 23, in line 18, after the period insert:
The state board may contract with, or provide a grant to, the formation coordinator.

Amendment 63

On page 23, strike out lines 19 to 33, inclusive, and insert:

(d) For purposes of the determination described in Section 78031, the formation coordinator shall conduct an analysis as to whether the formation of an authority is feasible, and if so, shall assist the state board in the initial implementation of the formation of the authority.

Amendment 64

On page 23, in line 35, strike out “paragraph (1) of subdivision (b) of”

Amendment 65

On page 23, in line 38, strike out “authority”, strike out line 39 and insert:
authority.

Amendment 66

On page 24, in line 2, strike out “paragraph (1) of subdivision (b) of”

Amendment 67

On page 24, in line 6, strike out “identified in subdivision (a) of Section 78034”

Amendment 68

On page 24, in line 7, strike out “authority formed by”, strike out line 8 and insert:

authority.

(3) No later than 240 days after the state board issues a notice pursuant to Section 78034 to a public agency operating a public water system, and notwithstanding the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (Division 3 (commencing with Section 56000) of Title 5 of the Government Code), the local agency formation commission for the principal county where the public agency is located shall hold a public hearing to allow for public comment on the dissolution of that public water system. The dissolution of the noncompliant public water system shall be effective upon completion of the hearing. The local agency formation commission shall promptly provide the comments made by the public during the hearing to the state board for consideration.

(4) An order of dissolution issued pursuant to this subdivision shall make appropriate equitable arrangements for the interim operation of the public water system until the formation of the authority is completed and the authority is prepared to take over operation of the public water system. The arrangements shall provide for the continuous delivery of water to all of the public water system's customers. The Public Utilities Commission shall consult with the state board before issuing an order pursuant to paragraph (1).

(b) If the state board, upon formation of the authority, excludes from the authority a noncompliant public water system initially considered for inclusion, the state board shall exercise its existing authority to bring the noncompliant water system into compliance.

Amendment 69

On page 24, in line 9, strike out "(b)" and insert:

(c)

Amendment 70

On page 25, in line 33, strike out "(c)" and insert:

(d)

Amendment 71

On page 26, strike out lines 11 to 39, inclusive, strike out pages 27 to 29, inclusive, on page 30, strike out lines 1 to 4, inclusive, and insert:

78038. (a) No later than 120 days after the formation coordinator finalizes the draft conceptual formation plan pursuant to subdivision (c) of Section 78035, the local agency formation commission shall hold two public hearings on that draft conceptual formation plan. No later than 60 days after the second public hearing, the local agency formation commission shall submit a report to the state board summarizing public comments received at those hearings and any recommendations that the local agency formation commission may have for the state board concerning the draft conceptual formation plan. Any extraordinary costs incurred by the local agency formation commission over and above its normal budgeted operating expenses for conducting the public hearings and preparing the report to the state board shall be paid, in arrears, by the state board from the funds identified in Section 78115 based upon the documentation of the extraordinary costs submitted by the local agency formation commission. The state board shall consider the report prepared by the local agency formation commission before taking final action to form the authority pursuant to subdivision (b).

(b) No later than 60 days after the local agency formation commission submits the report described in subdivision (a) to the state board for its review, the state board shall form the authority, incorporating any element or recommendation from the local

agency formation commission's report that the state board deems appropriate. Notwithstanding any other law, the state board shall form the authority by a resolution approved at a regular meeting of the state board. Formation of an authority shall be deemed to be a quasi-legislative action by the state board. The final plan shall be posted on the state board's internet website. The authority shall post the final plan on its internet website within one year of its formation by the state board.

Amendment 72

On page 30, in line 11, strike out "formation by the local agency formation commission," and insert:

formation,

Amendment 73

On page 30, in line 18, strike out the first "administrator" and insert:

formation coordinator

Amendment 74

On page 30, in line 18, strike out "administrator," and insert:

formation coordinator,

Amendment 75

On page 30, between lines 22 and 23, insert:

(4) The report shall be posted on the state board's internet website, the local agency formation commission's internet website, and the authority's internet website.

Amendment 76

On page 30, in line 23, strike out "A" and insert:

(1) If a report required under subdivision (a) states that an authority has failed to comply with the plan approved by the state board, the

Amendment 77

On page 30, in line 23, strike out "shall" and insert:

shall, at the state board's request,

Amendment 78

On page 30, in line 24, strike out “90” and insert:

120

Amendment 79

On page 30, in lines 25 and 26, strike out “year. If” and insert:

year and receive comments from consumers and ratepayers of the authority and other interested parties. The local agency formation commission shall compile and summarize those comments and, within 60 days of the hearing, provide a report on the comments received to the state board for the state board’s consideration in determining the appropriate remedy for the failure to comply with the plan.

(2) If

Amendment 80

On page 30, in line 26, after “report” insert:

required under subdivision (a)

Amendment 81

On page 30, in line 26, strike out “any”, strike out lines 27 and 28, in line 29, strike out “78038,” and insert:

the plan approved by the state board,

Amendment 82

On page 30, in lines 29 and 30, strike out “the violations” and insert:

noncompliance with the plan

Amendment 83

On page 30, between lines 35 and 36, insert:

(c) The state board shall include an evaluation of whether consolidations pursuant to this chapter have resulted in the provision of safe and affordable water supplies as part of the Safe Drinking Water Plan required pursuant to Section 116355 of the Health and Safety Code.

Amendment 84

On page 30, strike out lines 36 to 40, inclusive, strike out page 31 and on page 32, strike out lines 1 to 3, inclusive

Amendment 85

On page 32, strike out line 13, in line 14, strike out “(3)” and insert:

(2)

Amendment 86

On page 32, strike out line 16 and insert:

or if there are more than five entities, to ensure that the initial board of the authority is composed of an odd number of directors.

Amendment 87

On page 32, in line 18, strike out “administrator” and insert:

formation coordinator

Amendment 88

On page 32, in lines 23 and 24, strike out “local agency formation commission” and insert:

state board

Amendment 89

On page 32, in line 34, after “than” insert:

the minimum number that would constitute

Amendment 90

On page 32, in line 36, strike out “administrator” and insert:

formation coordinator

Amendment 91

On page 32, in line 38, strike out “local agency formation commission” and insert:

state board

Amendment 92

On page 36, in lines 20 and 21, strike out “local agency formation commission issues a notice of completion, pursuant to Section 78038,” and insert:

state board completes the formation of the authority pursuant to subdivision (b) of Section 78038,

Amendment 93

On page 36, in line 22, strike out “administrator appointed” and insert:

formation coordinator selected

Amendment 94

On page 47, in line 4, strike out “administrator” and insert:

formation coordinator

Amendment 95

On page 47, strike out lines 7 and 8 and insert:

as soon as reasonable, as determined by the state board.

Amendment 96

On page 47, in line 18, after “(a)” insert:

(1)

Amendment 97

On page 47, in line 19, strike out “or,” and insert:

or

Amendment 98

On page 47, in line 20, strike out “revenues” and insert:

revenues, the Safe and Affordable Drinking Water Fund based on the fund expenditure plan established pursuant to Section 116769 of the Health and Safety Code,

Amendment 99

On page 47, in line 22, strike out “an administrator” and insert:

a formation coordinator

Amendment 100

On page 47, in line 22, strike out “subdivision (d) of”

Amendment 101

On page 47, in line 23, strike out the first “and”

Amendment 102

On page 47, in line 23, strike out “for up to three”, strike out line 24 and insert:

pursuant to paragraph (7) of subdivision (a) of Section 78035, and, after the formation of the authority, for financial assistance for initial startup operations and to establish an operating reserve to ensure fiscal sustainability of the new authority.

Amendment 103

On page 47, strike out lines 25 to 40, inclusive, strike out page 48, on page 49, strike out lines 2 and 3, in line 4, strike out “authorities created pursuant to this division,” and insert:

(2) Financial assistance related to startup operations of the authority shall include, but is not limited to, funding to support utility office, administrative, staffing, equipment, and business-related functions and may include, at the state board’s discretion, up to 50 percent of single-year anticipated operating revenue for up to two consecutive years.

(3) An initial working capital and emergency operating reserve consistent with prudent utility business practices may be established, at the state board’s discretion, in an amount up to 180 days of anticipated operating revenue for the authority.

(b) In addition to the moneys described in subdivision (a),

Amendment 104

On page 49, in line 4, strike out “shall” and insert:

may

Amendment 105

On page 49, in line 5, strike out “upon appropriation”

Amendment 106

On page 49, in line 7, strike out “Code as follows,” and insert:

Code,

Amendment 107

On page 49, in line 8, strike out “federal law:” and insert:

law.

Amendment 108

On page 49, strike out lines 9 to 29, inclusive, in line 30, strike out “SEC. 9.” and insert:

SEC. 4.

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PROPOSED AMENDMENTS TO SENATE BILL NO. 414

AMENDED IN ASSEMBLY JUNE 25, 2019

AMENDED IN SENATE MAY 17, 2019

AMENDED IN SENATE APRIL 4, 2019

SENATE BILL

No. 414

Introduced by Senator Caballero

February 20, 2019

An act to amend Sections 56017.1, 56017.2, 56069, 56653, 56658, and 56895 of, and to add Section 56666.5 to, the Government Code, Section 116769 of, and to add Section 116683 to, the Health and Safety Code, and to add Division 23 (commencing with Section 78000) to the Water Code, relating to small system water authorities, and making an appropriation therefor.

Amendment 1

Amendment 2

LEGISLATIVE COUNSEL'S DIGEST

SB 414, as amended, Caballero. Small System Water Authority Act of 2019. 2020.

Existing law, the California Safe Drinking Water Act, provides for the operation of public water systems and imposes on the State Water Resources Control Board various responsibilities and duties. The act authorizes the state board to order consolidation with a receiving water system where a public water system or a state small water system, serving a disadvantaged community, as defined, consistently fails to provide an adequate supply of safe drinking water. The act, if consolidation is either not appropriate or not technically and economically feasible, authorizes the state board to contract with an administrator to provide administrative and managerial services to designated public water systems and to order the designated public

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water system to accept administrative and managerial services, as specified.

Existing law, the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, provides the exclusive authority and procedure for the initiation, conduct, and completion of changes of organization and reorganization for cities and districts, except as specified.

This bill would create the Small System Water Authority Act of 2019 2020 and state legislative findings and declarations relating to authorizing the creation of small system water authorities that will have powers to absorb, improve, and competently operate noncompliant public water systems. ~~The bill, no later than March 1, 2020, would require the state board to provide written notice to cure to all public agencies, private water companies, or mutual water companies that operate a public water system that has either less than 3,000 service connections or that serves less than 10,000 people, and are not in compliance, for the period from July 1, 2018, through December 31, 2019, with one or more state or federal primary drinking water standard maximum contaminant levels, as specified. The bill would require the state board to provide a copy of the notice, in the case of a water corporation, to the Public Utilities Commission and would require the Public Utilities Commission to be responsible with the state board for ensuring compliance with the provisions of the bill. The bill would require an entity receiving the notice to respond to the state board, and, if appropriate, the Public Utilities Commission, as to whether the violations of drinking water standards are remedied and the basis for that conclusion, as specified. The bill would require an entity reporting a continuing violation of drinking water standards to have 180 days from the date of a specified response filed with the state board to prepare and submit a plan to the state board to permanently remedy a violation of drinking water standards within a reasonable time that is not later than January 1, 2025. The bill would require the state board to review the plan and accept, accept with reasonable conditions, or reject the plan, as prescribed. The bill would require an entity with an accepted plan to provide quarterly reports to the state board on progress towards a permanent remedy for violations of drinking water standards and would require the state board to annually hold a public hearing to consider whether the progress is satisfactory. The bill would require the state board, if it rejects the plan or if a plan is not submitted by the prescribed deadline, to cause, after a certain period to allow for a petition~~

~~for reconsideration, the formation of an authority by the applicable local agency formation commission to serve the customers of the public water system or to remedy the failure to meet the applicable drinking water standards, as specified. The bill would authorize the state board to order the formation of a small system water authority for the provision of an adequate supply of safe drinking water for a public water system that either has fewer than 3,000 service connections or serves fewer than 10,000 people. The bill would require the state board, in an order or citation to a public water system for noncompliance with the California Safe Drinking Water Act, to include a schedule or timetable to bring the public water system into compliance and, for a public water system that fails to timely comply with the order or citation, to determine how it will remedy the noncompliance. The bill would require the state board to make specified findings before ordering the formation of a small system water authority as a remedy. If the state board orders the formation of a small system water authority, the bill would require the state board to appoint a formation coordinator for the authority at the same time it makes that decision. The bill would require the formation coordinator to evaluate whether the formation of a small system water authority is feasible, as provided. The bill would require an authority to include at least 5 public water systems, except as provided.~~

The bill would require the state board, no later than ~~July 1, 2021~~, 180 days after the state board determines that it intends to remedy a noncompliant public water system by forming an authority, to provide written notice to each county, city, water district, private water company, or mutual water company located within a county where an entity receiving a notice to cure an order or citation from the state board is located stating that the state board ~~may consider the formation of~~ has made a determination to form an authority within that county and inviting other public water suppliers to consider a voluntary dissolution and subsequent inclusion into the authority that may be formed. The bill would require an entity wishing to consolidate into a proposed authority to provide a written statement opting into an authority to the ~~administrator~~ formation coordinator of the authority ~~on or before December 31, 2021~~, no later than 180 days after the issuance of notice. The bill would authorize an entity wishing to join an authority after the formation of an authority to do so by a proposal or petition to the local agency formation commission and would authorize an entity's customers to petition to the state board that the entity be included in a proposed authority, as prescribed. The bill would require any county or city

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receiving a notice ~~to cure~~ *of determination to form an authority* from the state board to determine, ~~not later than November 1, 2021, no later than 90 days after the issuance of notice of noncompliance,~~ whether any county service areas, county waterworks districts, or other dependent special districts providing water service or water and sewer service located within the county that provide water service or water and sewer service only in the proposed area of the authority should be included within the proposed authority, as prescribed. The bill would authorize an authority to include areas that are not contiguous.

The bill would require the state board, no later than 30 days after determining that an authority shall be formed, to notify a local agency formation commission of a county where the public water-system ~~that submitted the plan~~ *is systems* are located, and if appropriate, the Public Utilities Commission, that it has determined that the public water-system ~~systems~~ shall be consolidated into an authority. ~~The bill would require the state board, no later than 60 days after determining that an authority shall be formed, to notify the local agency formation commission, and if appropriate, the Public Utilities Commission, of the public water systems that will be consolidated into an authority and to appoint an administrator for each proposed authority. The bill would require an administrator~~ *a formation coordinator* to be responsible for the interim administration and management of the authority and would require the state board to bear the cost of the ~~administrator, formation coordinator,~~ as specified. The bill would require the ~~administrator, formation coordinator,~~ after consultation with the executive officer of the local agency formation ~~commission, commission and community groups representing consumers and ratepayers,~~ to submit to the state board a draft conceptual formation plan, with specified components. The bill would require the ~~state board to provide comments on the conceptual formation plan to the administrator and applicable local agency formation commission within 60 days of its receipt.~~ *formation coordinator to submit the draft conceptual formation plan to the state board and any applicable local agency formation commission for comments. The bill would require the formation coordinator to finalize the draft conceptual formation plan no later than 30 days after receiving the comments of the state board.*

The bill would require the ~~administrator, within 180 days after the state board provides comments on the draft conceptual formation plan, to submit an application for formation and proposed plan for service to the local agency formation commission for review and would require~~

~~the commission to hold a hearing on the plan and approve or deny it, as prescribed. The bill would require an authority to file a statement, under penalty of perjury, with the executive office of the local agency formation commission certifying that the authority will take the appropriate actions to comply with an approved plan. By expanding the application of the crime of perjury, this bill would impose a state-mandated local program. The bill would require the executive officer of the commission, within 30 days of the filing of a statement, to issue a notice of completion to the authority and send a copy of that notice to the state board. The bill would authorize the state board, in the event that the authority fails to timely file a statement certifying compliance with the plan, to issue an order to the authority requiring the filing of a statement certifying compliance with the plan or other remedial action as may be appropriate. local agency formation commission, no later than 120 days after the formation coordinator finalizes the draft conceptual formation plan, to hold 2 public hearings on that draft conceptual formation plan and, no later than 60 days after the 2nd public hearing, to submit a report to the state board summarizing public comments and making recommendations. The bill would require the state board to form the authority no later than 60 days after the local agency formation commission submits the report. The bill would require, annually for the first 3 years after the date of an authority's formation by a local agency formation commission, formation, an authority to file a certain report with the local agency formation commission and the state board. The bill would require a local agency formation commission commission, if the report states that an authority failed to comply with a plan approved by the state board, to hold a public hearing hearing, at the state board's request, within 90 120 days of receipt of the report to review the authority's performance during the previous year and would authorize the state board to order an authority to remedy any failures to comply with conditions imposed by the state board or the plan for service. a plan approved by the state board. The bill would authorize the state board to impose a civil penalty on an authority of up to \$500 per day for each violation if an authority fails to timely comply with a remedial order by the state board, up to a maximum of \$10,000 per year for each particular violation.~~

The bill would require the Public Utilities Commission to order the dissolution of a public water system and the transfer of all assets of a subject water corporation to an authority formed by the local agency

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~~formation commission, authority~~, as prescribed. The bill would require the state board to petition a court for an order dissolving any mutual water company, water corporation, or private corporation that has been operating a public water system and transferring the assets of that company or corporation to the ~~authority formed by the local agency formation commission. authority~~. The bill would provide for an owner or shareholder of a dissolved public water system to be compensated, as specified, in accordance with a distressed business valuation issued by the state board. The bill would authorize an authority to receive financing from the state to pay all liabilities assumed from a public water system and would require an authority to issue bonds to repay the state with interest.

~~The bill would require the Controller, following the formation of the authorities, to perform an audit of the fiscal and operational health of each authority, and to submit the results of the audits to the Legislature in the form of a report no later than January 1, 2026. The bill would require the state board, no later than January 1, 2026, to prepare and submit to the Legislature a report specifying the number of public water systems that, at any time between July 1, 2018, and January 1, 2025, were out of compliance with one or more state or federal primary drinking water standards, as specified.~~

The bill would provide for the appointment of an initial board of an authority, and the election of subsequent boards of an authority. The bill would require a director to be a resident of the area served by the authority and, to the extent practicable, to represent a division with equal population being served by the authority. The bill would authorize a director to receive compensation in an amount not to exceed \$250 per day, not to exceed a total of 10 days in any calendar month, together with any expenses incurred in the performance of the director's duties required or authorized by the board. The bill would require the board to hold meetings, exercise and perform all powers, privileges, and duties of an authority, designate a depository to have custody of the funds of the authority, appoint officers, and hire employees, as specified. The bill would require the board to file a certain certificate with the Secretary of State within 180 days of its initial meeting after formation. The bill would require a person convicted of an infraction for a violation of any local ordinance or regulation adopted by an authority to be punished upon a first conviction by a fine not exceeding \$50 and for a 2nd conviction within a period of one year by a fine of not exceeding \$100 and for a 3rd or any subsequent conviction within a period of one year

by a fine of not exceeding \$250. By creating new crimes, this bill would impose a state-mandated local program.

The bill would specify the powers of an authority, including that an authority is authorized to acquire, control, distribute, store, spread, sink, treat, purify, recycle, recapture, and salvage any water, including sewage and stormwater, for the beneficial use of the authority. The bill would authorize the authority to fix a water standby assessment or availability charge, as prescribed. The bill would require a board of supervisors to levy the standby charge in the amounts for the respective parcels fixed by the board of the authority. The bill would require all county officers charged with the duty of collecting taxes to collect authority standby charges with the regular tax payments to the county and would require the charges to be paid to the authority. The bill would authorize an authority to restrict the use of authority water, as specified, and would provide that it is a misdemeanor, punishable as specified, for any person to use or apply water received from the authority contrary to or in violation of any restriction or prohibition specified in the authority's ordinance. By creating a new crime, this bill would impose a state-mandated local program. The bill would authorize an authority to conduct inspections and would authorize an authority to obtain an inspection warrant. Because the willful refusal of an inspection lawfully authorized by an inspection warrant is a misdemeanor, this bill would impose a state-mandated local program by expanding the application of a crime. The bill would require an authority to notify the county or city building inspector, county health inspector, or other affected county or city employee or office, in writing, within a reasonable time if an actual violation of an authority, city, or county ordinance is discovered during the investigation.

The bill would require the ~~administrator~~ *formation coordinator* to prepare and submit a capital improvement plan to the state board no later than one year after the date upon which an authority is formed. The bill would require the plan to bring the authority into full compliance with drinking water standards ~~within 3 years, which time may be extended by the state board for good cause, as soon as reasonable, as determined by the state board.~~ The bill would require the state board, upon appropriation by the Legislature from the General Fund, ~~or, or to the extent funds are available from bond revenues~~ *revenues, the Safe and Affordable Drinking Water Fund, or other sources, including federal, state, academic, or other public or private entities, to provide funding for the administrator and for formation and*

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~~startup costs for up to 3 fiscal years after formation of the authority, as specified. The bill would provide for the state board, upon appropriation by the Legislature from the General Fund, or, to the extent funds are available from bond revenues or other sources, including federal, state, academic, or other public or private entities, to receive up to \$7,200,000 for the preparation of distressed business valuations to determine the net fair market value of the water corporation or mutual water company. The bill would provide for the state board and the Public Utilities Commission, upon appropriation by the Legislature from the General Fund, or, to the extent funds are available from bond revenues or other sources, including federal, state, academic, or other public or private entities, to receive up to \$15,500,000 and \$1,150,000, respectively, for the dissolution of public water systems and water corporations pursuant to the bill's provisions. The bill would require, if those moneys are not sufficient to meet the statewide needs of the authorities, administrator, formation and startup costs for the authority, and for financial assistance for initial startup operations and to establish an operating reserve to ensure fiscal sustainability. The bill would also authorize funding to be made available upon appropriation from the Safe Drinking Water State Revolving Fund. Fund for purposes of the bill. By authorizing funding to be made available from the Safe Drinking Water State Revolving Fund, which is a continuously appropriated fund, for these purposes, the bill would make an appropriation.~~

By imposing new duties or a higher level of service on cities, counties, and local agency formation commissions, this bill would impose a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that with regard to certain mandates no reimbursement is required by this act for a specified reason.

With regard to any other mandates, this bill would provide that, if the Commission on State Mandates determines that the bill contains costs so mandated by the state, reimbursement for those costs shall be made pursuant to the statutory provisions noted above.

Vote: majority. Appropriation: ~~no~~ yes. Fiscal committee: yes. State-mandated local program: yes.

The people of the State of California do enact as follows:

Page 7 1 ~~SECTION 1. Section 56017.1 of the Government Code is~~
2 ~~amended to read:~~
3 ~~56017.1. "Applicant" means a local agency or person or persons~~
4 ~~that submits an application, as defined by Section 56017.2, or the~~
5 ~~State Water Resources Control Board where an application is~~
6 ~~submitted by its appointed administrator pursuant to Section 78038~~
7 ~~of the Water Code.~~

Page 8 1 ~~SEC. 2. Section 56017.2 of the Government Code is amended~~
2 ~~to read:~~
3 ~~56017.2. "Application" means any of the following:~~
4 ~~(a) A resolution of application or petition initiating a change of~~
5 ~~organization or reorganization with supporting documentation as~~
6 ~~required by the commission or executive officer.~~
7 ~~(b) A request for a sphere of influence amendment or update~~
8 ~~pursuant to Section 56425.~~
9 ~~(c) A request by a city or district for commission approval of~~
10 ~~an extension of services outside the agency's jurisdictional~~
11 ~~boundaries pursuant to Section 56133.~~
12 ~~(d) A request by a public agency for commission approval of~~
13 ~~an extension of services outside the agency's jurisdictional~~
14 ~~boundaries pursuant to Section 56134.~~
15 ~~(e) A request by the State Water Resources Control Board that~~
16 ~~includes the formation of a small system water authority made~~
17 ~~pursuant to Section 78038 of the Water Code.~~
18 ~~SEC. 3. Section 56069 of the Government Code is amended~~
19 ~~to read:~~
20 ~~56069. "Proposal" means a desired change of organization or~~
21 ~~reorganization initiated by a petition, by resolution of application~~
22 ~~of a legislative body or school district, or by order of the State~~
23 ~~Water Resources Control Board in the case of an application~~
24 ~~including the formation of a small system water authority submitted~~
25 ~~pursuant to Section 78038 of the Water Code, for which a~~
26 ~~certificate of filing has been issued.~~
27 ~~SEC. 4. Section 56653 of the Government Code, as amended~~
28 ~~by Section 1 of Chapter 43 of the Statutes of 2017, is amended to~~
29 ~~read:~~

Amendment 3

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Page 8 30 ~~56653. (a) If a proposal for a change of organization or~~
31 ~~reorganization is submitted pursuant to this part, the applicant shall~~
32 ~~submit a plan for providing services within the affected territory.~~
33 ~~(b) The plan for providing services shall include all of the~~
34 ~~following information and any additional information required by~~
35 ~~the commission or the executive officer:~~
36 ~~(1) An enumeration and description of the services currently~~
37 ~~provided or to be extended to the affected territory.~~
38 ~~(2) The level and range of those services.~~
39 ~~(3) An indication of when those services can feasibly be~~
40 ~~extended to the affected territory, if new services are proposed.~~
Page 9 1 ~~(4) An indication of any improvement or upgrading of structures,~~
2 ~~roads, sewer or water facilities, or other conditions the local agency~~
3 ~~would impose or require within the affected territory if the change~~
4 ~~of organization or reorganization is completed.~~
5 ~~(5) Information with respect to how those services will be~~
6 ~~financed.~~
7 ~~(c) (1) In the case of a change of organization or reorganization~~
8 ~~initiated by a local agency that includes a disadvantaged,~~
9 ~~unincorporated community as defined in Section 56033.5, a local~~
10 ~~agency may include in its resolution of application for change of~~
11 ~~organization or reorganization an annexation development plan~~
12 ~~adopted pursuant to Section 99.3 of the Revenue and Taxation~~
13 ~~Code to improve or upgrade structures, roads, sewer or water~~
14 ~~facilities, or other infrastructure to serve the disadvantaged,~~
15 ~~unincorporated community through the formation of a special~~
16 ~~district or reorganization of one or more existing special districts~~
17 ~~with the consent of each special district's governing body.~~
18 ~~(2) The annexation development plan submitted pursuant to this~~
19 ~~subdivision shall include information that demonstrates that the~~
20 ~~formation or reorganization of the special district will provide all~~
21 ~~of the following:~~
22 ~~(A) The necessary financial resources to improve or upgrade~~
23 ~~structures, roads, sewer or water facilities, or other infrastructure.~~
24 ~~The annexation development plan shall also clarify the local entity~~
25 ~~that shall be responsible for the delivery and maintenance of the~~
26 ~~services identified in the application.~~
27 ~~(B) An estimated timeframe for constructing and delivering the~~
28 ~~services identified in the application.~~

Page 9 29 ~~(C) The governance, oversight, and long-term maintenance of~~
30 ~~the services identified in the application after the initial costs are~~
31 ~~recouped and the tax increment financing terminates.~~
32 ~~(3) If a local agency includes an annexation development plan~~
33 ~~pursuant to this subdivision, a local agency formation commission~~
34 ~~may approve the proposal for a change of organization or~~
35 ~~reorganization to include the formation of a special district or~~
36 ~~reorganization of a special district with the special district's~~
37 ~~consent, including, but not limited to, a community services district,~~
38 ~~municipal water district, or sanitary district, to provide financing~~
39 ~~to improve or upgrade structures, roads, sewer or water facilities,~~
40 ~~or other infrastructure to serve the disadvantaged, unincorporated~~
Page 10 1 ~~community, in conformity with the requirements of the principal~~
2 ~~act of the district proposed to be formed and all required formation~~
3 ~~proceedings.~~
4 ~~(4) Pursuant to Section 56881, the commission shall include in~~
5 ~~its resolution making determinations a description of the annexation~~
6 ~~development plan, including, but not limited to, an explanation of~~
7 ~~the proposed financing mechanism adopted pursuant to Section~~
8 ~~99.3 of the Revenue and Taxation Code, including, but not limited~~
9 ~~to, any planned debt issuance associated with that annexation~~
10 ~~development plan.~~
11 ~~(d) This section shall not preclude a local agency formation~~
12 ~~commission from considering any other options or exercising its~~
13 ~~powers under Section 56375.~~
14 ~~(e) A plan for providing services accompanying an application~~
15 ~~that includes the formation of a small system water authority~~
16 ~~submitted pursuant to subdivision (a) of Section 78038 of the Water~~
17 ~~Code shall meet the requirements set forth in subdivision (b) of~~
18 ~~Section 78038 of the Water Code.~~
19 ~~(f) This section shall remain in effect only until January 1, 2025,~~
20 ~~and as of that date is repealed.~~
21 ~~SEC. 5. Section 56658 of the Government Code is amended~~
22 ~~to read:~~
23 ~~56658. (a) Any petitioner or legislative body desiring to initiate~~
24 ~~proceedings shall submit an application to the executive officer of~~
25 ~~the principal county.~~
26 ~~(b) (1) Immediately after receiving an application and before~~
27 ~~issuing a certificate of filing, the executive officer shall give mailed~~
28 ~~notice that the application has been received to each affected local~~

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Page 10 29 agency, the county committee on school district organization, and
30 each school superintendent whose school district overlies the
31 affected territory. The notice shall generally describe the proposal
32 and the affected territory. The executive officer shall not be
33 required to give notice pursuant to this subdivision if a local agency
34 has already given notice pursuant to subdivision (c) of Section
35 56654. In the case of a proposed formation of a small system water
36 authority pursuant to Division 23 (commencing with Section
37 78000) of the Water Code, the administrator may, in conjunction
38 with the submission of an application to the executive officer of
39 the principal county, employ local outreach coordinators to
Page 11 1 communicate and facilitate local input through the proceedings
2 undertaken by the commission.
3 (2) It is the intent of the Legislature that a proposal for
4 incorporation or disincorporation shall be processed in a timely
5 manner. With regard to an application that includes an
6 incorporation or disincorporation, the executive officer shall
7 immediately notify all affected local agencies and any applicable
8 state agencies by mail and request the affected agencies to submit
9 the required data to the commission within a reasonable timeframe
10 established by the executive officer. Each affected agency shall
11 respond to the executive officer within 15 days acknowledging
12 receipt of the request. Each affected local agency and the officers
13 and departments thereof shall submit the required data to the
14 executive officer within the timelines established by the executive
15 officer. Each affected state agency and the officers and departments
16 thereof shall submit the required data to the executive officer within
17 the timelines agreed upon by the executive officer and the affected
18 state departments.
19 (3) If a special district is, or as a result of a proposal will be,
20 located in more than one county, the executive officer of the
21 principal county shall immediately give the executive officer of
22 each other affected county mailed notice that the application has
23 been received. The notice shall generally describe the proposal
24 and the affected territory.
25 (c) Except when a commission is the lead agency pursuant to
26 Section 21067 of the Public Resources Code, the executive officer
27 shall determine within 30 days of receiving an application whether
28 the application is complete and acceptable for filing or whether
29 the application is incomplete.

Page 11 30 ~~(d) The executive officer shall not accept an application for~~
31 ~~filing and issue a certificate of filing for at least 20 days after giving~~
32 ~~the mailed notice required by subdivision (b). The executive officer~~
33 ~~shall not be required to comply with this subdivision in the case~~
34 ~~of an application that meets the requirements of Section 56662 or~~
35 ~~in the case of an application for which a local agency has already~~
36 ~~given notice pursuant to subdivision (c) of Section 56654.~~
37 ~~(e) If the appropriate fees have been paid, an application shall~~
38 ~~be deemed accepted for filing if no determination has been made~~
39 ~~by the executive officer within the 30-day period. An executive~~
40 ~~officer shall accept for filing, and file, any application submitted~~
Page 12 1 ~~in the form prescribed by the commission and containing all of~~
2 ~~the information and data required pursuant to Section 56652.~~
3 ~~(f) When an application is accepted for filing, the executive~~
4 ~~officer shall immediately issue a certificate of filing to the~~
5 ~~applicant. A certificate of filing shall be in the form prescribed by~~
6 ~~the executive officer and shall specify the date upon which the~~
7 ~~proposal shall be heard by the commission. From the date of~~
8 ~~issuance of a certificate of filing, or the date upon which an~~
9 ~~application is deemed to have been accepted, whichever is earlier,~~
10 ~~an application shall be deemed filed pursuant to this division.~~
11 ~~(g) If an application is determined not to be complete, the~~
12 ~~executive officer shall immediately transmit that determination to~~
13 ~~the applicant specifying which parts of the application are~~
14 ~~incomplete and the manner in which they can be made complete.~~
15 ~~(h) Following the issuance of the certificate of filing, the~~
16 ~~executive officer shall proceed to set the proposal for hearing and~~
17 ~~give published notice thereof as provided in this part. The date of~~
18 ~~the hearing shall be not more than 90 days after issuance of the~~
19 ~~certificate of filing or after the application is deemed to have been~~
20 ~~accepted, whichever is earlier. In the case of an application~~
21 ~~submitted pursuant to subdivision (a) of Section 78038 of the Water~~
22 ~~Code by an administrator appointed by the State Water Resources~~
23 ~~Control Board, the date of the hearing shall be not more than 180~~
24 ~~days after issuance of the certificate of filing or after the application~~
25 ~~is deemed to have been accepted, whichever is earlier.~~
26 ~~Notwithstanding Section 56106, the date for conducting the~~
27 ~~hearing, as determined pursuant to this subdivision, is mandatory.~~
28 ~~SEC. 6. Section 56666.5 is added to the Government Code, to~~
29 ~~read:~~

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SUBSTANTIVE

Page 12 30 ~~56666.5.— (a) This section applies only to a proposal that~~
31 ~~includes the formation of a small system water authority submitted~~
32 ~~pursuant to subdivision (a) of Section 78038 of the Water Code.~~
33 ~~(b) At the hearing described in Section 56666, the commission~~
34 ~~shall approve the plan and the formation of the authority, approve~~
35 ~~the plan and the formation of the authority with modifications, or~~
36 ~~disapprove the plan and request resubmittal by the administrator.~~
37 ~~(c) If the commission disapproves the plan, the commission~~
38 ~~shall, within 30 days of the hearing, provide the administrator with~~
39 ~~written comments identifying the changes that the administrator~~
40 ~~must make in order to submit an acceptable plan. If the~~
Page 13 1 ~~administrator concurs with those changes, the administrator may~~
2 ~~provide a written statement of concurrence to the commission and~~
3 ~~the commission shall deem approved the commission's proposed~~
4 ~~changes upon receipt of the written statement of concurrence. If~~
5 ~~the administrator disagrees with those changes, the administrator~~
6 ~~shall provide a revised plan for service to the commission no later~~
7 ~~than 90 days after the date on which the commission provides the~~
8 ~~administrator with comments disapproving the plan.~~
9 ~~(d) The commission shall hold a hearing no later than 90 days~~
10 ~~after the date the administrator provides a revised plan for service~~
11 ~~to the commission, during which the commission shall approve~~
12 ~~the revised plan for service, either as proposed by the administrator~~
13 ~~or with the modifications the commission believes best serve the~~
14 ~~public interest.~~
15 ~~SEC. 7. Section 56895 of the Government Code is amended~~
16 ~~to read:~~
17 ~~56895.— (a) When a commission has adopted a resolution~~
18 ~~making determinations, any person or affected agency may file a~~
19 ~~written request with the executive officer requesting amendments~~
20 ~~to or reconsideration of the resolution. The request shall state the~~
21 ~~specific modification to the resolution being requested and shall~~
22 ~~state what new or different facts that could not have been presented~~
23 ~~previously are claimed to warrant the reconsideration. If the request~~
24 ~~is filed by a school district that received notification pursuant to~~
25 ~~Section 56658, the commission shall consider that request at a~~
26 ~~public hearing.~~
27 ~~(b) Notwithstanding Section 56106, the deadlines set by this~~
28 ~~section are mandatory. The person or agency shall file the written~~
29 ~~request within 30 days of the adoption of the initial or superseding~~

Page 13 30 resolution by the commission making determinations. If no person
31 or agency files a timely request, the commission shall not take any
32 action pursuant to this section.

33 (e) Upon receipt of a timely request, the executive officer shall
34 not take any further action until the commission acts on the request.

35 (d) Upon receipt of a timely request by the executive officer,
36 the time to file any action, including, but not limited to, an action
37 pursuant to Section 21167 of the Public Resources Code and any
38 provisions of Part 4 (commencing with Section 57000) governing
39 the time within which the commission is to act shall be tolled for
40 the time that the commission takes to act on the request.

Page 14 1 (e) The executive officer shall place the request on the agenda
2 of the next meeting of the commission for which notice can be
3 given pursuant to this subdivision. The executive officer shall give
4 notice of the consideration of the request by the commission in
5 the same manner as for the original proposal. The executive officer
6 may give notice in any other manner as the executive officer deems
7 necessary or desirable.

8 (f) At that meeting, the commission shall consider the request
9 and receive any oral or written testimony. The consideration may
10 be continued from time to time but not to exceed 35 days from the
11 date specified in the notice. The person or agency that filed the
12 request may withdraw it at any time prior to the conclusion of the
13 consideration by the commission.

14 (g) At the conclusion of its consideration, the commission may
15 approve with or without amendment, wholly, partially, or
16 conditionally, or disapprove the request. If the commission
17 disapproves the request, it shall not adopt a new resolution making
18 determinations. If the commission approves the request, with or
19 without amendment, wholly, partially, or conditionally, the
20 commission shall adopt a resolution making determinations that
21 shall supersede the resolution previously issued.

22 (h) The determinations of the commission shall be final and
23 conclusive. No person or agency shall make any further request
24 for the same change or a substantially similar change, as
25 determined by the commission.

26 (i) Notwithstanding subdivision (h), clerical errors or mistakes
27 may be corrected pursuant to Section 56883.

28 (j) This section does not apply to commission determinations
29 for a proposal that includes the formation of a small system water

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Page 14 30 ~~authority submitted pursuant to subdivision (a) of Section 78038~~
31 ~~of the Water Code.~~

+ SECTION 1. *Section 116683 is added to the Health and Safety*
+ *Code, to read:*

+ 116683. (a) *In addition to the procedures described in Section*
+ *116682, for a public water system that either has fewer than 3,000*
+ *service connections or serves fewer than 10,000 people, the state*
+ *board may order the formation of a small system water authority*
+ *pursuant to Division 23 (commencing with Section 78000) of the*
+ *Water Code.*

+ (b) (1) *A small system water authority formed pursuant to*
+ *Division 23 (commencing with Section 78000) of the Water Code*
+ *and a formation coordinator selected by the state board for a small*
+ *system water authority shall be subject to the liability limits*
+ *described in Section 116684.*

+ (2) *For purposes of a small system water authority, the interim*
+ *operation period described in Section 116684 shall commence*
+ *with the appointment of a formation coordinator pursuant to*
+ *Section 78031 of the Water Code, and shall last until the services*
+ *of the formation coordinator are terminated.*

+ SEC. 2. *Section 116769 of the Health and Safety Code is*
+ *amended to read:*

+ 116769. (a) *The fund expenditure plan shall contain the*
+ *following:*

+ (1) *A report of expenditures from the fund for the prior fiscal*
+ *year and planned expenditures for the current fiscal year.*

+ (2) *A list of systems that consistently fail to provide an adequate*
+ *supply of safe drinking water. The list shall include, but is not*
+ *limited to, all of the following:*

+ (A) *Any public water system that consistently fails to provide*
+ *an adequate supply of safe drinking water.*

+ (B) *Any community water system that serves a disadvantaged*
+ *community that must charge fees that exceed the affordability*
+ *threshold established by the board in order to supply, treat, and*
+ *distribute potable water that complies with federal and state*
+ *drinking water standards.*

+ (C) *Any state small water system that consistently fails to*
+ *provide an adequate supply of safe drinking water.*

- + (3) A list of public water systems, community water systems, and state small water systems that may be at risk of failing to provide an adequate supply of safe drinking water.
- + (4) An estimate of the number of households that are served by domestic wells or state small water systems in high-risk areas identified pursuant to Article 6 (commencing with Section 116772). The estimate shall identify approximate locations of households, without identifying exact addresses or other personal information, in order to identify potential target areas for outreach and assistance programs.
- + (5) An estimate of the funding needed for the next fiscal year based on the amount available in the fund, anticipated funding needs, other existing funding sources, and other relevant data and information.
- + (6) A list of programs to be funded that assist or will assist households supplied by a domestic well that consistently fails to provide an adequate supply of safe drinking water. This list shall include the number and approximate location of households served by each program without identifying exact addresses or other personal information.
- + (7) A list of programs to be funded that assist or will assist households and schools whose tap water contains contaminants, such as lead or secondary contaminants, at levels that exceed recommended standards.
- + (8) *An evaluation of the operational performance of each small system water authority organized under Division 23 (commencing with Section 78000) of the Water Code in delivering safe and clean drinking water that meets all applicable water quality standards.*
- + (b) The fund expenditure plan shall be based on data and analysis drawn from the drinking water needs assessment funded by Chapter 449 of the Statutes of 2018 as that assessment may be updated and as information is developed pursuant to Article 6 (commencing with Section 116772).
- + (c) The fund expenditure plan shall prioritize funding for all of the following:
 - + (1) Assisting disadvantaged communities served by a public water system, and low-income households served by a state small water system or a domestic well.

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+ (2) The consolidation or extension of service, when feasible,
+ and administrative and managerial contracts or grants entered into
+ pursuant to Section 116686 where applicable.

+ (3) Funding costs other than those related to capital construction
+ costs, except for capital construction costs associated with
+ consolidation and service extension to reduce the ongoing unit
+ cost of service and to increase sustainability of drinking water
+ infrastructure and service delivery.

Page 14 32

~~SEC. 8.~~

+ SEC. 3. Division 23 (commencing with Section 78000) is added
33 to the Water Code, to read:

Page 15 1

+ DIVISION 23. SMALL SYSTEM WATER AUTHORITY
2 ACT OF ~~2019~~ 2020

+ 3

4 PART 1. SHORT TITLE

+ 5

6 78000. This division shall be known, and may be cited, as the
7 Small System Water Authority Act of ~~2019~~ 2020.

8

9 PART 2. FINDINGS AND DECLARATIONS

+ 10

11 78001. The Legislature finds and declares all of the following:

12 (a) As of November 2017, according to the state board, there
13 are approximately 300 public water systems in the State of
14 California that are chronically serving contaminated water to their
15 customers and are operationally deficient in violation of public
16 health regulations.

17 (b) The vast majority of those systems are small, only serving
18 a population of less than 10,000 people, with deficiencies that
19 range from natural contaminants, manmade contaminants, and
20 failing infrastructure. These systems are located throughout
21 California, with a greater percentage of these failing systems
22 primarily located in economically distressed or rural counties.

23 (c) These chronically out of compliance systems lack the
24 financial, managerial, and technical resources to adequately serve
25 their communities and face higher costs per customer to provide
26 adequate service because of their small size, rural location, and
27 aging infrastructure.

Amendment 4

Amendment 5

Amendment 6

Page 15 28 (d) There is an inefficient deployment of existing local system
29 financial resources and potential funding shortfalls, largely due to
30 duplication of overhead and the inability to access state and other
31 funding streams necessary for modern water service.

32 (e) A new category of public water agency is needed to absorb
33 and consolidate failing small public water systems to provide
34 technical, managerial, and financial capabilities to ensure the
35 provision of safe, clean, affordable, and accessible water and local
36 governance.

37 (f) This act authorizes the creation of small system water
38 authorities that will have unique powers to absorb, improve, and
39 competently operate currently noncompliant public water systems
40 with either contiguous or noncontiguous boundaries.

Page 16 1 (g) Existing public water systems, whether public agencies,
2 investor-owned utilities, water corporations regulated by the Public
3 Utilities Commission, private mutual water companies, or other
4 private unregulated water systems, that are currently providing
5 adequate water service but that are located in a county where an
6 authority may be formed will have the option of voluntarily
7 consolidating with a new authority.

8

9

PART 3. DEFINITIONS

+

11 78005. Unless the context otherwise requires, the provisions
12 of this part govern the construction of this division.

13 78006. "Affected county" means any county in which the land
14 of a proposed authority is situated.

15 78007. "Authority" means a small system water authority
16 formed pursuant to this division.

17 78008. "Board" means the board of directors of an authority.

18 78009. "Board of supervisors" means the board of supervisors
19 of the principal county.

20 78010. "City" means any chartered or general law city.

21 78011. "County clerk" means the county clerk of the principal
22 county.

+

+

+

+

+

+

78012. "Formation coordinator" means a person with the
qualifications set forth in subdivision (e) of Section 78036 of the
Health and Safety Code who is selected by the state board to assist
with the formation of an authority, as described in subdivision (g)
of Section 78036 of the Health and Safety Code.

Amendment 7

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Amendment 8

Page 16 23 ~~78012.~~
 + 78013. “Local agency formation commission” means a local
24 agency formation commission of the principal county in which
25 the proposed authority is located.
26 ~~78013.~~
 + 78014. “President” means the president of the board of directors
27 of an authority.
28 ~~78014.~~
 + 78015. “Principal county” means the county in which the
29 greater portion of the land of a proposed authority is situated.
30 ~~78015.~~
 + 78016. “Private corporation” means any private corporation
31 organized under the laws of the United States or of this or any
32 other state.
33 ~~78016.~~
 + 78017. “Public agency” means the state or any department or
34 agency thereof, and a county, city, public corporation, or public
35 district of the state, including an authority formed pursuant to this
36 division.
37 ~~78017.~~
 + 78018. “Public water system” has the same meaning as defined
38 in Section 116275 of the Health and Safety Code.
39 ~~78018.~~
 + 78019. “Secretary” means the secretary of an authority.
Page 17 1 ~~78019.~~
 + 78020. “State board” means the State Water Resources Control
2 Board.
3 ~~78020.~~
 + 78021. “Voter” means a voter as defined in Section 359 of the
4 Elections Code.
5 ~~78021.~~
 + 78022. “Water” includes potable water and nonpotable water.
6 ~~78022.~~
 + 78023. “Water corporation” has the same meaning as defined
7 in Section 241 of the Public Utilities Code.
8

Amendment 9

Amendment 10

Amendment 11

Amendment 12

Amendment 13

Amendment 14

Amendment 15

Amendment 16

Amendment 17

Amendment 18

Page 17 9

PART 4. FORMATION

+

11

CHAPTER 1. IN GENERAL

+

13 78025. The area proposed to be served by a proposed authority
14 may consist of the service areas of one or more public agencies,
15 private water companies, or mutual water companies that need not
16 be contiguous. The area proposed to be served by a proposed
17 authority may also include one or more parcels that need not be
18 contiguous, either with each other or with the service areas of the
19 public agencies, private water companies, or mutual water
20 companies that will be served through the proposed authority.

21

22

CHAPTER 2. FORMATION PROCEEDINGS

+

24 ~~78030. (a) No later than March 1, 2020, the state board shall~~
25 ~~provide written notice to cure to all public agencies, private water~~
26 ~~companies, or mutual water companies that meet both of the~~
27 ~~following criteria:~~

28 ~~(1) Operate a public water system that has either less than 3,000~~
29 ~~service connections or that serves less than 10,000 people.~~

30 ~~(2) Are not in compliance with one or more state or federal~~
31 ~~primary drinking water standard maximum contaminant levels~~
32 ~~based on a running average for the period from July 1, 2018,~~
33 ~~through December 31, 2019.~~

34 ~~(b) In the case of a water corporation, the state board shall~~
35 ~~provide a copy of the notice to the Public Utilities Commission~~
36 ~~and the Public Utilities Commission shall be responsible with the~~
37 ~~state board for ensuring compliance with this part.~~

38 ~~78031. An entity receiving a notice pursuant to subdivision (a)~~
39 ~~of Section 78030 shall respond to the state board and, if~~
40 ~~appropriate, the Public Utilities Commission, within 60 days of~~
receiving the notice as to whether the violations of drinking water
standards are remedied and the basis for that conclusion.

Page 18

3 ~~78032. (a) (1) If an entity receiving a notice pursuant to~~
4 ~~subdivision (a) of Section 78030 reports pursuant to Section 78031~~
5 ~~that a violation of drinking water standards is continuing, the entity~~
6 ~~shall have 180 days from the date of the response filed with the~~
7 ~~state board pursuant to Section 78031 to prepare and submit a plan~~
8 ~~to the state board to permanently remedy a violation of drinking~~

Amendment 19

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Page 18 9 ~~water standards within a reasonable time that is not later than~~
10 ~~January 1, 2025.~~

11 ~~(2) The state board shall review a plan submitted pursuant to~~
12 ~~paragraph (1) and, within 60 days of receipt, shall accept, accept~~
13 ~~with reasonable conditions, or reject the plan.~~

14 ~~(3) The state board shall not accept the plan with reasonable~~
15 ~~conditions or reject the plan without meeting with the entity at~~
16 ~~least 15 days before the acceptance with reasonable conditions or~~
17 ~~rejection of the plan. The state board may extend the 60-day period~~
18 ~~described in paragraph (2) by no more than 180 days in order to~~
19 ~~allow for full consultation and collaboration between the state~~
20 ~~board and the entity, with the goal of that full consultation and~~
21 ~~collaboration being a mutually agreeable plan to remedy the~~
22 ~~violations of drinking water standards in a timely manner. The~~
23 ~~state board shall not unreasonably withhold or delay approval of~~
24 ~~a plan or impose unreasonable conditions on a plan.~~

25 ~~(b) If an entity receiving a notice pursuant to subdivision (a) of~~
26 ~~Section 78030 has begun a remediation plan under the authority~~
27 ~~of the state board, a California regional water quality control board,~~
28 ~~the Public Utilities Commission, or a local agency formation~~
29 ~~commission, the state board shall deem the remediation plan~~
30 ~~acceptable without additional conditions.~~

31 ~~(c) (1) If the state board accepts the plan or accepts the plan~~
32 ~~with conditions, the entity shall provide quarterly reports to the~~
33 ~~state board on progress towards a permanent remedy for the~~
34 ~~violations of drinking water standards and the state board shall~~
35 ~~hold an annual public hearing to consider whether progress is~~
36 ~~satisfactory.~~

37 ~~(2) If the state board rejects the plan or if a plan is not filed by~~
38 ~~the deadline specified in paragraph (1) of subdivision (a), the state~~
39 ~~board shall initiate action to do one of the following within 30~~
40 ~~days:~~

Page 19 1 ~~(A) Cause the formation of an authority, subject to the provisions~~
2 ~~of subdivision (d), by the applicable local agency formation~~
3 ~~commission, in accordance with Section 78034.~~

4 ~~(B) Exercise its authority to promptly cause the consolidation~~
5 ~~of the entity with a public water system or take other actions to~~
6 ~~remedy the failure to meet applicable drinking water standards~~
7 ~~pursuant to Article 9 (commencing with Section 116650) of~~
8 ~~Chapter 4 of Part 12 of Division 104 of the Health and Safety~~

Page 19 9 ~~Code. Consolidation or other action taken pursuant to this~~
10 ~~subparagraph shall bring the water delivered to customers of the~~
11 ~~public water system into full compliance with all applicable water~~
12 ~~quality standards within two years of the date on which the state~~
13 ~~board rejects the plan or the date the deadline specified in paragraph~~
14 ~~(1) of subdivision (a) is missed. The two-year period may be~~
15 ~~extended for a reasonable time to allow for the construction of~~
16 ~~new or improved infrastructure only upon an affirmative vote of~~
17 ~~a majority of the members of the state board after notice and public~~
18 ~~hearing.~~
19 ~~(C) Use existing funding sources and existing legal authority~~
20 ~~to remedy the failure to meet applicable drinking water standards.~~
21 ~~(3) Before initiating action pursuant paragraph (2), the state~~
22 ~~board shall make all of the following findings:~~
23 ~~(A) The continued operation of the public water system in its~~
24 ~~current condition is a threat to public health and safety.~~
25 ~~(B) The public water system lacks the financial, managerial, or~~
26 ~~technical resources required to remedy the violation of state or~~
27 ~~federal primary drinking water standards, which results in the~~
28 ~~entity's inability to remain operationally viable as a public water~~
29 ~~system.~~
30 ~~(C) There is no reasonable alternative that would protect the~~
31 ~~public drinking water supplies of the public water system.~~
32 ~~(d) Before causing the formation of an authority by the~~
33 ~~applicable local agency formation commission, the state board~~
34 ~~shall provide the entity with a period of 15 business days from the~~
35 ~~date on which the state board issues a written determination~~
36 ~~rejecting the plan to file a petition for reconsideration. The state~~
37 ~~board shall, if so requested by the entity, hold an evidentiary~~
38 ~~hearing under the provisions of the Administrative Procedure Act~~
39 ~~that shall commence within 90 days of the date on which the~~
40 ~~petition for reconsideration is filed with the state board and shall~~
Page 20 1 ~~issue a final order not later than 60 days after the close of the~~
2 ~~evidentiary hearing. If the entity does not request an evidentiary~~
3 ~~hearing, the state board shall issue a final order not later than 60~~
4 ~~days after the date on which the entity files its petition for~~
5 ~~reconsideration.~~
6 ~~(c) If the state board and the Public Utilities Commission reject~~
7 ~~the plan of a water corporation regulated by the commission, the~~
8 ~~commission shall proceed with the consolidation or receivership;~~

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Page 20 9 ~~or both, under the commission's existing programs, or, in~~
10 ~~consultation with the state board, the commission shall cause the~~
11 ~~dissolution and transfer of assets of the water corporation into an~~
12 ~~authority pursuant to paragraph (2) of subdivision (a) of Section~~
13 ~~78037.~~

+ 78031. (a) (1) *If the state board exercises its authority*
+ *pursuant to Article 1 (commencing with Section 116270) of Chapter*
+ *4 of Part 12 of Division 104 of the Health and Safety Code or other*
+ *authority and issues an order or citation pursuant to Section*
+ *116650 or Section 116655 of the Health and Safety Code to one*
+ *or more public water systems, the state board shall include in that*
+ *order or citation a schedule or timetable to bring the system into*
+ *compliance. If the public water system fails to timely comply with*
+ *the order or citation, the state board may determine whether it*
+ *will remedy the noncompliance of a public water system by using*
+ *the authority granted pursuant to Section 116682 of the Health*
+ *and Safety Code, the authority granted pursuant to Section 116683*
+ *of the Health and Safety Code, or by other authority granted to*
+ *the state board.*

+ (2) *If the state board decides to order the formation of a small*
+ *system water authority pursuant to Section 116683 of the Health*
+ *and Safety Code and this division to remedy the noncompliance,*
+ *the state board shall appoint a formation coordinator pursuant to*
+ *Section 78036 at the same time it makes that decision. The*
+ *formation coordinator shall evaluate whether the formation of an*
+ *authority is feasible, under all relevant circumstances, and shall*
+ *promptly submit a report to the state board stating whether*
+ *formation of an authority is feasible.*

+ (b) *If the formation coordinator's report submitted pursuant to*
+ *paragraph (2) of subdivision (a) indicates that the formation of*
+ *an authority is feasible, before ordering the formation of an*
+ *authority pursuant to Section 116683 of the Health and Safety*
+ *Code, the state board shall make all of the following findings:*

+ (1) *The public water system ordered to join the proposed*
+ *authority either has fewer than 3,000 service connections or serves*
+ *fewer than 10,000 people.*

+ (2) *The public water system ordered to join the proposed*
+ *authority has consistently failed to provide an adequate supply of*
+ *safe drinking water or is at risk of doing so, as determined by the*
+ *state board. The state board may implement this paragraph through*

- + *the adoption of a policy handbook that is not subject to the*
- + *requirements of Chapter 3.5 (commencing with Section 11340) of*
- + *Part 1 of Division 3 of Title 2 of the Government Code.*
- + *(3) The formation of an authority is appropriate and technically*
- + *feasible.*
- + *(4) There is no pending local agency formation commission*
- + *process that is likely to resolve the problem in a reasonable amount*
- + *of time.*
- + *(5) The formation of an authority is an effective, affordable,*
- + *and economically reasonable means of providing an adequate*
- + *supply of safe drinking water.*
- + *(c) An authority shall include at least five public water systems,*
- + *unless the formation coordinator determines that the authority*
- + *would be economically feasible and operationally viable with fewer*
- + *than five public water systems. An authority may include the*
- + *following:*
- + *(1) A public water system from a county service area or other*
- + *dependent special district that wishes voluntarily to join the*
- + *proposed authority.*
- + *(2) A public water system that has been meeting drinking water*
- + *standards and that wishes to voluntarily join the proposed*
- + *authority.*
- + *(3) A public water system identified by the state board as*
- + *consistently serving water that fails to meet drinking water*
- + *standards in the county in which the proposed authority will be*
- + *formed.*
- + *(4) A public water system for which a petition was submitted*
- + *to the state board pursuant to subparagraph (B) of paragraph (2)*
- + *of subdivision (a) of Section 78033 and not denied by the state*
- + *board.*
- + *(d) Except for a public water system ordered to join an authority*
- + *pursuant to subdivision (a), a public water system may join an*
- + *authority even if it does not satisfy the requirements in paragraphs*
- + *(1) and (2) of subdivision (b).*
- + *(e) This part is not intended to apply to consolidations that*
- + *commenced before the effective date of this division.*
- + *78032. (a) If a water corporation regulated by the Public*
- + *Utilities Commission receives an order or citation as set forth in*
- + *Section 78031, the Public Utilities Commission shall proceed with*
- + *the consolidation or receivership, or both, under the Public*

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+ *Utilities Commission's existing programs, or, in consultation with*
+ *the state board, the Public Utilities Commission shall cause the*
+ *dissolution and transfer of the assets of the water corporation into*
+ *an authority pursuant to Section 116683 of the Health and Safety*
+ *Code and this chapter.*

+ *(b) The state board shall provide the Public Utilities*
+ *Commission with notice of its determination within 30 days of*
+ *making the determination described in Section 78031.*

14 78033. (a) (1) No later than ~~July 1, 2021~~, 180 days after the
+ *state board determines, pursuant to Section 78031, that it intends*
+ *to remedy a noncompliant public water system by forming an*

15 *authority, the state board shall provide written notice to each*
16 *county, city, water district, private water company, or mutual water*

17 *company located within a county where an entity receiving a notice*
18 ~~*under subdivision (a) of Section 78030 is located an order or*~~

+ *citation from the state board pursuant to Section 116650 or Section*
+ *116655 of the Health and Safety Code is located, stating that the*

19 ~~*state board may consider the formation of*~~ *has made a*
+ *determination to form an authority within that county and inviting*

20 *other public water suppliers to consider a voluntary dissolution*
21 *and subsequent inclusion into the authority that may be formed.*

+ *The state board shall, at the same time, also take reasonable steps*
+ *to provide that notice to individual domestic well owners and state*

+ *small water systems located within the county where the entity*
+ *receiving an order or citation as described in paragraph (1) is*

+ *located.*

22 (2) (A) ~~An entity~~ *entity, including a state small water system,*
+ *or individual domestic well owner wishing to consolidate into a*

23 *proposed authority shall provide a written statement opting into*
24 *an authority to the administrator formation coordinator of the*

25 ~~*authority on or before December 31, 2021; no later than 180 days*~~
+ *after the issuance of notice pursuant to paragraph (1). After the*

+ *formation of an authority, an entity or individual domestic well*
26 *owner wishing to join an authority may do so by means of a*

27 *proposal or petition to the local agency formation commission*
28 *pursuant to the Cortese-Knox-Hertzberg Local Government*

29 *Reorganization Act of 2000 (Division 3 (commencing with Section*
30 *56000) of Title 5 of the Government Code).*

31 (B) The customers of an entity identified in paragraph (1) may
35 petition the state board to include their public water system in a

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Page 20 36 proposed authority using the procedures adopted by the state board
37 pursuant to paragraph (2) of subdivision (a) of Section 116682 of
38 the Health and Safety Code.

Page 21 15 (b) ~~On or before November 1, 2021, a county or city receiving~~
16 ~~No later than 90 days after the issuance of notice from by the state~~
+ board pursuant to subdivision ~~(a)~~ (a), a county or city shall
17 determine whether any county service areas, county waterworks
18 districts, or other dependent special districts ~~providing not included~~
+ in the notice provided pursuant to subdivision (a) that provide
19 water service or water and sewer service located within the county
20 that provide water service or water and sewer service only in the
21 proposed area of the authority should be included within the
22 proposed authority. If the governing board of the county or city
23 determines that the dependent special district should be included
24 within the proposed authority, the county or city shall provide a
25 written statement on behalf of the dependent special district opting
26 into an authority to the ~~administrator~~ formation coordinator of the
27 authority ~~on or before December 1, 2021; no later than 180 days~~
+ after the issuance of notice pursuant to subdivision (a). After the
28 formation of an authority, a county or city that concludes that a
29 dependent special district should be consolidated into an authority
30 shall make a proposal or petition to the local agency formation
31 commission for the consolidation pursuant to the
32 Cortese-Knox-Hertzberg Local Government Reorganization Act
33 of 2000 (Division 3 (commencing with Section 56000) of Title 5
+ of the Government Code).

34 (c) An authority may include areas that are not contiguous.

35 (d) ~~No later than November 1, 2021, the administrator~~ 90 days
+ after the state board issues notice pursuant to subdivision (a), the
36 formation coordinator for an authority shall consult with all entities
37 identified pursuant to subdivision (a) to provide advice as to the
38 advantages and disadvantages of opting into ~~being included~~
+ inclusion in the authority.

+ (e) If an individual domestic well owner or a state small water
+ system wishes to be included in an authority, the individual
+ domestic well owner or state small water system shall be
+ responsible for paying for the reasonable cost of service, as
+ provided in Section 116682 of the Health and Safety Code.

+ (f) If the state board makes the findings described in Section
+ 78031 or the findings described in Section 116682 of the Health

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+ *and Safety Code, the state board may consolidate a public water*
+ *system without complying with the Cortese-Knox-Hertzberg Local*
+ *Government Reorganization Act of 2000 (Division 3 (commencing*
+ *with Section 56000) of Title 5 of the Government Code).*
Page 21 39 78034. ~~(a) No later than 30 days after determining that an~~
40 ~~authority shall be formed pursuant to Section 78032, 78031, the~~
Page 22 1 ~~state board shall notify a local agency formation commission of a~~
2 ~~county where the public water system that submitted the plan is~~
3 ~~systems are located, and, if appropriate given the governance of~~
4 ~~any of the public water system, systems, the Public Utilities~~
5 ~~Commission, that it has determined that the public water system~~
+ ~~systems shall be consolidated into an authority.~~
6 ~~(b) No later than 60 days after determining that an authority~~
7 ~~shall be formed, the state board shall do both of the following:~~
8 ~~(1) Notify the appropriate state agency identified in subdivision~~
9 ~~(a) of the public water systems that will be consolidated into an~~
10 ~~authority.~~
11 ~~(2) Appoint an independent administrator pursuant to Section~~
12 ~~78036 for each proposed authority who shall be responsible for~~
13 ~~the preparation of a plan for service and interim administration~~
14 ~~and management of the authority.~~
15 ~~78035. (a) On or before March 1, 2022, the administrator,~~
16 ~~after consultation with the executive officer of the local agency~~
17 ~~formation commission, shall submit to the state board a conceptual~~
18 ~~formation plan that includes all of the following:~~
+ *78035. (a) No later than 90 days after the state board*
+ *determines, pursuant to Section 78031, that it intends to order the*
+ *formation of an authority, the formation coordinator shall consult*
+ *with the executive officer of the local agency formation commission*
+ *and with identifiable local community groups representing*
+ *consumers and ratepayers of the public water systems regarding*
+ *the proposed formation and receive their recommendations as to*
+ *the draft conceptual formation plan developed pursuant to this*
+ *section. No later than 300 days after the state board determines*
+ *that it intends to order the formation of an authority, the formation*
+ *coordinator shall submit to the state board a draft conceptual*
+ *formation plan that includes all of the following:*
19 (1) The public water system service areas to be served by the
20 authority.
21 (2) The population to be served by the authority.

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Page 22 22 (3) The available infrastructure to be used by the authority and
23 any known deficiencies.
+ (4) *Identification of any adjacent agencies that could provide*
+ *services in lieu of the formation of the authority and identification*
+ *of nearby public water systems that could benefit from inclusion*
+ *in the authority.*
24 ~~(4)~~
+ (5) The recorded violations of drinking water standards and the
25 nature of the threat to public health and safety.
26 ~~(5)~~
+ (6) Financial and operational provisions to be addressed in the
27 ~~plan for service developed~~ pursuant to Section 78038.
28 ~~(6)~~
+ (7) (A) A plan for the provision of safe and clean water supplies
29 to the customers of the public water ~~system~~ *systems* being included
30 in the authority from the date of submission until the date upon
31 which ~~all~~ infrastructure repair, construction, rehabilitation, or
32 reconstruction needed to provide safe and clean drinking water is
33 completed.
34 ~~(b) The state board shall provide comments on the conceptual~~
35 ~~formation plan to the administrator and applicable local agency~~
36 ~~formation commission within 60 days of its receipt.~~
+ (B) *The plan described in subparagraph (A) shall include*
+ *provisions for interim water supplies, the assessment of water*
+ *rights, an asset inventory and schedule for immediate maintenance,*
+ *an analysis of alternatives to address the water quality violations*
+ *that includes the costs of those alternatives, a capital improvement*
+ *plan as described in Section 78110, and an assessment of the*
+ *finances of the authority and the funding sources that may be*
+ *required for long-term and sustainable compliance with all*
+ *drinking water standards.*
+ (b) *The formation coordinator shall consult with, and consider*
+ *the input of, the executive officer of the local agency formation*
+ *commission and identifiable local community groups representing*
+ *consumers and ratepayers of the public water systems regarding*
+ *the proposed formation throughout the development of the draft*
+ *conceptual formation plan.*
+ (c) *The formation coordinator shall submit the draft conceptual*
+ *formation plan to the state board and any applicable local agency*
+ *formation commission for comments within 60 days of its receipt.*

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+ *The formation coordinator shall finalize the draft conceptual*
+ *formation plan for public comment no later than 30 days after*
+ *receiving the comments of the state board.*
Page 22 37 (e)
+ (d) The state board or an authority may determine the legality
38 of the existence of the authority or validate the financial provisions
39 of ~~an interim~~ a plan in an action brought pursuant to Chapter 9
Page 23 1 (commencing with Section 860) of Title 10 of Part 2 of the Code
2 of Civil Procedure.
3 78036. (a) ~~On or before March 1, 2021, the state board shall~~
4 ~~establish and publish a list of~~ *The state board may, from time to*
5 *time, select individuals who meet the qualifications in subdivision*
+ (e) *established in advance by the state board to serve as*
6 ~~administrators~~ *formation coordinators* pursuant to this division.
7 (b) A single ~~administrator~~ *formation coordinator* may provide
8 services to several authorities if, in the judgment of the state board,
9 the services can be provided in a manner that achieves the purposes
+ of this division.
10 (c) ~~An administrator, who may be an employee of a consulting~~
11 ~~firm, shall provide or contract for administrative and managerial~~
12 ~~service to establish the authority, retain staff and consultants, and~~
13 ~~commence the remediation of the violations of drinking water~~
14 ~~standards.~~
15 (d)
+ (c) The state board shall ~~bear the cost of the administrator and~~
16 ~~be responsible for all compensation of and reasonable expenses~~
17 ~~incurred by the administrator~~ *a formation coordinator* for the
18 duration of the period that the ~~administrator~~ *formation coordinator*
+ serves the authority. *The state board may contract with, or provide*
+ *a grant to, the formation coordinator.*
19 (e) ~~The minimum qualifications and selection process for an~~
20 ~~administrator appointed by the state board pursuant to this division~~
21 ~~shall be consistent with the minimum qualifications and selection~~
22 ~~process for administrators appointed in accordance with paragraph~~
23 ~~(1) of subdivision (m) of Section 116686 of the Health and Safety~~
24 ~~Code.~~
25 (f) ~~An administrator shall serve at the pleasure of the state board~~
26 ~~until whichever of the following dates occurs earlier:~~
27 (1) ~~The local agency formation commission issues a notice of~~
28 ~~completion of the plan for service pursuant to Section 78038.~~

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Page 23 29 ~~(2) Three years from the date that the local agency formation~~
30 ~~commission forms an authority.~~
31 ~~(3) No sooner than 30 days after the appointment of a general~~
32 ~~manager by the board of the authority, at which date the services~~
33 ~~of the administrator shall be terminated.~~
+ ~~(d) For purposes of the determination described in Section~~
+ ~~78031, the formation coordinator shall conduct an analysis as to~~
+ ~~whether the formation of an authority is feasible, and if so, shall~~
+ ~~assist the state board in the initial implementation of the formation~~
+ ~~of the authority.~~
34 78037. (a) (1) No later than 240 days after the state board
35 issues a notice pursuant to ~~paragraph (1) of subdivision (b) of~~
36 Section 78034, the Public Utilities Commission shall order the
37 dissolution of the public water system and the transfer of all assets
38 of the water corporation subject to this paragraph to the ~~authority~~
39 ~~formed by the local agency formation commission.~~ authority.
Page 24 1 (2) No later than 240 days after the state board issues a notice
2 pursuant to ~~paragraph (1) of subdivision (b) of~~ Section 78034, the
3 state board shall petition a court of competent jurisdiction for an
4 order dissolving any mutual water company, water corporation,
5 or private corporation that has been operating a public water system
6 identified in ~~subdivision (a) of Section 78034~~ and transferring the
7 assets of that company or corporation to the ~~authority formed by~~
8 ~~the local agency formation commission.~~ authority.
+ (3) No later than 240 days after the state board issues a notice
+ pursuant to Section 78034 to a public agency operating a public
+ water system, and notwithstanding the Cortese-Knox-Hertzberg
+ Local Government Reorganization Act of 2000 (Division 3
+ (commencing with Section 56000) of Title 5 of the Government
+ Code), the local agency formation commission for the principal
+ county where the public agency is located shall hold a public
+ hearing to allow for public comment on the dissolution of that
+ public water system. The dissolution of the noncompliant public
+ water system shall be effective upon completion of the hearing.
+ The local agency formation commission shall promptly provide
+ the comments made by the public during the hearing to the state
+ board for consideration.
+ (4) An order of dissolution issued pursuant to this subdivision
+ shall make appropriate equitable arrangements for the interim
+ operation of the public water system until the formation of the

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+ authority is completed and the authority is prepared to take over
+ operation of the public water system. The arrangements shall
+ provide for the continuous delivery of water to all of the public
+ water system's customers. The Public Utilities Commission shall
+ consult with the state board before issuing an order pursuant to
+ paragraph (1).

+ (b) If the state board, upon formation of the authority, excludes
+ from the authority a noncompliant public water system initially
+ considered for inclusion, the state board shall exercise its existing
+ authority to bring the noncompliant water system into compliance.

9 (b)

+ (c) An owner or shareholder of a water corporation or a mutual
10 water company consolidated into an authority pursuant to
11 subdivision (a) shall be compensated as follows:

12 (1) Within 180 days of the dissolution, the state board shall
13 cause to be prepared a distressed business valuation to determine
14 the net fair market value of the corporation or company, calculated
15 as follows, with repayment by an authority as described in
16 paragraph (4):

17 (A) The assets of the water corporation or mutual water company
18 shall be calculated by estimating the net book value of all assets,
19 including, but not limited to, cash and investments, receivables,
20 prepaid expenses, water in storage, real property, water rights,
21 structures and improvements, equipment, general facilities, and
22 other assets.

23 (B) Notwithstanding subparagraph (A), water rights shall be
24 appraised at their market value if both of the following
25 requirements are met:

26 (i) The water rights provide for the extraction of groundwater
27 in a groundwater basin that has been fully adjudicated and wherein
28 the production right of the water corporation or mutual water
29 company has been determined in that adjudication.

30 (ii) The market valuation is calculated so as to exclude any
31 capital or operating costs that may be required to bring the water
32 being produced under the water right into full compliance with all
33 state and federal law.

34 (C) The liabilities of the water corporation or mutual water
35 company shall be calculated by estimating the financial liabilities,
36 including, but not limited to, accounts payable, unfunded pension
37 or other benefit liabilities, notes payable, bonds payable, as well

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Page 24 38 as outstanding fines, fees, or other assessments for drinking water
39 or other public health violations, estimated costs for outstanding
40 litigation and other anticipated liabilities, and the estimated costs
Page 25 1 to bring all structures and works into good repair and in compliance
2 with contemporary water infrastructure and drinking water
3 standards.
4 (2) Upon issuance by the state board of the distressed business
5 valuation determining the net fair market value, the authority may
6 seek an order for immediate possession of all of the assets and
7 liabilities of the corporation or company using the procedures set
8 forth in Article 3 (commencing with Section 1255.410) of Chapter
9 6 of Title 7 of Part 3 of the Code of Civil Procedure. A court shall
10 grant immediate possession if the court determines that the
11 procedures in this section have been followed. Judicial review of
12 the determinations by the state board shall be based on substantial
13 evidence in the record before the state board.
14 (3) If an owner or shareholder disputes the distressed business
15 valuation of the state board, the owner or shareholder may file an
16 action pursuant to Section 1094.5 of the Code of Civil Procedure
17 seeking a writ of mandate overturning the valuation. An action
18 pursuant to this paragraph shall have preference in the civil
19 calendar.
20 (4) Payment of the net fair market value of the water corporation
21 or mutual water company, with interest accruing from the effective
22 date of dissolution, shall be paid by the authority within two years
23 of the authority's formation from the proceeds of bond sales or
24 other available funds derived from rates, fees, charges, taxes, or
25 other revenue sources.
26 (5) The authority shall assume all obligations and liabilities of
27 the public water system. After paying the net fair market value to
28 the owners or shareholders of a water corporation or mutual water
29 company, the authority may receive financing from the state to
30 pay all liabilities. The authority shall issue bonds to repay the state
31 with interest for those liabilities pursuant to Part 8 (commencing
32 with Section 78100).
33 (e)
+ (d) At the time a water corporation or a mutual water company
34 is dissolved and consolidated into an authority pursuant to
35 subdivision (a), if there is pending any action in state or federal
36 court or other judicial proceeding brought or maintained by the

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Page 25 37 water corporation or mutual water company for damages to
38 property associated with contamination or pollution of its water
39 supply against one or more responsible parties, both of the
40 following apply:

Page 26 1 (1) The water corporation's or mutual water company's rights,
2 interests, claims, and causes of action in the action or proceeding
3 shall be deemed transferred, as that term is used in Section 954 of
4 the Civil Code and Section 368.5 of the Code of Civil Procedure,
5 to the authority.

6 (2) The authority shall assume any and all contractual
7 obligations of the water corporation or mutual water company
8 owed to any attorney or law firm in connection with the attorney's
9 or firm's representation of the water corporation or mutual water
10 company in connection with the action or proceeding.

11 ~~78038. (a) Within 180 days after the state board provides~~
12 ~~comments on the draft conceptual formation plan pursuant to~~
13 ~~subdivision (b) of Section 78035, the administrator shall submit~~
14 ~~an application for the dissolution and formation and proposed plan~~
15 ~~for service to the local agency formation commission for review~~
16 ~~and potential approval pursuant to Part 3 (commencing with~~
17 ~~Section 56650) of Division 3 of Title 5 of the Government Code.~~
18 ~~An application to form an authority shall include at least five public~~
19 ~~water systems, unless the administrator determines that the~~
20 ~~authority would be financially and operationally viable with fewer~~
21 ~~than five public water systems, and may include the following:~~

22 (1) ~~A public water system from a county service area or other~~
23 ~~dependent special district.~~

24 (2) ~~A public water system that has been meeting drinking water~~
25 ~~standards and that wishes to join the proposed authority.~~

26 (3) ~~A public water system identified by the state board as~~
27 ~~chronically serving water that fails to meet drinking water standards~~
28 ~~in the county in which the proposed authority will be formed.~~

29 (4) ~~A public water system for which a petition was submitted~~
30 ~~to the state board pursuant to subparagraph (B) of paragraph (2)~~
31 ~~of subdivision (a) of Section 78033 and not denied by the state~~
32 ~~board.~~

33 (b) ~~A proposed plan for service shall include all of the following~~
34 ~~information, as well as any additional information required or~~
35 ~~requested by the local agency formation commission or its~~
36 ~~executive officer:~~

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Page 26 37 ~~(1) In the case of the formation of an authority that does not~~
 38 ~~involve the dissolution of an existing special district, the plan for~~
 39 ~~service shall include all of the following:~~

Page 27 1 ~~(A) An enumeration and description of the services currently~~
 2 ~~provided and to be extended to the affected territory, including the~~
 3 ~~level and range of those services and an indication of when those~~
 4 ~~services can feasibly be extended to the affected territory.~~
 5 ~~(B) An indication of any improvement or upgrading of water~~
 6 ~~facilities, or other conditions the authority would impose or require~~
 7 ~~within the affected territory.~~
 8 ~~(C) Information with respect to how the services to be provided~~
 9 ~~by the authority will be financed, in accordance with Articles XIII,~~
 10 ~~XIII A, XIII C, and XIII D and any other applicable provisions of~~
 11 ~~the California Constitution, that shall include all of the following:~~
 12 ~~(i) The necessary financial resources to improve or upgrade~~
 13 ~~water facilities or other infrastructure identified in the formation~~
 14 ~~application.~~
 15 ~~(ii) A discussion of the economies of scale that accrue when~~
 16 ~~several small organizations are consolidated into a single authority.~~
 17 ~~(iii) An estimated timeframe for constructing and delivering the~~
 18 ~~services identified in the formation application.~~
 19 ~~(iv) The operation and maintenance needs of the authority.~~
 20 ~~(v) Financial plans for the financing of capital improvements,~~
 21 ~~operation and maintenance of facilities, and operation of the~~
 22 ~~authority.~~
 23 ~~(vi) The governance, oversight, and long-term maintenance of~~
 24 ~~the services identified in the formation application after the initial~~
 25 ~~costs are recouped and any tax increment financing terminates.~~
 26 ~~(D) Information showing how the area currently being serviced~~
 27 ~~by a public water system that will be included within an authority~~
 28 ~~will be served with water during the period when the authority is~~
 29 ~~being formed until the completion of all capital improvement~~
 30 ~~projects needed to provide safe and clean drinking water.~~
 31 ~~(2) In the case of the formation of an authority that includes~~
 32 ~~dissolution of an existing special district, the plan for services shall~~
 33 ~~include all of the following:~~
 34 ~~(A) All of the elements required pursuant to subparagraphs (A)~~
 35 ~~to (C), inclusive, of paragraph (1).~~
 36 ~~(B) An enumeration and description of the services currently~~
 37 ~~provided by the special district proposed for dissolution and~~

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Page 27 38 ~~identification of the authority proposed to be formed by the~~
39 ~~successor to assume responsibility for the services following~~
40 ~~completion of the dissolution.~~

Page 28 1 ~~(C) An enumeration and description of each service proposed~~
2 ~~to be discontinued or transferred, the current financing of each~~
3 ~~service, and any method of financing proposed by the successor.~~
4 ~~(D) A delineation of any existing financing of services currently~~
5 ~~provided to include, but not be limited to, bonds, assessments,~~
6 ~~general taxes, special taxes, other charges, and joint powers~~
7 ~~authorities or agreements.~~
8 ~~(E) Information about any current bankruptcy proceeding,~~
9 ~~including, but not limited to, the status and exit plan.~~
10 ~~(F) Information about any current order relating to services~~
11 ~~provided by the special district proposed for dissolution by any~~
12 ~~agency, department, office, or other division of the state, including,~~
13 ~~but not limited to, a cease and desist order or water prohibition~~
14 ~~order.~~
15 ~~(G) Information showing how the area currently being serviced~~
16 ~~by a public water system that will be included within an authority~~
17 ~~will be served with water during the period when the authority is~~
18 ~~being formed until the completion of all capital improvement~~
19 ~~projects needed to provide safe and clean drinking water.~~
20 ~~(H) Any other information that the local agency formation~~
21 ~~commission or its executive officer may deem necessary to evaluate~~
22 ~~the plan for services submitted.~~
23 ~~(3) A statement by the administrator that the administrator has~~
24 ~~consulted with representatives of the entities whose customers will~~
25 ~~be served by the authority to consider the plan for service.~~
26 ~~(c) (1) If the administrator determines that the formation of an~~
27 ~~authority would be infeasible for financial, technical, or operational~~
28 ~~reasons, or would not provide the necessary economies of scale~~
29 ~~or operating benefits, the administrator may set forth those~~
30 ~~conclusions in a report to the state board in lieu of submitting a~~
31 ~~plan for service to the local agency formation commission.~~
32 ~~(2) The report to the state board shall be submitted at the same~~
33 ~~time that the administrator would have submitted the application~~
34 ~~for consolidation to the local agency formation commission.~~
35 ~~(3) If the state board receives notice from the administrator~~
36 ~~pursuant to paragraph (1), the state board shall, based on substantial~~
37 ~~evidence, determine whether the following conditions are present:~~

Page 28 38 ~~(A) The continued operation of the public water system in its~~
39 ~~current condition is a threat to public health and safety.~~

Page 29 1 ~~(B) The public water system lacks the financial, managerial, or~~
2 ~~technical resources required to remedy the violation of state or~~
3 ~~federal primary drinking water standards, which results in the~~
4 ~~entity's inability to remain operationally viable as a public water~~
5 ~~system.~~

6 ~~(4) If the state board makes both of the findings in paragraph~~
7 ~~(3), the state board shall do either of the following:~~

8 ~~(A) Exercise its authority to remedy the failure to meet~~
9 ~~applicable drinking water standards pursuant to Article 9~~
10 ~~(commencing with Section 116650) of Chapter 4 of Part 12 of~~
11 ~~Division 104 of the Health and Safety Code.~~

12 ~~(B) Use existing funding sources and existing legal authority~~
13 ~~to remedy the failure to meet applicable drinking water standards.~~

14 ~~(d) (1) If the local agency formation commission approves the~~
15 ~~plan and the formation of the authority, the authority shall take the~~
16 ~~appropriate actions to comply with the plan, subject to Articles~~
17 ~~XIII, XIII A, XIII C, and XIII D and any other applicable~~
18 ~~provisions of the California Constitution.~~

19 ~~(2) If the local agency formation commission approves the plan~~
20 ~~and the formation of the authority with modifications, the authority~~
21 ~~shall take the appropriate actions to comply with the modifications~~
22 ~~within 180 days of the plan's approval with modifications in~~
23 ~~accordance with Articles XIII, XIII A, XIII C, and XIII D and any~~
24 ~~other applicable provisions of the California Constitution.~~

25 ~~(3) An authority subject to paragraph (1) or (2) shall file a~~
26 ~~statement, under penalty of perjury, with the executive officer of~~
27 ~~the local agency formation commission certifying compliance with~~
28 ~~the plan. An authority shall take the appropriate actions to comply~~
29 ~~with Articles XIII, XIII A, XIII C, and XIII D and any other~~
30 ~~applicable provisions of the California Constitution and shall file~~
31 ~~a statement, under penalty of perjury, with the executive officer~~
32 ~~of the local agency formation commission certifying the~~
33 ~~compliance. Within 30 days of filing a statement, the executive~~
34 ~~officer of the local agency formation commission shall issue a~~
35 ~~notice of completion to the authority and send a copy of that notice~~
36 ~~to the state board. In the event that the authority fails to timely file~~
37 ~~a statement certifying compliance with the plan, the state board~~

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Page 29 38 ~~may issue an order to the authority requiring the filing or other~~
39 ~~remedial action as may be appropriate.~~

Page 30 1 ~~(e) An authority is deemed to be a successor agency to an entity~~
2 ~~identified in subdivision (a) of Section 78030. An action described~~
3 ~~in this chapter shall not affect an authority's eligibility or priority~~
4 ~~for a state loan or grant.~~

+ 78038. (a) No later than 120 days after the formation
+ coordinator finalizes the draft conceptual formation plan pursuant
+ to subdivision (c) of Section 78035, the local agency formation
+ commission shall hold two public hearings on that draft conceptual
+ formation plan. No later than 60 days after the second public
+ hearing, the local agency formation commission shall submit a
+ report to the state board summarizing public comments received
+ at those hearings and any recommendations that the local agency
+ formation commission may have for the state board concerning
+ the draft conceptual formation plan. Any extraordinary costs
+ incurred by the local agency formation commission over and above
+ its normal budgeted operating expenses for conducting the public
+ hearings and preparing the report to the state board shall be paid,
+ in arrears, by the state board from the funds identified in Section
+ 78115 based upon the documentation of the extraordinary costs
+ submitted by the local agency formation commission. The state
+ board shall consider the report prepared by the local agency
+ formation commission before taking final action to form the
+ authority pursuant to subdivision (b).

+ (b) No later than 60 days after the local agency formation
+ commission submits the report described in subdivision (a) to the
+ state board for its review, the state board shall form the authority,
+ incorporating any element or recommendation from the local
+ agency formation commission's report that the state board deems
+ appropriate. Notwithstanding any other law, the state board shall
+ form the authority by a resolution approved at a regular meeting
+ of the state board. Formation of an authority shall be deemed to
+ be a quasi-legislative action by the state board. The final plan
+ shall be posted on the state board's internet website. The authority
+ shall post the final plan on its internet website within one year of
+ its formation by the state board.

5 78039. Division 13 (commencing with Section 21000) of the
6 Public Resources Code does not apply to either of the following:

7 (a) The formation of an authority pursuant to this chapter.

Page 30 8 (b) The dissolution of a public water system pursuant to this
9 chapter.
10 78040. (a) Annually for the first three years after the date of
11 an authority's formation by the local agency formation commission,
12 *formation*, an authority shall file a report with the local agency
13 formation commission and state board as follows:
14 (1) The report shall contain both of the following:
15 (A) A description of operations over the past year.
16 (B) Details of any violations of drinking water standards and
17 the actions taken to remediate a violation.
18 (2) ~~The administrator~~ *formation coordinator* or, after the
19 discharge of the ~~administrator~~, *formation coordinator*, the general
+ manager of the authority shall submit the report.
20 (3) A certificate stating that the report consists of a true, full,
21 and complete description of the activities of the authority during
22 the past year shall accompany the report.
+ (4) *The report shall be posted on the state board's internet*
+ *website, the local agency formation commission's internet website,*
+ *and the authority's internet website.*
23 (b) ~~A~~ (1) *If a report required under subdivision (a) states that*
+ *an authority has failed to comply with the plan approved by the*
+ *state board, the local agency formation commission shall*
24 *at the state board's request, hold a public hearing within 90 120*
25 *days of receipt of a report pursuant to subdivision (a) to review*
26 *the authority's performance during the previous year. If year and*
+ *receive comments from consumers and ratepayers of the authority*
+ *and other interested parties. The local agency formation*
+ *commission shall compile and summarize those comments and,*
+ *within 60 days of the hearing, provide a report on the comments*
+ *received to the state board for the state board's consideration in*
+ *determining the appropriate remedy for the failure to comply with*
+ *the plan.*
+ (2) *If a report required under subdivision (a) states that an*
27 *authority has failed to comply with any conditions imposed by the*
28 *commission on either the original formation or the plan for service*
29 *adopted pursuant to Section 78038, the plan approved by the state*
+ *board, the state board may order the authority to remedy the*
30 *violations noncompliance with the plan within a reasonable period*
31 *of time. If an authority fails to timely comply with a remedial order*
32 *by the state board, the state board may impose a civil penalty on*

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Amendments 73 & 74

Amendment 75

Amendments 76 & 77

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Amendments 80 & 81

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Page 30 33 the authority in an amount not to exceed five hundred dollars
34 (\$500) per day for each violation and not to exceed ten thousand
35 dollars (\$10,000) per year for each particular violation.

+ (c) *The state board shall include an evaluation of whether*
+ *consolidations pursuant to this chapter have resulted in the*
+ *provision of safe and affordable water supplies as part of the Safe*
+ *Drinking Water Plan required pursuant to Section 116355 of the*
+ *Health and Safety Code.*

36 78041. (a) (1) ~~Following the formation of the authorities, the~~
37 ~~Controller shall perform an audit of the fiscal and operational~~
38 ~~health of each authority. The Controller shall prepare and submit~~
39 ~~the results of the audits to the Legislature, no later than January~~
40 ~~1, 2026, in the form of a report.~~

Page 31 1 (2) ~~An authority shall make sufficient records available, as~~
2 ~~necessary, for the Controller to complete the audit. These records~~
3 ~~shall include, but are not limited to, financial statements prepared~~
4 ~~in accordance with generally accepted accounting principles and~~
5 ~~related source documents.~~

6 (3) ~~Each authority shall reimburse the Controller for all costs~~
7 ~~associated with conducting the fiscal and operational audit of that~~
8 ~~authority.~~

9 (b) (1) ~~A report submitted pursuant to paragraph (1) of~~
10 ~~subdivision (a) shall be submitted in compliance with Section 9795~~
11 ~~of the Government Code.~~

12 (2) ~~Pursuant to Section 10231.5 of the Government Code, the~~
13 ~~requirement for submitting a report imposed under paragraph (1)~~
14 ~~of subdivision (a) is inoperative on January 1, 2030.~~

15 78042. (a) ~~No later than January 1, 2026, the state board shall~~
16 ~~prepare and submit to the Legislature a report specifying the~~
17 ~~number of public water systems that, at any time between July 1,~~
18 ~~2018, and January 1, 2025, were out of compliance with one or~~
19 ~~more state or federal primary drinking water standards on a running~~
20 ~~annual average. The report shall identify the public water systems~~
21 ~~that satisfy any of the following conditions:~~

22 (1) ~~Were brought into compliance with the applicable drinking~~
23 ~~water standards through the creation of an authority pursuant to~~
24 ~~this division.~~

25 (2) ~~Were brought into compliance with the applicable drinking~~
26 ~~water standards pursuant to Article 9 (commencing with Section~~

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Page 31 27 ~~116650) of Chapter 4 of Part 12 of Division 104 of the Health and~~
 28 ~~Safety Code.~~
 29 ~~(3) Remain out of compliance with the applicable drinking water~~
 30 ~~standards.~~
 31 ~~(b) For those public water systems that remain out of compliance~~
 32 ~~with those standards as of January 1, 2025, the report shall propose~~
 33 ~~one or more plans that will, using financial and other resources~~
 34 ~~then available to the state board to the greatest extent feasible,~~
 35 ~~bring those public water systems into compliance with the~~
 36 ~~applicable drinking water standards by January 1, 2029.~~
 37 ~~(c) (1) A report to be submitted pursuant to subdivision (a)~~
 38 ~~shall be submitted in compliance with Section 9795 of the~~
 39 ~~Government Code.~~
 Page 32 1 ~~(2) Pursuant to Section 10231.5 of the Government Code, the~~
 2 ~~requirement for submitting a report imposed under subdivision (a)~~
 3 ~~is inoperative on January 1, 2030.~~

PART 5. INTERNAL ORGANIZATION

CHAPTER 1. DIRECTORS

9 78045. (a) The initial board of an authority shall consist of an
 10 odd number of directors composed as follows:
 11 (1) One representative from each entity consolidated into the
 12 authority appointed by the entity before its dissolution.
 13 ~~(2) One representative from the board of supervisors.~~
 14 ~~(3)~~
 + (2) Additional directors, as needed, appointed by the board of
 15 supervisors to comprise at least a five-member board of directors,
 16 ~~if one of the entities does not appoint a director. or if there are~~
 + *more than five entities, to ensure that the initial board of the*
 + *authority is composed of an odd number of directors.*
 17 (b) The public water system representatives in consultation with
 18 ~~the administrator~~ *formation coordinator* shall determine the final
 19 number of directors that will compose the initial board if it will
 20 consist of more than five members because of the number of former
 21 public water systems included in the authority. If the number of
 22 directors cannot be agreed upon by the representatives of the public
 23 water systems that will become part of the authority in a timely
 24 manner, ~~the local agency formation commission~~ *state board* shall

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Amendment 87

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Page 32 25 determine the number of directors that will compose the initial
+ board.

26 (c) If the initial board consists of five members, the directors
27 shall classify themselves by lot so that two of them shall hold office
28 until the qualification of their successors after the first general
29 district election and three of them shall hold office until the election
30 and qualification of their successors and the second general district
31 election. If the initial board of directors consists of more than five
32 members, the local agency formation commission shall provide
33 for the classification of directors so as to provide that not more
34 than *the minimum number that would constitute* a majority of the
+ directors stand for election every two years.

35 (d) If the initial board consists of more than five members, the
36 ~~administrator~~ *formation coordinator* shall include, as part of the
37 plan for service, after consultation with the representatives of
38 public water systems, and the ~~local agency formation commission~~
39 *state board* shall include, as part of the order forming the authority,
40 a transitional plan that will bring the number of directors to five

Page 33 1 within a reasonable period of time. To the extent practicable, the
2 transitional plan shall ensure that each director represents a division
3 with equal population being served by the authority and that the
4 final divisions are drawn so as to ensure that each director
5 represents a division with equal population being served by the
+ authority.

6 78046. (a) A director shall be a resident of the area served by
7 the authority. To the extent practicable, a director shall represent
8 a division with equal population being served by the authority. If
9 a director moves residence, as defined in Section 244 of the
10 Government Code, outside of the area served by the authority, the
11 director shall have 180 days after the move to reestablish a place
12 of residence within the area served by the authority. If a director
13 cannot establish a place of residence, it shall be presumed that a
14 permanent change of residence has occurred and that a vacancy
15 exists on the board of directors pursuant to Section 1770 of the
16 Government Code.

17 (b) Each elected director shall hold office for a term of four
18 years. A director elected to office shall take office at noon on the
19 first Friday in December succeeding the director's election.

| Amendment 89

| Amendment 90

| Amendment 91

Page 33 20 (c) Whenever a vacancy occurs in the office of director it shall
 21 be filled pursuant to Section 1780 of the Government Code by a
 22 qualified person.
 23 78047. Notwithstanding Section 20201, a director may receive
 24 compensation in an amount not to exceed two hundred fifty dollars
 25 (\$250) per day for each day's attendance at meetings of the board
 26 or for each day's service rendered as a director by request of the
 27 board, not exceeding a total of 10 days in any calendar month,
 28 together with any expenses incurred in the performance of the
 29 director's duties required or authorized by the board. For purposes
 30 of this section, the determination of whether a director's activities
 31 on any specific day are compensable shall be made pursuant to,
 32 and reimbursement for these expenses is subject to, Article 2.3
 33 (commencing with Section 53232) of Chapter 2 of Part 1 of
 34 Division 2 of Title 5 of the Government Code. The board may
 35 adjust the compensation for directors pursuant to Chapter 2
 36 (commencing with Section 20200) of Division 10.

37
 38 CHAPTER 2. THE BOARD

+
 Page 34 40 78050. (a) The board is the governing body of the authority.
 1 (b) The board shall hold its first meeting as soon as possible
 2 after the selection of the first board of directors and not later than
 3 the sixth Monday after the date of the formation.
 4 (c) At its first meeting, the board shall provide for the time and
 5 place of holding its meetings and the manner in which its special
 6 meetings may be called.
 7 (d) At its first meeting, and its first meeting in the month of
 8 January of each odd-numbered year, the board shall elect one of
 9 its members as president. The board may, at any meeting, elect
 10 one of its members as vice president. If the president is absent or
 11 unable to act, the vice president shall exercise the powers of the
 12 president granted in this division.
 13 (e) A majority of the board shall constitute a quorum for the
 14 transaction of business. However, no ordinance, motion, or
 15 resolution may become effective without the affirmative vote of
 16 a majority of the members of the board.
 17 (f) The board shall act only by ordinance, resolution, or motion.
 18 Votes of the members of the board shall not be cast or exercised
 19 by proxy.

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- Page 34 20 (g) On all ordinances the roll shall be called and the ayes and
21 noes shall be recorded in the journal of the proceedings of the
22 board.
- 23 (h) The board may adopt resolutions or motions by voice vote,
24 but on demand of any member of the board, the roll shall be called.
- 25 (i) The board may destroy a record pursuant to Chapter 7
26 (commencing with Section 60200) of Division 1 of Title 6 of the
27 Government Code.
- 28 78051. (a) The board shall exercise and perform all powers,
29 privileges, and duties of an authority.
- 30 (b) Any executive, administrative, and ministerial powers may
31 be delegated and redelegated by the board to any of the offices
32 created by this division or by the board.
- 33 (c) The board may fix the time and place or places at which its
34 regular meetings will be held and shall provide for the calling and
35 holding of special meetings.
- 36 (d) The board may fix the location of the principal place of
37 business of the authority and the location of all offices and
38 departments maintained under this division.
- 39 (e) The board may, by ordinance, prescribe a system of business
40 administration.
- Page 35 1 (f) The board may create any necessary offices and establish
2 and reestablish the powers, duties, and compensation of all officers
3 and employees.
- 4 (g) The board may require and fix the amount of all official
5 bonds necessary for the protection of the funds and property of
6 the authority.
- 7 (h) The board may, by ordinance, prescribe a system of civil
8 service.
- 9 (i) The board may, by ordinance, delegate and redelegate to the
10 officers of the authority the power to employ clerical, legal, and
11 engineering assistants and labor.
- 12 (j) The board may prescribe a method of auditing and allowing
13 or rejecting claims and demands.
- 14 (k) The board shall designate a depository or depositories to
15 have the custody of the funds of the authority, all of which
16 depositories shall give security sufficient to secure the authority
17 against possible loss, and who shall pay the warrants drawn by the
18 authority's treasurer for demands against the authority under any
19 rules the directors may prescribe.

Page 35 20 (l) An authority may issue bonds, borrow money, and incur
21 indebtedness as authorized by law.

22 (m) An authority may refund bonds, loans, or indebtedness by
23 the issuance of the same obligations following the same procedure
24 or retire any indebtedness or lien that may exist against the
25 authority or its property.

26 (n) An authority may insure its directors, officers, assistants,
27 employees, agents, and deputies for injury, death, or disability
28 incurred while engaged in the business of the authority and the
29 cost of the insurance is a proper charge against the authority. The
30 insurance is in addition to any compensation secured under the
31 provisions of Division 4 (commencing with Section 3200) of the
32 Labor Code and insuring to the benefit of the director, officer,
33 deputy, assistant, employee, or agent, or their beneficiary or heir.

34 78052. Within 180 days of its initial meeting after formation,
35 the board shall file a certificate with the Secretary of State that
36 includes all of the following:

37 (a) The name of the authority.

38 (b) The date of formation.

Page 36 39 (c) Any county in which the authority is located and a legal
40 description of the boundaries of the authority, a reference to a map
1 showing the boundaries of the authority, or a reference to a map
2 on file with a county recorder's office showing the boundaries of
3 the authority.

4 (d) An identification of all of the public agencies, water
5 corporations, or mutual water companies that were consolidated
6 into the authority.

7

8 CHAPTER 3. OFFICERS AND EMPLOYEES

+

10 78055. (a) At its first meeting, or as soon as practicable, the
11 board shall appoint, by a majority vote, a secretary, treasurer,
12 attorney, general manager, and auditor. The board, at any meeting,
13 may appoint a deputy secretary and a deputy treasurer. The board
14 shall define the duties of these officers and fix their compensation.
15 Each officer shall serve at the pleasure of the board. A deputy
16 director, deputy secretary, attorney, general manager, and auditor
17 shall not be directors, but the secretary and treasurer may be
18 directors.

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Page 36 19 (b) The officers appointed pursuant to subdivision (a) shall,
20 until such time as the local agency formation commission issues
21 a notice of completion, pursuant to Section 78038, *state board*
+ *completes the formation of the authority pursuant to subdivision*
22 *(b) of Section 78038*, take direction from the ~~administrator~~
+ *appointed formation coordinator selected by the state board.*
23 (c) The board may employ additional assistants, contractors,
24 and employees as the board deems necessary to efficiently maintain
25 and operate the authority.
26 (d) The board may consolidate the offices of secretary and
27 treasurer.
28 78056. (a) The president and secretary, in addition to the duties
29 imposed on them by law, shall perform any duties that may be
30 imposed on them by the board.
31 (b) The treasurer, or other person as may be authorized by the
32 board, shall draw checks or warrants to pay demands when the
33 demands have been audited and approved in the manner prescribed
34 by the board.
35 (c) Subject to the approval of the board, the general manager
36 shall have full charge and control of the maintenance, operation,
37 and construction of the waterworks or waterworks system of the
38 authority, with full power and authority to employ and discharge
39 all employees and assistants, other than those described in
Page 37 1 subdivision (a) of Section 78055, at pleasure, prescribe their duties,
2 and fix their compensation.
3 (d) The general manager shall perform duties as may be imposed
4 on the general manager by the board. The general manager shall
5 report to the board in accordance with the rules and regulations
6 adopted by the board.
7 (e) The attorney shall be the legal adviser of the authority and
8 shall perform any other duties that may be prescribed by the board.
9 (f) The general manager, secretary, and treasurer, and other
10 employees or assistants of the authority designated by the board,
11 shall give any bonds to the authority conditioned for the faithful
12 performance of their duties that the board from time to time may
13 provide. The premiums on the bonds shall be paid by the authority.

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PART 6. ELECTIONS

15

17 78060. Elections shall be conducted pursuant to the provisions
18 of the Uniform District Election Law (Part 4 (commencing with
19 Section 10500) of Division 10 of the Elections Code).

20

21

PART 7. POWERS AND PURPOSES

+

23

CHAPTER 1. POWERS GENERALLY

+

25 78065. An authority may exercise the powers that are expressly
26 granted by this division or are necessarily implied.

27 78066. An authority may have perpetual succession. An
28 authority may adopt a seal and alter it at pleasure.

29 78067. An authority may make contracts, employ labor, and
30 do all acts necessary for the full exercise of its powers.

31 78068. (a) An authority may provide by ordinance for the
32 pensioning of officers or employees, for the terms and conditions
33 under which the pensions shall be awarded, and for the time and
34 extent of service of officers or employees before the pensions shall
35 be available to them.

36 (b) An authority may contract with any insurance corporation,
37 the Public Employees' Retirement System, or any other insurance
38 carrier for the maintenance of a service covering the pension of
39 the authority officers or employees and for their health and accident
40 insurance coverage.

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1 78069. An authority may disseminate information concerning
2 the rights, properties, and activities of the authority. The power
3 shall not be construed as an exception to the California Public
4 Records Act (Chapter 3.5 (commencing with Section 6250) of
5 Division 7 of Title 1 of the Government Code).

6 78070. An authority may, by resolution, obtain membership
7 in an association having for its purpose the furtherance of a subject
8 relating to the powers and duties of the authority and for the
9 interchange of information relating to those powers and duties. An
10 authority may appropriate the funds necessary for these purposes.

11 78071. An authority may, by resolution of the board of directors
12 spread on its minutes, change the name of the authority. Certified
13 copies of the resolution changing the name of the authority shall
14 be recorded in the office of the county recorder of every affected

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Page 38 15 county and sent to the county clerk of every affected county and
16 to the state board.

17 78072. Every person convicted of an infraction for a violation
18 of any local ordinance or regulation adopted pursuant to this
19 division shall be punished upon a first conviction by a fine not
20 exceeding fifty dollars (\$50) and for a second conviction within a
21 period of one year by a fine of not exceeding one hundred dollars
22 (\$100) and for a third or any subsequent conviction within a period
23 of one year by a fine of not exceeding two hundred fifty dollars
24 (\$250).

25 78073. (a) In order to enforce the provisions of any ordinance
26 of the authority, including an ordinance fixing charges for the
27 furnishing of commodities or services, the authority may correct
28 any violation of an ordinance of the authority. The authority may
29 also petition the superior court for the issuance of a preliminary
30 or permanent injunction, or both, as may be appropriate, restraining
31 any person from the continued violation of any ordinance of the
32 authority or for the issuance of an order stopping or disconnecting
33 a service if the charges for that service are unpaid at the time
34 specified in the ordinance.

35 (b) The authority may enter upon the private property of any
36 person within the jurisdiction of the authority in order to investigate
37 possible violations of an ordinance of the authority. The
38 investigation shall be made with the consent of the owner or tenant
39 of the property or, if consent is refused, with a warrant duly issued
40 pursuant to the procedures set forth in Title 13 (commencing with

Page 39 1 Section 1822.50) of Part 3 of the Code of Civil Procedure, except
2 that, notwithstanding Section 1822.52 of the Code of Civil
3 Procedure, the warrant shall be issued only upon probable cause.

4 (c) The authority shall notify the county or city building
5 inspector, county health inspector, or other affected county or city
6 employee or office, in writing, within a reasonable time if an actual
7 violation of an authority, city, or county ordinance is discovered
8 during the investigation.

9

10 CHAPTER 2. WATER

+

12 78075. (a) An authority may acquire, control, distribute, store,
13 spread, sink, treat, purify, recycle, recapture, and salvage any water,

Page 39 14 including sewage and stormwater, for the beneficial use of the
15 authority.
16 (b) An authority may undertake a water conservation program
17 to reduce water use and may require, as a condition of new service,
18 that reasonable water-saving devices and water reclamation devices
19 be installed to reduce water use.
20 (c) An authority may sell water under its control, without
21 preference, to cities, other public corporations, agencies, and
22 persons, within the authority for use within the authority.
23 (d) An authority may fix the rates at which water shall be sold.
24 Different rates may be established for different classes or conditions
25 of service, but rates shall be uniform throughout the authority for
26 like classes and conditions of service. Rates fixed by an authority
27 shall result in revenues that will do all of the following:
28 (1) Pay the operating expenses of the authority.
29 (2) Provide for repairs and depreciation of works.
30 (3) Provide a reasonable surplus for improvements, extensions,
31 and enlargements.
32 (4) Pay the interest on any bonded debt.
33 (5) Provide a sinking or other fund for the payment of the
34 principal of the bonded debt as it becomes due.
35 (e) An authority furnishing water for residential use to a tenant
36 shall not seek to recover any charge or penalty for the furnishing
37 of water to or for the tenant's residential use from any subsequent
38 tenant on account of nonpayment of charges by a previous tenant.
39 The authority may require that service to subsequent tenants be
40 furnished on the account of the landlord or property owner.

Page 40 1 78076. (a) Pursuant to the notice, protest, and hearing
2 requirements imposed by Section 53753 of the Government Code,
3 an authority, by ordinance on or before the third Monday in August
4 in each fiscal year, may fix a water standby assessment or
5 availability charge in the authority or in any portion of the authority
6 to which the authority makes water available, whether the water
7 is actually used or not.
8 (b) The standby assessment or availability charge shall not
9 exceed one hundred dollars (\$100) per acre per year for each acre
10 of land on which the charge is levied or one hundred dollars (\$100)
11 per year for a parcel less than one acre.
12 (c) The ordinance fixing a standby assessment or availability
13 charge shall be adopted by the board pursuant to the notice, protest,

Page 40 14 and hearing procedures in Section 53753 of the Government Code
 15 and only after adoption of a resolution setting forth the particular
 16 schedule or schedules of charges or assessments proposed to be
 17 established by ordinance and after a hearing on the resolution.
 18 (d) If the procedures set forth in this section were followed, the
 19 board may, by ordinance, continue the standby assessment or
 20 availability charge pursuant to this chapter in successive years at
 21 the same rate. If new, increased, or extended assessments are
 22 proposed, the board shall comply with the notice, protest, and
 23 hearing procedures in Section 53753 of the Government Code.
 24 (e) An ordinance fixing a standby assessment or availability
 25 charge may establish a schedule varying the charges according to
 26 land uses, water uses, and degree of water availability.
 27 (f) On or before the third Monday in August, the board shall
 28 furnish in writing to the board of supervisors and the county auditor
 29 of each affected county a description of each parcel of land within
 30 the authority upon which a standby charge is to be levied and
 31 collected for the current fiscal year, together with the amount of
 32 standby charge fixed by the authority on each parcel of land.
 33 (g) The board shall direct that, at the time and in the manner
 34 required by law for the levying of taxes for county purposes, the
 35 board of supervisors shall levy, in addition to any other tax it levies,
 36 the standby charge in the amounts for the respective parcels fixed
 37 by the board.
 38 (h) All county officers charged with the duty of collecting taxes
 39 shall collect authority standby charges with the regular tax
 40 payments to the county. The charges shall be collected in the same
 Page 41 1 form and manner as county taxes are collected, and shall be paid
 2 to the authority.
 3 (i) Charges fixed by the authority shall be a lien on all the
 4 property benefited by the charges. Liens for the charges shall be
 5 of the same force and effect as other liens for taxes, and their
 6 collection may be enforced by the same means as provided for the
 7 enforcement of liens for state and county taxes.
 8 78077. (a) An authority may restrict the use of authority water
 9 during any emergency caused by drought, or other threatened or
 10 existing water shortage, and may prohibit the wastage of authority
 11 water or the use of authority water during periods for any purpose
 12 other than household uses or other restricted uses as the authority
 13 determines to be necessary. An authority may also prohibit use of

Page 41 14 authority water during these periods for specific uses that it finds
 15 to be nonessential.
 16 (b) An authority may prescribe and define by ordinance the
 17 restrictions, prohibitions, and exclusions referred to in subdivision
 18 (a). The ordinance is effective upon adoption; but, within 10 days
 19 after its adoption, the ordinance shall be published pursuant to
 20 Section 6061 of the Government Code in full in a newspaper of
 21 general circulation that is printed, published, and circulated in the
 22 authority. If there is no newspaper of general circulation printed,
 23 published, and circulated in the authority, the ordinance shall be
 24 posted within 10 days after its adoption in three public places
 25 within the authority.
 26 (c) A finding by the board upon the existence, threat, or duration
 27 of an emergency or shortage, or upon the matter of necessity or of
 28 any other matter or condition referred to in subdivision (a), shall
 29 be made by resolution or ordinance. The finding is prima facie
 30 evidence of the fact or matter so found, and the fact or matter shall
 31 be presumed to continue unchanged unless and until a contrary
 32 finding is made by the board by resolution or ordinance.
 33 (d) The finding made by the board pursuant to subdivision (c)
 34 shall be received in evidence in any civil or criminal proceeding
 35 in which it may be offered, and shall be proof and evidence of the
 36 fact or matter found until rebutted or overcome by other sufficient
 37 evidence received in the proceeding. A copy of any resolution or
 38 ordinance setting forth the finding shall, when certified by the
 39 secretary of the authority, be evidence that the finding was made
 Page 42 1 by the authority as shown by the resolution or ordinance and
 2 certification.
 3 (e) From and after the publication or posting of any ordinance
 4 pursuant to subdivision (b), and until the ordinance has been
 5 repealed or the emergency or threatened emergency has ceased, it
 6 is a misdemeanor for any person to use or apply water received
 7 from the authority contrary to or in violation of any restriction or
 8 prohibition specified in the ordinance. Upon conviction, such a
 9 person shall be punished by imprisonment in the county jail for
 10 not more than 30 days, or by fine not exceeding six hundred dollars
 11 (\$600), or by both.

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CHAPTER 3. PROPERTY

13

15 78080. An authority may, within or without the authority, take
16 real and personal property of every kind by grant, purchase, gift,
17 device, or lease, and hold, use, enjoy, lease, or dispose of real and
18 personal property of every kind.

19 78081. An authority may do all of the following:

20 (a) Acquire, or contract to acquire, waterworks or a waterworks
21 system, waters, water rights, lands, rights, and privileges.

22 (b) Construct, maintain, and operate conduits, pipelines,
23 reservoirs, works, machinery, and other property useful or
24 necessary to store, convey, supply, or otherwise make use of water
25 for a waterworks plant or system for the benefit of the authority.

26 (c) Complete, extend, add to, repair, or otherwise improve any
27 waterworks or waterworks system acquired by the authority.

28 (d) Carry on and conduct waterworks or a waterworks system.

29 78082. An authority may lease from any person, or public
30 corporation or agency, with the privilege of purchasing or
31 otherwise, all or any part of water storage, transportation, or
32 distribution facilities, existing waterworks, or a waterworks system.

33 78083. An authority may exercise the right of eminent domain
34 to take any property necessary to supply the authority or any
35 portion of the authority with water. The authority, in exercising
36 the power, shall, in addition to the damage for the taking, injury,
37 or destruction of property, also pay the cost of removal,
38 reconstruction, or relocation of any structure, railways, mains,
39 pipes, conduits, wires, cables, or poles of any public utility that is
40 required to be removed to a new location.

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1 78084. An authority may construct works along and across
2 any stream of water, watercourse, street, avenue, highway, canal,
3 ditch, or flume, or across any railway that the route of the works
4 may intersect or cross. The works shall be constructed in such a
5 manner as to afford security for life and property, and the authority
6 shall restore the crossings and intersections to their former state
7 as near as may be, or in a manner so as not to have impaired
8 unnecessarily their usefulness.

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CHAPTER 4. CONTRACTS

10

12 78085. Contracts mentioned in this chapter include those made
13 with the United States under the Federal Reclamation Act of June
14 17, 1902, and all acts amendatory thereof or supplementary thereto,
15 or any other act of Congress heretofore or hereafter enacted
16 permitting cooperation.

17 78086. An authority may join with one or more public agencies,
18 private corporations, or other persons for the purpose of carrying
19 out any of the powers of the authority, and for that purpose may
20 contract with any other public agencies, private corporations, or
21 persons to finance acquisitions, construction, and operations.

22 78087. The contracts with other public agencies, private
23 corporations, or persons may provide for contributions to be made
24 by each party to the contract, for the division and apportionment
25 of the expenses of the acquisitions and operations, and for the
26 division and apportionment of the benefits, services, and products
27 from the contract. The contracts may also provide for an agency
28 to effect the acquisitions and to carry on the operations, and shall
29 provide in the powers and methods of procedure for the agency
30 the method by which the agency may contract. The contracts may
31 contain other and further covenants and agreements as may be
32 necessary or convenient to accomplish the purposes of the contract.
33

34

CHAPTER 5. CONTROVERSIES

+

36 78090. An authority may sue and be sued, except as otherwise
37 provided in this division or by law, in all actions and proceedings
38 in all courts and tribunals of competent jurisdiction.

39 78091. An authority may commence, maintain, intervene in,
40 and compromise, in the name of the authority, any action or
proceeding involving or affecting the ownership or use of water
or water rights within the authority, used or useful for any purpose
of the authority, or a common benefit to lands within the authority
or inhabitants of the authority.

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5 78092. An action to determine the validity of any contract
6 authorized by Chapter 4 (commencing with Section 78085) and
7 any bonds, notes, or other evidences of indebtedness may be
8 brought pursuant to Chapter 9 (commencing with Section 860) of
9 Title 10 of Part 2 of the Code of Civil Procedure.

Page 44 10 78093. All claims for money or damages against the authority
11 are governed by Part 3 (commencing with Section 900) and Part
12 4 (commencing with Section 940) of Division 3.6 of Title 1 of the
13 Government Code except as provided therein, or by other statutes
14 or regulations expressly applicable to the authority.

15 78094. To carry out the purposes of this division, an authority
16 shall have the power to commence, maintain, intervene in, defend,
17 and compromise, in the name of the authority, or as a class
18 representative of the inhabitants, property owners, taxpayers, water
19 producers, or water users within the authority, or otherwise, and
20 to assume the costs and expenses of any and all actions and
21 proceedings now or hereafter begun to determine or adjudicate all
22 or substantially all of the water rights of a basin or other hydrologic
23 unit overlain, in whole or in part, by the authority, as between
24 owners of or claimants to those rights, to prevent any interference
25 with water or water rights used or useful to the lands, inhabitants,
26 owners, operators, or producers within the authority, or to prevent
27 the diminution of the quantity or quality of the water supply of the
28 authority or the basin, or to prevent unlawful exportation of water
29 from the authority or basin.

30 78095. An authority may employ counsel to defend any action
31 brought against it or against any of its officers, agents, or
32 employees on account of any claimed action or inaction involving
33 any claimed injury, taking, damage, or destruction, and the fees
34 and expenses involved in the defense shall be a lawful charge
35 against the authority.

36 78096. If any officer, agent, or employee of the authority is
37 held liable for any act or omission in their official capacity, except
38 in case of actual fraud or actual malice, and any judgment is
39 rendered, the authority shall pay the judgment without obligation
40 for repayment by the officer, agent, or employee.

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PART 8. FINANCIAL PROVISIONS

CHAPTER 1. POWERS

5 78100. Article 4 (commencing with Section 53500) and Article
6 4.5 (commencing with Section 53506) of Chapter 3 of Part 1 of
7 Division 2 of Title 5 of the Government Code apply to an authority
8 for the purpose of providing funds for the acquisition, construction,

Page 45 9 improving, or financing of any public improvement authorized by
10 this division. For the purposes of Article 4 (commencing with
11 Section 53500) and Article 4.5 (commencing with Section 53506)
12 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government
13 Code, “property” shall refer to both land and improvements with
14 the effect that ad valorem taxes or assessments levied by an
15 authority to repay a general obligation bond may be levied upon
16 both land and improvements if approved by the electorate.

17 78101. Any money belonging to an authority may be deposited
18 or invested and drawn out as provided in Article 2 (commencing
19 with Section 53630) of Chapter 4 of Part 1 of Division 2 of Title
20 5 of the Government Code, as that article may be amended.
21 References in that article to “auditor” shall mean, for the purposes
22 of an authority, the secretary of an authority.

23 78102. (a) An improvement district may be formed in an
24 authority in the same manner as an improvement district is formed
25 in an irrigation district pursuant to Part 7 (commencing with
26 Section 23600) of Division 11. When formed, an improvement
27 district shall be governed and have the same powers as an
28 improvement district in an irrigation district pursuant to Part 7
29 (commencing with Section 23600) of Division 11.

30 (b) A board shall have the same rights, powers, duties, and
31 responsibilities with respect to the formation and government of
32 an improvement district as the board of directors of an irrigation
33 district has with respect to an improvement district in an irrigation
34 district pursuant to Division 11 (commencing with Section 20500).

35 (c) An assessment in an improvement district in an authority
36 shall be levied, collected, and enforced at the same time and in as
37 nearly the same manner as practicable as annual taxes for purposes
38 of the authority in which formed, except that the assessment shall
39 be made in the same manner as provided with respect to an

Page 46 1 improvement district in an irrigation district pursuant to Part 7
2 (commencing with Section 23600) of Division 11.

3 (d) All powers and duties of an authority may be exercised on
4 behalf of or within any improvement district formed pursuant to
5 this section.

6 (e) An authority may issue revenue bonds in accordance with
7 the Revenue Bond Law of 1941 (Chapter 6 (commencing with
8 Section 54300) of Part 1 of Division 2 of Title 5 of the Government
9 Code) on behalf of any portion of the authority created as an

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Page 46 10 improvement district pursuant to this section, except that the
11 issuance of revenue bonds by an authority shall not be subject to
12 the election procedures of Article 3 (commencing with Section
13 54380) of Chapter 6 of Part 1 of Division 2 of Title 5 of the
14 Government Code. The board shall authorize undertaking the
15 improvement and the issuance of revenue bonds for that purpose
16 by ordinance or resolution of the board, which shall be subject to
17 referendum. If an authority issues revenue bonds on behalf of an
18 improvement district, the issuance of the revenue bonds is limited
19 to the area of the improvement district. The proceeds of any
20 revenue bonds issued on behalf of an improvement district shall
21 not be used to finance public improvements to provide service
22 outside the service area of the improvement district. Only revenue
23 derived from rates or charges for providing the service within the
24 service area of the improvement district shall be pledged or used
25 to pay for any revenue bonds issued on behalf of an improvement
26 district.

27 (f) For the purposes of subdivision (e), “service area of the
28 improvement district” means the territory of an improvement
29 district as it existed at the time of revenue bond issuance plus lands
30 outside of the improvement district, if any, being served at the
31 time of the bond issuance by the improvement district facilities,
32 and additional territory, if any, annexed to the improvement district
33 as the improvement district existed at the time of the issuance
34 election, not exceeding, in the aggregate, 40 percent by area of the
35 improvement district as the improvement district existed at the
36 time of the bond issuance.

37 78103. The authority may exercise the powers granted pursuant
38 to Division 10 (commencing with Section 8500) of the Streets and
39 Highways Code.

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+ CHAPTER 2. FINANCIAL PLAN AND IMPLEMENTATION

+

3 78110. No later than one year after the date upon which an
4 authority is formed, the ~~administrator~~ *formation coordinator* shall
5 prepare and submit a capital improvement plan to the state board.
6 The plan shall bring the authority into full compliance with
7 drinking water standards ~~within three years, which time may be~~
8 ~~extended by the state board for good cause, as soon as reasonable,~~
+ *as determined by the state board.*

Amendment 94

Amendment 95

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Page 47 9 78111. No later than 18 months after the date upon which an
10 authority is formed, the authority shall levy an assessment, fee,
11 charge, or special tax, in accordance with Articles XIII, XIII A,
12 XIII C, and XIII D of the California Constitution, and any other
13 applicable law, to fund the ongoing operations and maintenance
14 of the public water system.

CHAPTER 3. FISCAL PROVISIONS

15
16
17
18 78115. (a) (1) Upon appropriation by the Legislature from
19 the General Fund, ~~or, or to the extent funds are available from~~
20 ~~bond revenues revenues, the Safe and Affordable Drinking Water~~
+ ~~Fund based on the fund expenditure plan established pursuant to~~
+ ~~Section 116769 of the Health and Safety Code, or other sources,~~
21 including federal, state, academic, or other public or private
22 entities, the state board shall provide funding for ~~an administrator~~
+ ~~a formation coordinator pursuant to subdivision (d) of Section~~
23 ~~78036, and for formation and startup costs of an authority for up~~
24 ~~to three fiscal years after formation of the authority, as follows:~~
+ ~~pursuant to paragraph (7) of subdivision (a) of Section 78035,~~
+ ~~and, after the formation of the authority, for financial assistance~~
+ ~~for initial startup operations and to establish an operating reserve~~
+ ~~to ensure fiscal sustainability of the new authority.~~

25 ~~(1) The state board shall provide to the local agency formation~~
26 ~~commission in the counties in which one or more authorities are~~
27 ~~to be formed up to a total of ten million six hundred fifty thousand~~
28 ~~dollars (\$10,650,000) for staffing and consulting resources and~~
29 ~~other reasonable expenses to implement Sections 78035, 78038,~~
30 ~~and 78040. This amount shall be for all formations of authorities~~
31 ~~pursuant to this division.~~

32 ~~(2) The state board shall provide, for the administrator and~~
33 ~~consulting resources under Section 78036 and associated public~~
34 ~~outreach pursuant to Section 56658 of the Government Code,~~
35 ~~funding of up to a total of fourteen million two hundred fifty~~
36 ~~thousand dollars (\$14,250,000). This amount shall be for all~~
37 ~~formations of authorities pursuant to this division.~~

39 ~~(3) The state board shall provide funding assistance to each~~
40 ~~authority for three consecutive fiscal years after formation based~~
Page 48 1 ~~upon the plan for service approved by the local agency formation~~
2 ~~commission pursuant to Section 78038 in an amount not to exceed~~

Amendment 96

Amendment 97

Amendment 98

Amendments 99 & 100

Amendments 101 & 102

Amendment 103

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Page 48 3 20 percent of an authority's annual projected rate revenue in the
4 first fiscal year, 10 percent of an authority's projected rate revenue
5 in the second fiscal year, and 5 percent of an authority's projected
6 rate revenue in the third fiscal year. The total funding requirement
7 for this paragraph shall not exceed thirty-one million two hundred
8 thousand dollars (\$31,200,000).
10 (4) The state board shall provide funding assistance to each
11 authority in its first fiscal year equivalent to 25 percent of an
12 authority's projected rate revenue to function as a working capital
13 reserve fund. The total funding requirement for this paragraph
14 shall not exceed nine million two hundred thousand dollars
15 (\$9,200,000).
16 (b) Upon appropriation by the Legislature from the General
17 Fund, or, to the extent funds are available from bond revenues or
18 other sources, including federal, state, academic, or other public
19 or private entities, the state board shall receive up to fifteen million
20 five hundred thousand dollars (\$15,500,000) for the dissolution
21 of public water systems identified under Section 78030, as
22 necessary, through the implementation of Sections 78032,
23 78033, 78035, 78036, 78037, 78038, and 78042.
25 (c) Upon appropriation by the Legislature from the General
26 Fund, or, to the extent funds are available from bond revenues or
27 other sources, including federal, state, academic, or other public
28 or private entities, the state board shall receive up to seven million
29 two hundred thousand dollars (\$7,200,000) for the preparation of
30 distressed business valuations to determine the net fair market
31 value of the water corporations or mutual water companies pursuant
32 to Section 78037.
33 (d) Upon appropriation by the Legislature from the General
34 Fund, or, to the extent funds are available from bond revenues or
35 other sources, including federal, state, academic, or other public
36 or private entities, the Public Utilities Commission shall receive
37 up to one million one hundred fifty thousand dollars (\$1,150,000)
38 for preparing and issuing orders of dissolution pursuant to
39 subdivision (a) of Section 78037 for water corporations included
40 in an authority formed by the local agency formation commission.
Page 49 2 (e) If the moneys specified in subdivisions (a) to (d), inclusive,
3 are not sufficient to meet the statewide needs of the authorities
4 created pursuant to this division;

Amendment 104

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+ (2) Financial assistance related to startup operations of the
+ authority shall include, but is not limited to, funding to support
+ utility office, administrative, staffing, equipment, and
+ business-related functions and may include, at the state board's
+ discretion, up to 50 percent of single-year anticipated operating
+ revenue for up to two consecutive years.

+ (3) An initial working capital and emergency operating reserve
+ consistent with prudent utility business practices may be
+ established, at the state board's discretion, in an amount up to
+ 180 days of anticipated operating revenue for the authority.

+ (b) In addition to the moneys described in subdivision (a),
5 funding ~~shall~~ may be made available for the purposes of this
6 division ~~upon appropriation~~ from the Safe Drinking Water State
7 Revolving Fund created by Section 116760.30 of the Health and
8 Safety Code as follows, Code, to the extent permitted by ~~federal~~
+ law: law.

9 (1) ~~Grants or loans, as applicable, for capital improvements~~
10 ~~shall be deemed to be within the highest funding priority within~~
11 ~~the state revolving fund. Loans shall, until January 1, 2030, be~~
12 ~~awarded to an authority without interest. On and after January 1,~~
13 ~~2030, the interest on loans shall be at the lowest possible rate then~~
14 ~~available.~~

15 (2) ~~Grants or loans, as applicable, for technical assistance,~~
16 ~~planning, or other nonconstruction-related matters other than~~
17 ~~staffing or the operation and maintenance of facilities shall, until~~
18 ~~January 1, 2030, be deemed to be within the highest funding~~
19 ~~priority within the state revolving fund and, on and after January~~
20 ~~1, 2030, shall be deemed to be within the second-highest priority~~
21 ~~within the state revolving fund.~~

22 23 PART 9. CHANGES IN ORGANIZATION

+ 25 78120. Provided that a change in organization is consistent
26 with this division, a change in organization shall be carried out as
27 set forth in the Cortese-Knox-Hertzberg Local Government
28 Reorganization Act of 2000 (Division 3 (commencing with Section
29 56000) of Title 5 of the Government Code).

30 SEC. 9.

+ 31 SEC. 4. No reimbursement is required by this act pursuant to
Section 6 of Article XIII B of the California Constitution for certain

Amendment 105

Amendment 106

Amendment 107

Amendment 108

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Page 49 32 costs that may be incurred by a local agency or school district
33 because, in that regard, this act creates a new crime or infraction,
34 eliminates a crime or infraction, or changes the penalty for a crime
35 or infraction, within the meaning of Section 17556 of the
36 Government Code, or changes the definition of a crime within the
37 meaning of Section 6 of Article XIII B of the California
38 Constitution.
39 However, if the Commission on State Mandates determines that
40 this act contains other costs mandated by the state, reimbursement
Page 50 1 to local agencies and school districts for those costs shall be made
2 pursuant to Part 7 (commencing with Section 17500) of Division
3 4 of Title 2 of the Government Code.

O



July 23, 2020

The Honorable Anna Caballero
California State Senate
State Capitol, Room 5052
Sacramento, CA 95814

RE: SB 414 – Small System Water Authority Act of 2020 – OPPOSE PROPOSED AMENDMENTS

Dear Senator Caballero:

The California Association of Local Agency Formation Commissions (CALAFCO), representing all 58 local agency formation commissions (LAFcos) in the state, is opposed to the proposed pending amendments for your bill **SB 414**. It is our understanding you are planning amendments to be done in Assembly Appropriations where the bill is currently being held in Suspense.

We appreciate you, your staff and the sponsors working with us over the past several years on this bill (and the prior version, AB 2050, 2018, vetoed by Governor Brown, which we supported), and we support efforts to ensure all Californians have safe, affordable drinking water. However, the proposed amendments have such a substantive negative impact to local agency formation commission (LAFcos) that we must now oppose them.

It is our understanding these changes are an effort to reduce the cost of the bill, and to closer align processes and State Water Resources Control Board (SWRCB) authority existing in SB 88 (2015, Committee on Budget & Fiscal Review) and AB 2501 (2018, Chu). These laws deal with consolidation of existing water systems, whereas SB 414 creates a new type of public water system and reflects the formation of a new public entity (as well as dissolving existing public and private systems). One simply should not be compared to the other.

The proposed amendments strip LAFcos of their part and authority in the formation of the new water authority – a public agency that would otherwise be formed at the discretion of and by the authority of LAFco. Additionally, they remove LAFcos' authority to dissolve a public water system as authorized by the SWRCB and as part of the formation process of the new authority. As you know, formation of a new, local public agency has been the authority of LAFco since 1963 when the Legislature created them. To now turn that authority over to the SWRCB in an effort to “save money” or “streamline the process”, we believe, creates a false perception that the cost will be reduced and sets a dangerous precedent.

SECTION 1 of the bill is being completely stricken and therefore divests LAFco of all involvement in the formation process and it removes LAFco from the process of dissolving any public water system identified by the SWRCB as mandated for dissolution and inclusion into the new authority except for holding a public hearing on the matter. Not only does this removal divest LAFco of their authority and give it to the SWRCB, it eliminates the Plan for Service requirements to be included in the draft conceptual formation plan. All other public agencies are subject to submit a comprehensive Plan for Service when applying to provide services and exempting the authority from doing so sets a precedent.

Code Section 78038(b) proposes to give quasi-legislative authority to the SWRCB in the action to form the new authority. The Legislature created LAFco as a quasi-legislative body decades ago to do this very thing. While the Legislature has exercised its authority to create new service providers in the past, until now there has been no state agency with that authority. We fail to understand the need to create an

entity at the state level to do something LAFcos have been effectively doing for 57 years – forming new districts – that happen at the local level.

LAFco is being excluded from several critical notification points:

- Code Section 78033(a)(1) excludes LAFco from the list of entities the SWRCB is to notify of their intent to form the authority. *LAFco needs to be included in the list of other local agencies receiving such notification* (such as cities, county, water districts, etc.). Further, this section allows the SWRCB to invite other public water suppliers to consider dissolving and join the authority. Without including LAFco on the notification under this section, LAFco would be in the dark regarding those local districts (both independent and dependent) that may consider dissolving.
- Code Section 78033(a)(2)(A) excludes LAFco notification from an entity wishing to consolidate into a proposed authority. *LAFco needs to be included in this notification*.
- Code Section 78033(a)(2)(B) provides that customers of an entity wishing to join a proposed authority petition the SWRCB directly. Not only does this keep LAFco in the dark, it is a run-around of the current service provider as there appears to be no notification to them.
- Code Section 78033(b) allows the governing board of a county or city dependent special district to notify the formation coordinator they wish to opt into the new authority. Here again, without LAFco receiving this notification there is no way for them to know of the pending dissolution.

In addition to removing LAFcos' existing authority from the formation process of a public agency service provider, we are concerned about Code Section 78037(a)(3) which requires the LAFco to hold a public hearing to allow for public comment on the dissolution of the public water system mandated for dissolution by the SWRCB and requires the LAFco to provide all comments back to the SWRCB for consideration (without the funding to do either). The section also states the dissolution shall be ordered upon completion of the public hearing. We question the purpose of reporting back the public comments to the SWRCB for consideration if the dissolution is ordered immediately upon closure of the public hearing.

If one of the goals of these amendments is to closer align processes with SB 88, then it would stand to reason the SWRCB would be the entity conducting the public hearing (pursuant to Code Section 116682 of the Health and Safety Code), especially given the fact that with these amendments, the LAFco no longer has any other part in the actual dissolution.

Further, as we've discussed with the sponsors previously, ordering a dissolution for a service provider who is currently providing service requires a successor agency to assume the delivery of service as well as all the assets and liabilities of the entity being dissolved. Code Section 78037(a)(4) requires the order of dissolution to make appropriate equitable arrangements for the interim operation of the public water system until the formation of the authority is complete, and they are prepared to take over service delivery. While that "interim" service provider may be identified in the draft conceptual formation plan, 78037(a)(4) does not explicitly state to whom the service, assets and liabilities should be transferred. We suggest language be added to explicitly state the interim operator as identified in the approved conceptual formation plan.

Proposed amendments to the draft conceptual plan

We have a few concerns relating to the draft conceptual plan as noted below.

- Code Section 78035(c) requires the formation coordinator to submit the draft conceptual formation plan to the SWRCB and any applicable LAFco for comments within 60 days of its receipt. Further, the formation coordinator shall finalize the plan for public comment no later

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- than 30 days after receiving comments from the SWRCB. What is left out of this section are the comments on the plan from the LAFCo. Undoubtedly, as the local agency who is responsible for the formation of public agencies, LAFCOs know what to look for and consider when reviewing formation plans. *Their comments need to be considered by the SWRCB and the formation coordinator before the document is available for public comment.*
- Code Section 78038 requires LAFCo to hold two public hearings on the draft conceptual formation plan and to subsequently submit a report to the SWRCB summarizing public comment and any recommendations the LAFCo may have for the SWRCB on the plan. *We would like to see amendments requiring the SWRCB to specifically adopt or reject each of LAFCOs recommendation on the draft plan and explain their response for those decisions.*

Removing funding for LAFCo mandates

We appreciate you, your staff and the sponsors working with us over the past several years to ensure LAFCo costs are covered. The current version of the bill reflects a cost of up to \$10.65 million to LAFCOs for authority formations, which represents only 11.5% of the total cost estimate of \$89.15 million. We believe the cost for LAFCOs to do the work as outlined in the June 25, 2019 version of the bill is far below the \$10.65 estimate (depending upon the number of authorities formed).

Even using the fiscal projections in the current bill, the costs associated with LAFCo are far below every other entity and related provision (with one exception) of the dissolutions; formations; administration; SWRCB support and support for the authorities once formed. The cost for LAFCOs to perform the dissolution of public water systems and to form the new authority are far likely to be less than having the SWRCB perform these functions. Consequently, we believe this creates a false perception that the overall cost will be reduced by removing LAFCo from the process. Transitioning these processes to a state agency rather than keeping them at the local level does not in fact reduce costs – it simply transfers the cost from the local level to the state level. Further, we would assert the cost is less at the LAFCo level.

Finally, the proposed pending amendments require LAFCOs to (1) review the proposed plan and provide recommendations to the SWRCB; (2) hold a public hearing to allow for public comment on the dissolution of the public water system mandated by the SWRCB for dissolution and provide all comments to the SWRCB; (3) hold two public hearings to receive input on the proposed plan for the new authority, summarize comments received and provide a report to the SWRCB; (4) review a report on the authority's performance for the first three years; and (5) hold a public hearing as directed by the SWRCB if the new authority is failing to comply with the plan to review the authority's performance and provide a report back to the SWRCB on comments received at the hearing.

The proposed pending amendments remove all the funding for LAFCo for all the actions still required by the bill as noted above. Section 78038(a) adds a clause to address funding for only the two public hearings to consider the draft conceptual plan and prepare the required report – and only if – they (LAFCo) “*incur extraordinary costs over and above its normal budgeted operating expenses for conducting the public hearing and preparing the report to the state board*”. All of the LAFCo expenses related to SB 414 are over and above normal operating budget costs and in order to cover them should the state not, the LAFCo will have to increase their fees to the local government agencies that pay into the LAFCo annually (cities, counties, and special districts).

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SB 414 - OPPOSE PENDING AMENDMENTS

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We strongly believe LAFcos need to be added to the language in Section 78115 (a)(1). All other entities, including the Public Utilities Commission, have some level of funding in the proposed pending amendments. To eliminate the funding for the one local agency involved and retain funding for all state agencies involved puts the collection of that funding on the backs of local government.

We want you to know we appreciate your efforts and those of your staff and the sponsors in working with us over the past several years on this very important issue. We have very few concerns with the bill as currently written but strongly oppose the proposed amendments for all the reasons stated above. We are happy to continue to have conversations on the bill to find solutions that work for everyone.

Please do not hesitate to contact me if you have any questions about our OPPOSE position to the proposed amendments on **SB 414**.

Yours Sincerely,

A handwritten signature in blue ink, appearing to read "Pamela Miller".

Pamela Miller
Executive Director



July 29, 2020

REGULAR MEMBERSCHAIR
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CITY MEMBERMICHELLE STEEL
COUNTY MEMBERSTAFFCAROLYN EMERY
EXECUTIVE OFFICERThe Honorable Steven Bradford
California State Senate
State Capitol, Room 2059
Sacramento, CA 95814RE: *Neutral Position* - SB 625: Central Basin Municipal Water District:
Receivership

Dear Senator Bradford:

On July 8, 2020, the Orange County Local Agency Formation Commission (OC LAFCO) adopted a neutral position on Senate Bill 625 (SB 625) and directed our staff to continue to monitor the efforts of the bill. The Commission's adopted position aligns with the agency's local policy regarding proposed legislation that does not directly impact or affect OC LAFCO and the monitoring of bills that may be amended to affect the authority and proceedings of LAFCOs.

While SB 625 includes language specific to the Local Agency Formation Commission and a special district within Los Angeles County, the Commission recognizes your effort to address efficiencies in municipal service delivery. If you have any questions regarding the Commission's action relative to SB 625, you may contact the Commission's Executive Officer, Carolyn Emery, at (714) 640-5100 or cemery@oclafco.org.

Sincerely,

Cheryl Brothers
Chaircc: Members, Senate Governance and Finance Committee
Anton Favorini-Csorba, Senate Governance, and Finance Committee Consultant
Ryan Eisberg, Consultant, Senate Republican Caucus
Pamela Miller, Executive Director, CALAFCO
Paul Novak, Executive Officer, Los Angeles County LAFCORECEIVED
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FORMATION COMMISSION
OFFICE OF THE EXECUTIVE OFFICER

Executive Officer Report

August 12, 2020

Agenda Item No. 13.a.

The Executive Officer hereby reports the following:

- **Commission Schedule:** Because the County Hall of Administration is not available to for in-person meetings through the end of 2020 (see enclosed memorandum from Celia Zavala, Executive Officer of the Board of Supervisors), all Commission meetings through December of 2020 will be virtual meetings.

The following items are tentatively scheduled for the September 9, 2020 Commission Meeting:

- Agoura Hills-Calabasas-Hidden Hills-Westlake Village Municipal Service Review (MSR)/Sphere of Influence (SOI) Update
- Formation of the Inglewood Transportation Management Community Services District on September 9, 2020.
- **Staff Schedule:** Based upon the Executive Officer's continued consultation with the Chair and legal counsel, LAFCO staff continue to work remotely, in furtherance of County of Los Angeles "Safer at Home order for Control of COVID-19."
- **Independent Special District Alternate:** The election to appoint the independent special district alternate to the Commission (Joe Ruzicka vacancy) is underway, and it will conclude in September. The new commissioner will be seated at your October 14th Commission Meeting.

Staff Recommendation:

1. Receive and file the Executive Officer Report.

EXECUTIVE OFFICE



BOARD OF SUPERVISORS

CELIA ZAVALA
EXECUTIVE OFFICERCOUNTY OF LOS ANGELES
EXECUTIVE OFFICE
BOARD OF SUPERVISORSKENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 383
LOS ANGELES, CALIFORNIA 90012
(213) 974-1411 • www.bos.lacounty.gov

MEMBERS OF THE BOARD

HILDA L. SOLIS

MARK RIDLEY-THOMAS

SHEILA KUEHL

JANICE HAHN

KATHRYN BARGER

July 29, 2020

TO: Each Department/District Head

FROM:

Celia Zavala
Executive Officer

SUBJECT: REMOTE BOARD MEETING DATES THROUGH DECEMBER 1, 2020

This is to inform you that the Regular Board Meetings will continue to be held remotely every other week through December 1, 2020, as long as the Governor's Executive Order N-29-20 allowing for remote meetings is still in place. Special Closed Session Meetings will also continue to be scheduled every other week, as needed. All meetings will start at 9:30 a.m.

I previously provided you with the meeting dates through September 1, 2020. Following are the additional meeting dates:

Tuesday, September 8, 2020 (Special Closed Session)
 Tuesday, September 15, 2020 (Regular Board Meeting)
 Tuesday, September 22, 2020 (Special Closed Session)
 Tuesday, September 29, 2020 (Regular Board Meeting)
 Tuesday, October 6, 2020 (Special Closed Session)
 Tuesday, October 13, 2020 (Regular Board Meeting)
 Tuesday, October 20, 2020 (Special Closed Session)
 Tuesday, October 27, 2020 (Regular Board Meeting)
 Wednesday, November 4, 2020 (Special Closed Session)
 Tuesday, November 10, 2020 (Regular Board Meeting)
 Tuesday, November 17, 2020 (Special Closed Session)
 Tuesday, November 24, 2020 (Regular Board Meeting)
 Tuesday, December 1, 2020 (Special Closed Session)

We will notify your office accordingly of any changes.

CZ:KM:mr