



Lou Ann Teixeira
Executive Officer

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October 8, 2014 (Agenda)

October 8, 2014
 Agenda Item 10

Contra Costa Local Agency Formation Commission (LAFCO)
 651 Pine Street, Sixth Floor
 Martinez, CA 94553

**Countywide Water/Wastewater Municipal Services Review and
 Sphere of Influence Updates (2nd Round) – Castle Rock County Water District**

Dear Members of the Commission:

BACKGROUND

In May 2014, the Commission accepted the Final Municipal Service Review (MSR) report and adopted the required determinations in conjunction with the countywide Water/Wastewater Municipal Service Review (MSR) (2nd Round) covering eight cities and 21 special districts. The Commission also updated the spheres of influence (SOIs) for all of the districts, except for the Castle Rock County Water District (CRCWD). The MSR report is available online at contracostalafco.org or through the LAFCO office.

DISCUSSION

Castle Rock County Water District: As noted in the MSR report, CRCWD has operated for the past 59 years without being officially recognized as an independent special district for LAFCO purposes. Through the MSR process, we recently confirmed that CRCWD is an independent special district subject to LAFCO’s purview. Contra Costa LAFCO is required to establish an SOI for each city and special district within the County. As part of this MSR, the Commission will be asked to establish an SOI for the CRCWD.

CRCWD provides water service to 137 residents (79 parcels - 55 connections), including 12 residential water customers who are responsible for treating their own water. The water serves mostly residential, landscape irrigation, some commercial uses including four commercial stables. The District’s service area is 150± acres, and includes properties in the City of Walnut Creek and in surrounding unincorporated areas. Some of the territory served is located outside the countywide urban limit line.

CRCWD is located within the Contra Costa Water District (CCWD) service boundary. CRCWD purchases untreated water from CCWD which is pumped from an open canal. The relationship between CRCWD and CCWD is that of customer and supplier. CCWD sells water untreated to CRCWD, and CRCWD is responsible to distribute the untreated water to its customers. CRCWD facilities include one

pumping station and one holding tank with a 150,000 gallon capacity. The CRCWD's untreated water supply and distribution system include a small reservoir tank and a small pipeline distribution system.

CCWD operates and maintains treated water distribution facilities within the boundary of CRCWD, and approximately 80% of CRCWD residents receive treated water from CCWD as individual CCWD customers. These customers receive treated water from CCWD for domestic use, and untreated water from CRCWD for irrigation and livestock purposes. The remaining 20% of CRCWD residents (12 residential homes) purchase untreated water from CRCWD and are responsible for treating the water themselves.

CRCWD operates as an enterprise type activity, and receives about 84% of its revenue from service charges and fees, and 16% from property tax. Based on their last financial statement (June 2012), expenditures were approximately \$65,000, revenues were \$67,433, and cash assets (fund balance) were \$162,000.

Municipal Service Review/Sphere of Influence Update: The MSR noted that CRCWD does not maintain a capital improvement program; any capital maintenance expenditures necessary are determined annually and funded from revenues and reserve fund balance.

The MSR report also included the following observations/recommendations for CRCWD:

1. Given the age of the District's water system, a site review by a qualified engineer retained by CRCWD should be conducted to determine the condition of the reservoir, pump station and ancillary infrastructure.
2. The District should establish and maintain a website. At a minimum, the website should include the names of the Board Members (and terms of office), contact information, information regarding the District's services, a map of the District's service boundary, the Board's meeting schedule, agendas and minutes, and financial information including annual budgets and financial audits.
3. The District should provide LAFCO with an update in September 2015 with progress report addressing those administrative and governance issues identified in the 2014 MSR report.

The MSR report identified the following two governance options for CRCWD: 1) maintain the status quo – establish a coterminous SOI for CRCWD; or 2) establish a zero SOI for CRCWD signaling a future change of organization or reorganization (i.e., dissolution of CRCWD). While there is nothing in the statute that defines a zero SOI, it generally implies a transitional SOI indicating that the public service responsibility and functions of a local agency should be ultimately abandoned or re-allocated to another entity. Contra Costa LAFCO has previously adopted zero SOIs for a number of other districts.

Since completion of the MSR, LAFCO staff met with representatives of CRCWD and CCWD to discuss the MSR findings and governance options, including dissolving CRCWD and having CCWD take over operation of the CRCWD water system.

Neither district expressed a desire to reorganize. CRCWD feels that it has adequately served its customers for nearly 60 years, and wishes to remain an independent district. CRCWD representatives acknowledge that the District can improve its administrative operations and governance as noted in the MSR, and will make an effort to do so. Further, CCWD has no desire to take over the CRCWD operations and water system for various reasons, including the age of the CRCWD system and potential liabilities.

Last month, the Commission discussed the SOI options and expressed concerns regarding the condition of the CRCWD's water system, and duplication in service areas and services among the two districts. The Commission expressed a desire to establish a zero SOI for the CRCWD signaling a future change of organization. LAFCO staff communicated the Commission's concerns to the two districts; their positions have not changed. The CRCWD wishes to remain an independent special district, and CCWD wishes to maintain the current relationship with CRCWD as a water customer.

LAFCO Authority: LAFCO can initiate certain types of changes of organization (i.e., consolidation, dissolution, merger, establishing subsidiary districts). LAFCO-initiated actions must be supported by an SOI update, MSR or special study. Prior to approving a LAFCO-initiated proposal, LAFCO must make certain findings [Gov. Code §56881(b)].

The process for a LAFCO-initiated dissolution is complex and varies depending on a number of factors, including, but not limited to, whether the subject territory is inhabited (12 or more registered voters) or uninhabited, and whether the number of landowners or voters is less than 300 [Gov. Code §§57077.1(b)(3), 57077.1(c)(2), 57113]. LAFCO law provides that with a LAFCO initiated dissolution, LAFCO must conduct at least one public hearing, and possibly a protest hearing and election.

Dissolution of a district also involves procedures for concluding the affairs of the dissolved district [Gov. Code §§57450-57463], including naming a successor agency. Should the Commission wish to pursue dissolution, LAFCO staff will need to prepare a detailed plan and timeline.

RECOMMENDATIONS

1. Receive the staff report;
2. Determine that the SOI update is exempt under the General Rule exemption §15061(b)(3) of the CEQA Guidelines;
3. Adopt the attached resolution establishing a zero SOI for CRCWD with conditions; and
4. Provide other direction as desired.

Sincerely,

LOU ANN TEXEIRA
EXECUTIVE OFFICER

c: Fred Allen, Castle Rock County Water District
Jeff Quimby, Contra Costa Water District

Attachment – Resolution Establishing a Zero SOI for CRCWD

**RESOLUTION OF THE CONTRA COSTA
LOCAL AGENCY FORMATION COMMISSION
ADOPTING A ZERO SPHERE OF INFLUENCE FOR
CASTLE ROCK COUNTY WATER DISTRICT**

WHEREAS, Government Code §56425 requires the Local Agency Formation Commission (LAFCO) to develop and determine the sphere of influence (SOI) of each local governmental agency within the County; and

WHEREAS, Government Code §56425(f) requires that LAFCO review and update the SOI boundaries every five years, as necessary; and

WHEREAS, Government Code §56430 requires that a municipal service review (MSR) be conducted prior to or in conjunction with an SOI update; and

WHEREAS, LAFCO conducted a second round, countywide review of water and wastewater service providers, which includes the Castle Rock County Water District (CRCWD), and adopted written determinations as required by Government Code §56430 on May 14, 2014; and

WHEREAS, CRCWD was formed in 1955 and provides untreated water to rural residential areas for domestic use, landscape irrigation, and commercial horse stables within a 150 acre area located both within the City of Walnut Creek and surrounding unincorporated areas; and

WHEREAS, CRCWD has 55 connections providing untreated water for landscape irrigation, some commercial uses and commercial stables; and

WHEREAS, CRCWD is located within the service area of Contra Costa Water District (CCWD), and CCWD provides treated, potable water to a majority of homes within the CRCWD; and

WHEREAS, through the MSR process, it was discovered that the CRCWD is an independent special district subject to LAFCO's purview, therefore, LAFCO must establish an SOI for the District; and

WHEREAS, the MSR noted some deficiencies in the operations and governance of the CRCWD dealing with the age and condition of the water system and the governance/transparency of the District; and

WHEREAS, the MSR report identified two SOI options for the District: 1) adopt a coterminous SOI, or 2) adopt a zero SOI which is a transitional SOI signaling a future change of organization (i.e., the public service responsibility and functions of the district should ultimately be abandoned or re-allocated to another entity); and

WHEREAS, it is hereby proposed that LAFCO establish a zero SOI for CRCWD; and

WHEREAS, no change in regulation, land use or development will occur as a result of establishing a zero SOI for the District; and

WHEREAS, in the form and manner prescribed by law, the Executive Officer has given notice of a public hearing by this Commission regarding the SOI action; and

WHEREAS, the SOI update was duly considered at public hearings held on June 11, 2014, September 10, 2014, and October 8, 2014.

NOW, THEREFORE, BE IT RESOLVED, DETERMINED AND ORDERED that the Contra Costa LAFCO does hereby:

1. Determine, as lead agency for the purposes of the California Environmental Quality Act (CEQA), that the SOI update is exempt under §15061(b)(3) of the CEQA Guidelines because there is no possibility that the proposed action would have a significant effect on the environment.

2. Adopt a zero SOI for CRCWD as depicted on Exhibit A attached hereto.
3. Determine that the Commission has considered the criteria set forth in Government Code §56425 as follows:
 - a. *Present and planned land uses in the area, including agricultural and open-space lands* - The service area is developed with large lot residential development. The minimum lot size is one acre. Little or no growth is expected in the future. The District has no land authority, and no change to the present or planned uses will result from this SOI update.
 - b. *Present and probable need for public facilities and services in the area* - The area is fully developed; any future connections to the CRCWD would require further study.
 - c. *Present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide* - Because CRCWD was formed in 1955, the system is likely aged and in need of repair and/or replacement of pumps, valves and meters based upon age. There is limited information available on District facilities at this time. A site review/study by a qualified engineer retained by CRCWD should be conducted to verify the condition of CRCWD's facilities.
 - d. *Existence of any social or economic communities of interest in the area if the commission determines that they are relevant to the agency* – CRCWD was formed in 1955. The District collects property tax and service charges and fees from existing users. The District has no debt. Property owners and ratepayers within CRCWD have an economic interest in receiving District services. Adoption of a zero SOI will not affect the existence of any social or economic communities of interest in the area that are relevant to CRCWD.
 - e. *Present and probable need for those public facilities and services of any disadvantaged unincorporated communities (DUCs) within the existing SOI* - There are no DUCs located within, or contiguous to, the CRCWD's SOI.
 - f. *Nature, location, extent, functions & classes of services to be provided* – CRCWD provides untreated water to rural residential areas for domestic use, landscape irrigation, and commercial horse stables within a 150 acre area located both within the City of Walnut Creek and surrounding unincorporated areas.

PASSED AND ADOPTED THIS 8th day of October 2014, by the following vote:

AYES:
 NOES:
 ABSTENTIONS:
 ABSENT:

ROB SCHRODER, INTERIM CHAIR, CONTRA COSTA LAFCO

I hereby certify that this is a correct copy of a resolution passed and adopted by this Commission on the date stated above.

Dated: October 8, 2014

Lou Ann Texeira, Executive Officer

Castle Rock County Water District Boundary and SOI - Proposed Zero SOI

