



Lou Ann Teixeira
Executive Officer

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September 10, 2014 (Agenda)

September 10, 2014
 Agenda Item 7

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

On May 14, 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), and those three districts where Contra Costa LAFCO is not the principal LAFCO.

Following the Commission’s actions in May and June, LAFCO staff sent individual letters to each city and district thanking them for their participation in the MSR process, highlighting some of the findings in the MSR report, and providing the local agencies with a signed copy of their SOI update resolution and map, as applicable.

The Commissioners deferred action on the CRCWD SOI update pending further discussions with District representatives.

DISCUSSION

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 confirmed that CRCWD is an independent special district subject to LAFCO’s purview.

CRCWD currently collects property taxes (16% of its overall revenues), and meets the criteria outlined in the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (sections

56044 and 56128) defining a special district. CRCWD has a legislative body whose members are elected by registered voters within the district.

CRCWD provides water service to approximately 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 and four commercial stables. The District's service area is approximately 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. Approximately 80% of CRCWD's customers receive both untreated and treated water from CCWD, and the remaining 20% receive only untreated water from CCWD, and treat their own water. CRCWD facilities include one pumping station and one holding tank with a 150,000 gallon capacity. The CRCWD's water supply and distribution system includes a small reservoir tank and a small pipeline distribution system.

Because of the small size of the District's system, there is no formal maintenance program, and no staff or contract staff to service the system. CRCWD indicates that Board members repair small system issues themselves or hire contractors to repair more serious problems on an "as needed" basis. Because CRCWD was formed in 1955, it is assumed that the system's age will increasingly require repair and/or replacement of pumps, valves and meters. The MSR consultants recommend that a site review be conducted to determine the condition of the reservoir, pump station and ancillary infrastructure.

CRCWD operates as an enterprise type activity, and receives about 84% of its revenue from service charges and fees, and 16% from property tax. CRCWD has a substantial fund balance (249% of annual expenditures), and carries no debt. CRCWD has not adjusted rates in the recent past, and has no plans to adjust rates in the near future.

As noted in the MSR report, CRCWD does not maintain a capital improvement program; any capital maintenance expenditures necessary are determined annually and funded from revenues and reserve fund balance.

Since completion of the MSR, LAFCO staff has met with representatives of the CRCWD to introduce the District to LAFCO and to discuss the MSR findings, including governance options. One of the governance options identified in the MSR is to consolidate with CCWD. In July and August, LAFCO staff met with representatives of CRCWD and CCWD to discuss the costs and benefits of consolidating the two districts.

Neither district expressed a desire to consolidate. CRCWD feels that it has adequately served its customers for nearly 60 years, and wishes to remain an independent district. Representatives of CRCWD 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.

CRCWD currently has no adopted SOI. The MSR 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 and consolidate with CCWD.

Given that neither district is interested in consolidation, and in light of CRCWD's willingness to make improvements to its administration and governance, it is recommended that LAFCO establish a coterminous SOI for the CRCWD and require the District to provide a progress report to LAFCO in September 2015 regarding the status of the administrative and governance issues identified in the MSR. The MSR report included the following recommendations/observations 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 their 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.

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; and
3. Adopt the attached resolution establishing a coterminous SOI for CRCWD with conditions.

Sincerely,

LOU ANN TEXEIRA
EXECUTIVE OFFICER

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

Attachment – Resolution Establishing a Coterminous SOI for CRCWD

**RESOLUTION OF THE CONTRA COSTA
LOCAL AGENCY FORMATION COMMISSION
ADOPTING A 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 four commercial stables; and

WHEREAS, CRCWD is located within the service area of Contra Costa Water District (CCWD), and CCWD provides treated, potable water to some 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 adopt an SOI for the District; and

WHEREAS, the MSR report identified two SOI options for the District: adopt a coterminous SOI, or adopt a zero SOI signaling a future change of organization or reorganization to the District such as consolidation; and

WHEREAS, neither district expressed a desire to consolidate; and

WHEREAS, CRCWD provides adequate water service to its customers, and will work to address the administrative and governance issues identified in the MSR; and

WHEREAS, it is hereby proposed that LAFCO adopt a coterminous SOI for CRCWD and require the District to provide LAFCO with an update in September 2015, providing a progress report addressing those administrative and governance issues identified in the 2014 MSR report; and

WHEREAS, no change in regulation, land use or development will occur as a result of adopting the District's SOI; 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 and September 10, 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 coterminous 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 connection 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 with CRCWD have an economic interest in receiving District services. Adoption of the 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 10th day of September 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: September 10, 2014

 Lou Ann Texeira, Executive Officer

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

