

March 8, 2006

To: Members, Formation Commission

From: Martha Poyatos
Executive Officer

Subject: Report & Recommended Determinations-Los Trancos County
Water District Municipal Service Review

Summary:

The attached municipal service review examines the nine categories set forth in Government Code Section 56430 in regard to water protection in the study area. This service review process included circulation of a draft report for comment and a community meeting well attended by affected District resident and District representatives. The input and participation of the District Board and community members is truly appreciated and incorporated in the attached report.

Prior to adopting, amending or reaffirming a sphere of influence, Section 56430 requires that LAFCo conduct a municipal service review and make determinations concerning infrastructure, growth and population projections, financing constraints, opportunities for cost avoidance, rate restructuring and shared facilities, government structure options, evaluation of management efficiencies and local accountability and governance. Final determinations adopted by the Commission would be attached to the Service Review Report as Exhibit A and would be used in any sphere of influence determinations adopted by the Commission in reviewing, amending or reaffirming a sphere of influence as well as in reviewing a proposal for reorganization.

Recommendation: It is recommended that the Commission consider the attached service review and adopte the following recommended determinations pursuant to Government Code Section 56430:

Recommended LAFCo Determinations Pursuant to Government Code Section 56430:

1. Regarding infrastructure needs and deficiencies, the Commission determines:
 - a) Los Trancos County Water appropriately upgraded and transferred water system infrastructure to California Water Service Company to benefit long term needs of the community.
 - b) Land owned by the District are in an unimproved state and would require yet to be determined improvements to serve either as an emergency source of water or facilities for passive recreation.

2. Regarding growth and population projections for the affected area, the Commission determines:
 - a) Projected population growth estimates for build-out of the community range from 1,196 to 1,400 persons and are dependent upon sewer infrastructure and discretionary approvals by the land use jurisdictions.
 - b) Because the District no longer operates or owns the water system, it is not responsible for meeting water service demands of current and projected growth of resident population.
 - c) The rural residential nature of the community and growth projections do not indicate a substantial increase in demand for other services.
3. Regarding financial constraints and opportunities, the Commission determines:
 - a) Water rebates benefiting Los Trancos customers of California Water Service Company detract from the District's ability to fund other services it might be able to provide and from the ability to pay down existing debt.
 - b) Use of property tax to provide rebates competes with other potential use of property tax to fund services that might benefit the broader community.
4. Regarding cost avoidance opportunities, the Commission determines:
 - a) The Los Trancos County Water District's action to sell the water system to California Water Service Company effectively reduced current and future costs to ratepayers.
5. Regarding opportunities for rate restructuring, the Commission determines:
 - a) As noted above, the District successfully achieved beneficial rate restructuring by sale of the water system to California Water Service Company resulting in the District's small customer base of 278 being included in CalWater's urban sized water base of 17,000.
6. In regard to Opportunities for shared facilities, the Commission determines:
 - a) Opportunities exist to partner with Town of Portola Valley, Midpeninsula Regional Open Space District and the Woodside Fire Protection District in pursuing goals of land stewardship and these agencies also have the potential to respond to other identified needs such as emergency preparedness and passive recreation.

7. In regard to government structure options, including the advantages and disadvantages of consolidation or reorganization of service providers, the Commission determines:
 - a) A district that no longer delivers the service for which it was formed and collects property tax that is no longer needed to fund services should consider dissolution.
 - b) Because dissolution can result in disposition of District lands to achieve the stated goals of land stewardship, the District is encouraged to actively pursue this outcome with potential successor agencies.
 - c) Continued existence of the district should include consideration of a sunset date for use of property tax as rebates in order to either fund necessary services the district is authorized to provide and eliminate outstanding debt.

8. Regarding evaluation of management efficiencies, the Commission determines:
 - a) Through the volunteer efforts of dedicated Board Members the district achieves substantial efficiency by eliminating costs of management and staff.
 - b) Further efficiencies can be examined by the District including transfer of land management/stewardship responsibilities either through a contractual arrangement or a potential successor agency.

9. Regarding local accountability and governance, the Commission determines:
 - a) Correspondence and verbal comments on the draft service review indicate satisfaction with District accountability and governance.
 - b) The Brown Act permits public agencies to meet outside their boundaries if no public meeting place exists within district boundaries. Based on attendance of over 50 persons at the Community Scoping Meeting and the level of interest in District activities, the Board is encouraged hold public meetings at the public meeting location closest to district boundaries.

Municipal Service Review
Los Trancos County Water District
March 8, 2006

Introduction

This municipal service review for the Los Trancos County Water District (LTCWD) is being completed as required by Government Code Section 56430, which requires that in order to prepare and update spheres of influence in accordance with Section 56425, the Local Agency Formation Commission¹ shall conduct a service review of the municipal services provided in the county or other appropriate area. A municipal service review is an analysis of public services in which determinations are made regarding adequacies or deficiencies in service, cost effectiveness and efficiency, government structure options and local accountability. Once adopted, service review determinations are used in reviewing, adopting or amending a sphere of influence which is a plan for the probable boundaries of a local agency.

It is important to note that the municipal service review is not a proposal for a change of organization. The service review provision in Section 56430 requires that LAFCo look at nine specific determinations concerning public service delivery by a district, including potential governance alternatives. Service review determinations are then used in adopting, updating or amending a sphere of influence. Any action to implement a change of organization requires an application by residents, voters or affected agency, LAFCo public hearing and protest process and with adequate protest, an election.

Regarding Los Trancos County Water District and the affected community, comments emphasized a deep appreciation for the water district efforts to provide an affordable, safe water supply to the community. Comments reflected a dedicated community that takes great pride in its distinctively wooded, rural and remote character, history of self-determination and volunteerism in particular with regard to emergency preparedness spearheaded by volunteer community associations. Comments also emphasized the importance of local control of land use on district owned lands.

¹ Created by the State legislature in 1963, the Local Agency Formation Commission (LAFCo) is a State-mandated, independent commission with countywide jurisdiction over the boundaries and organization of cities and special districts including annexations, detachments, incorporations, formations, consolidations and dissolutions. A fact sheet on LAFCo is attached to this report.

On February 8, 2006 a draft municipal service review for LTCWD was circulated for review and public comment. The report was posted on the LAFCo website and an announcement of the availability of the report and a community scoping meeting were published in the Menlo Park Almanac. The District Board also distributed the draft report via the e-mail distribution lists for the two neighborhood associations included in District boundaries. LAFCo staff mailed the report to the property owners in the Blue Oaks subdivision annexed to the District in 1997. Because there is no public meeting place located in the area served by Los Trancos County Water District, a community scoping session was held at the Portola Valley Town Center on March 2, 2006.

Since distribution of the draft report and the community meeting with approximately 50 residents in attendance, LAFCo has received extensive comment including an updated response to the service review from the Board of the Los Trancos County Water District. The following report and recommended determinations incorporate this input.

Los Trancos County Water District

Los Trancos County Water District (LTCWD) was formed in 1954 pursuant to State Water Code Section 30000² in order to improve water service to a portion of Los Trancos Woods, an unincorporated area now in the sphere of influence of the Town of Portola Valley. Subsequent annexations included the balance of Los Trancos Woods and Vista Verde, and other areas including the Blue Oaks Subdivision in the Town of Portola Valley. District territory is generally located west of I-280 and bounded by Alpine Road and the Santa Clara County boundary. Please see map labeled attachment B.

In 1985 the Commission adopted a "zero" sphere of influence for the District indicating that the District could be dissolved and service transferred to the Town of Portola Valley³. In 1997, the Blue Oaks Subdivision was annexed to the Water District without amending the sphere of influence because the Commission found that annexation would not preclude implementation of the zero sphere of influence. Since the sphere of influence determination, little or

² Section 30000 of State Water Code provides for provision of water, sanitary sewer, garbage collection, fire protection and recreation services related to district owned lands

³ The Draft report incorrectly stated that the sphere designation was zero with a finding that CalWater should assume the service of the District. District comments address other issues that would be more appropriately addressed in the actual sphere of influence review.

no activity has taken place in regard to annexation of Los Trancos Woods to the Town of Portola Valley; however increasing wholesale water cost to provide water to a small service area resulted in the District selling the water system to California Water Service Company (CalWater)⁴ in April of 2005 and including the District's 278 connections in the CalWater Service Area of over 17,000 connections. The Los Trancos County Water District no longer owns or operates a water system or has authority to set rates.

In regard to other service providers and spheres of influence, territory in Los Trancos County Water District service area includes a portion of the Town of Portola Valley with most of the balance adjacent to and in the sphere of influence of the Town of Portola Valley. It is in the boundaries of Woodside Fire Protection District, Midpeninsula Regional Open Space District (MROSD), San Francisquito Creek Flood Control Zone No. 2, San Mateo County Mosquito Abatement District, San Mateo County Harbor District, and Portola Valley Elementary, Sequoia High School and San Mateo Community College Districts. All of the area is in the sphere of influence of West Bay Sanitary District (WBSD) and sixty parcels in lower Los Trancos Woods were recently annexed to WBSD.

The table on the following page provides an overview of Los Trancos County Water District.

⁴ CalWater is an investor owned water company. It is not a special district and is therefore not subject to the CKH Act requirements for municipal service and sphere of influence review or LAFCo boundary regulation. For more information on water agencies in San Mateo County please see

LOS TRANCOS COUNTY WATER DISTRICT

112 Foxwood Road
Portola Valley, CA 94028

Contact Person: David Smernoff

650/851-9202 FAX 650/851-9292
Website: www.vistaverdeca.org

Date of Formation: December 22, 1954

Enabling Legislation: Section 30000 State Water Code

Governing Board: Five-member board of directors elected to four-year terms

- a. Membership and Term Expiration Date: Stanley Gage (11/07), Perry Blackman (11/09), Frazer Miller (11/09), Charles Krenz (11/07), David Smernoff (11/09)
- b. Compensation: None
- c. Public Meetings: First Thursday of the month at 7:30 p.m.
25 Joaquin Rd., Portola Valley
(Unincorp.Vista Verde)

Services Provided: As of April 29, 2005, the District sold the water distribution system to the California Water Company.

District Unincorporated Los Trancos Estimated Population: 1,064
Boundaries: Woods/Vista Verde area south of
Portola Valley and Blue Oaks
Subdivision in Town of Portola Valley

Contractual Arrangements: Contractual arrangements for legal counsel and accounting
Number of Personnel: None
Sphere of Influence: Zero

Fiscal Data

Revenues:

	<u>Actual</u> <u>2003-04</u>	<u>Adopted</u> <u>2004-05</u>	<u>Adopted</u> <u>2005-2006</u>
Property Tax	157,000	109,000	130,000
Fees for Service	254,000	260,000	
Other Revenues	34,000	37,000	6,000
TOTAL REVENUES	\$445,000	\$406,000	\$136,000

Expenditures:

Personnel Services			
Services and Supplies			
Fixed Assets			
Other Expenditures			
TOTAL EXPENDITURES	\$612,000	\$318,000	\$157,950⁵

⁵ Includes one –time expenditure (80,000)

Service review criteria as set forth in Government Code Section 56430 are examined below.

(1) Infrastructure needs or deficiencies

The District's initial response to the service review indicates that it no longer owns water facilities/infrastructure since the sale of water system to CalWater and the District wishes to divest itself of three parcels of real estate. These parcels include:

- Parcel 1 is a 10,000 square foot (0.23 acre) parcel located on Los Trancos Creek below Ramona road, formerly the site of pump station. The District indicates that CalWater has expressed interest as a site to pump water from the Creek and the District has offered CalWater right of first refusal on the property.
- Parcel 2 is a 3.78 acre parcel located along Lake Road. It was formally a reservoir and drained in the 70's and includes an old District storage shed.
- Parcel 3 is a 1.72 acre parcel located along Lake Road and Old Spanish Trail and includes a lake previously used as a reservoir with approximately 1 million gallon capacity. This lake/reservoir along with the former reservoir on Parcel 2 used to be filled by pumping from Los Trancos Creek. However, water has not been pumped from the Creek since the 1970's. The District indicates that the lake fills seasonally in part from underground springs and in part from rainfall.

The draft service review included supplemental comments from the District regarding interest in the community for park and recreation services on properties owned by the District. Subsequent District comment following community feedback at the March 2 community meeting indicated that park and recreation services are only one of more than fifteen options being considered for the fate of District owned property. The Board has not committed to any outcome and believes it is best able to address the desires of the community as to disposition of the lands. Written correspondence and verbal comments at the March 2 community meeting appeared to favor open space and passive recreation uses on District owned land.

(2) Growth and population projections for the affected area.

The LTCWD territory includes residential area with an estimated population of 1,064. The Los Trancos/Vista Verde area includes 45 undeveloped parcels. Without site-specific analysis of each parcel, assuming one home per parcel with an average household size of 2.58 persons, at build-out the population could grow by 116 persons when all parcels are developed. Blue Oaks Subdivision includes 16 vacant parcels with projected growth at 41, for total estimated population at build out of 1,196.

Following updated comments on the draft service review, the District provided a copy of a 2002 water demand study funded by the District and reviewed by the San Mateo County Planning Department that projected the full build out population of the District to be 1,400. This study assumed an unlikely scenario that all of the Los Trancos Woods would be annexed to West Bay Sanitary District by 2012. To date an annexation of sixty parcels, including two undeveloped parcels, to the West Bay Sanitary District is still pending sewer construction. Annexation of upper Los Trancos Woods would require separate environmental analysis and application to LAFCo.

(3) Financing constraints and opportunities

Budget:

The District's 2005/06 Fiscal year budget is summarized in the table below:

Los Trancos Water District Budget 2005-2006	
Revenue	
Property tax	\$130,000
Interest/other	6,000
Total	\$136,000
Expenditures	
Maintenance/Other (Hubbard)	\$87,000
Insurance	18,000
Audit-Legal	14,000
Office Expense	3,500
Rebates	\$35,450
Total Expenditures	\$157,950
Total Cash (As of July, 2005)	\$246,761

The 2005-2006 budget includes contract expenditures related to water district operations prior to the sale of the system to CalWater. Estimated on-going expenditures without water system

maintenance expenditures are \$35,500 for insurance, legal etc. and \$35,450 for rebates to water customers for a total of \$70,950.

Property Tax Revenue:

Since implementation of Proposition 13, LTCWD, like most other enterprise districts in the State, has received a share of the 1% property tax in addition to enterprise revenues from user fees. As illustrated in the budget, virtually all revenue received by the District is property tax revenue. Prior to transfer of the water system to CalWater, property tax revenue comprised 26% of the district's total revenues offsetting the cost of providing water. Property tax revenues of other water districts in San Mateo County range from 1% to 9%. In the cases of the two enterprise districts in the county which provide park and recreation services, Ladera and Highlands Recreation Districts, property tax revenues as percent of total revenues are 9% and 12%, respectively. LTCWD does not receive a share of property tax revenues from annexations that occurred since Proposition 13, which includes the Blue Oaks Subdivision. Property tax transfers typically apply where there is a transfer of service non-enterprise service responsibility from one entity to another.

In essence, Proposition 13 changed special district funding in that enterprise districts lost the ability to raise revenue through user charges and fees other than the limited property tax that was distributed to enterprise districts when Proposition 13 was implemented. Government Code Section 16270 states: *The Legislature finds and declares that many special districts have the ability to raise revenue through user charges and fees and that their ability to raise revenue directly from the property tax for district operations has been eliminated by Article XIII A of the California Constitution. It is the intent of the Legislature that such districts rely on user fees and charges for raising revenue due to the lack of the availability of property tax revenues after the 1978-79 fiscal year. Such districts are encouraged to begin the transition to user fees and charges during the 1978-79 fiscal year.*

Fund Balance

Fund balance of the District (cash on hand) is reported at \$246,761 as of July 2005.

Rebates:

The District's Adopted 2005/06 Budget includes \$130,000 in property tax revenue and total revenue of \$136,000. Upon sale of the water system, the District instituted a rebate program in which property tax revenues that continue to be collected by the District are used to rebate CalWater ratepayers a fixed amount of \$10.00 per month plus \$0.10 per unit of water purchased. The Board recently voted to increase the rebate to \$12.00 per month plus \$1.00 per unit of water. The rebate program is implemented via an agreement between the District and CalWater in which CalWater receives revenue from the District to be applied to be credited to the water bill of each CalWater customer of property within Los Trancos County Water district that contributes property tax to the District.

Debt:

The District March 6 comments note that it has a contractual long-term debt obligation to the developers of Blue Oaks for \$617,000 for infrastructure upgrades to be paid over a period of approximately 60 years once Blue Oaks is built out. The District notes that this is a debt that should be born by the District and not passed to the County. The District cites a total debt of \$750,000 which also includes California Statewide water bonds.

(4) Cost avoidance opportunities

In selling the water system to CalWater, the District eliminated the costs associated with operating and maintaining a water system. The District continues to bear the costs of insurance, legal services, elections and other costs associated with the existence of a government agency.

The District states that it is a cost-effective governmental agency which plans to continue the already low costs of operations, noting that insurance, legal, elections and other expenses are within the financial capacity of the district and are decreasing as the District adjusts its scope of service as well as through anticipated savings through competitive bidding for services and volunteer provided services. LTCWD notes that adjustments to the water rebate structure are possible to cover long-term debts or other programmatic changes agreed to by the constituents and Board.

(5) Opportunities for rate restructuring

The District no longer owns the water system and therefore no longer has rate setting authority. Prior to sale of the system, the District's adopted rate schedule was consistent with best practices of water agencies, in that it encouraged conservation through a tiered system of water rates which discouraged consumption and rewarded conservation. With the sale of the system, the District achieved a rate reduction for Los Trancos County Water District customers by the sale of the system and inclusion of the 278 Los Trancos ratepayers in the CalWater service area of over 17,000 customers. The following table compares water rates prior to and after the sale of the Los Trancos water system to CalWater in April 2005. Average use is based on Bay Area Water Supply and Conservation Agency (BAWSCA) Annual Survey (FY 2003-2004).⁶ CalWater rates for Los Trancos after the sale do not include District rebates which are applied as credits to Los Trancos bills.

Agency/ Av Cost per Unit per Bill/ Average Use	Billing Cycle	Service Charge	Rate per ccf ⁷	Rate Blocks	Total Monthly Bill Average	Remarks
Los Trancos Warm (Dry) Season \$2.18 16 units	Monthly	\$25.00	\$2.18 \$3.27 \$3.92 \$4.36 \$5.45 \$10.90 \$21.80	0-20 21-50 51-80 81-100 101-120 121-150 Over 150	\$59.88	May-Nov
Los Trancos Warm - Blue Oaks	Monthly	\$50.00	Same	Same	\$84.98	Same
Los Trancos Cool (Wet) Season \$2.18 16 units	Monthly	\$25.00	\$2.18 \$3.27 \$3.92 \$4.36 \$5.45 \$10.90 \$21.80	0-20 21-50 51-80 81-100 101-120 121-150 Over 150	\$59.88	Dec-April
Los Trancos Cool - Blue Oaks	Monthly	\$50.00	Same	Same	\$84.98	Same
CalWater Bear Gulch District \$2.3541 27 units average in Bear Gulch	Monthly	\$11.25	\$2.3541	None	\$75.31	Effective 1/12/04
CalWater Bear Gulch <u>applied to Los Trancos average of 16 units at time of sale</u>	Monthly	\$11.25	\$2.3541	None	\$48.91	Effective Upon sale of system
CalWater rates applicable July 1, 2005 applied to Los Trancos Average of 16 units	Monthly	\$12.15	2.4026	None	\$50.49	Effective July 1, 2005

⁶ Based on Bay Area Water & Conservation Agency (BAWSCA) Annual Survey for FY 2003-04, of the 17 BAWSCA members in San Mateo County, 8 agencies bill on a service charge plus tiered rate per ccf (rate blocks) basis and the balance charge a service charge plus a flat rate per ccf. The survey shows that monthly *service charges* range from \$3.00 to \$34.98, average costs *per unit* range from \$1.57 to \$6.07 and average *monthly bills* range from \$17.82 to \$111.15.

⁷ CCF stands for 100 cubic feet or 748 gallons. This is also often referred to simply as "units" of water.

Rate setting by CalWater is subject to regulation by the California Public Utilities Commission (CPUC). CalWater has a pending application before the CPUC that could result in a rate increase effective July 1, 2006, however it is not anticipated that the increase would bring rates up to what they were for Los Trancos rate payers prior to the sale to CalWater.

As noted previously, LTCWD currently provides rebates to CalWater ratepayers within district boundaries to offset water fees charged by California Water Service Company. The current rebate amount is \$12.00 per month plus \$1.00 per unit of water. Based on the average of 16 units cited by BASCWA, this translates to an average monthly rebate of \$28.00 per customer with rebates being greater based on greater consumption, conflicting with prior rate programs encouraging conservation.

The LTCWD March 6 response states that District residents are able to advocate for rebate rate restructuring to accomplish other District activities and the District could adjust rebates to finance other activities when if they additional services are approved by LAFCo. LTCWD states that such opportunity would be lost if current District revenues reverted to the County, stating that County staff time to develop and implement such programs could consume much of the revenue stream leaving little for program implementation.

(6) Opportunities for shared facilities.

As noted above, the District does not own or operate water facilities.

LTCWD comments that the District is reviewing land use options for district owned lands and has contacted logical partners including MROSD, County Real Property, Town of Portola Valley, Peninsula Open Space Trust (POST) and Woodside Fire Districts. Thus far the effort has not resulted in consideration by the Boards of these agencies. The District states that it can more fully explore land use explorations because it is volunteer-driven and less costly than County staff services. The District notes that if the District were dissolved, the County would bear the cost of maintaining the lake and other lands currently maintained by the District.

For the purpose of this report, opportunities for shared facilities relate closely to government structure options, various facility sharing opportunities are addressed in Item 7 below.

(7) Government structure options, including advantages and disadvantages of consolidation or reorganization of service providers.

While comments thus far indicate strong support for continuance of the District with interest in maintaining district owned lands in an undeveloped state (land stewardship), LAFCo is required to consider governance alternatives and examine whether identified services can be provided under an alternative governance model. This section in a municipal service review does not represent a proposal to dissolve or reorganize an agency, rather to identify alternatives.

And as noted above, the District has indicated that appropriate use of District owned land to best serve the community is being examined very broadly by the Board. LAFCo staff notes that neither LAFCo nor the District are land use agencies, and LAFCo in approving a reorganization proposal is prohibited from setting conditions that regulate land use. LAFCo can condition approval of organizational change on transfer of assets and execution of agreements between agencies.

Based on the foregoing, and based on lack of consensus or demonstration of demonstrated need for active park and recreation service that would be provided by a newly reorganized park and recreation provider, this section explores: a) Continued existence of the District to provide for water conservation and emergency preparedness, with or without park and recreation (including passive recreation) on District owned lands; b) Dissolution of the District with or without provisions to transfer District assets to a successor agency to achieve community goals of maintaining lands in open space/passive recreation use with possibility of maintaining lake/reservoir as potential emergency water source (land stewardship).

As noted in the draft report, initiation of park and recreation powers or reorganization to provide significant park and recreation services would require fiscal feasibility and environmental analysis, which are not within the scope of this study.

Continuation with or without Limited Recreation/Open Space

As noted above, water district enabling legislation authorizes a water district to provide park and recreation services related to facilities owned by the District. There appears to be no consensus by the Board or the community regarding the level of service but based on the characteristics of the property owned by the District and the surrounding land uses, absent a special study, potential uses appear to consist of trails, limited benches and possible limited play structures. The lake/reservoir is considered a natural resource but also poses a hazards in regard to visitor serving uses. Other park and recreation providers in the area include the San Mateo County Park and Recreation Division and the Midpeninsula Regional Open Space District (MROSD). San Mateo County Park and Recreation Division serves the regional park and recreation need of unincorporated areas of San Mateo County and provides passive park and recreation needs by providing Parks and areas for picnics and camping, as well as trails. The nearest County parks to Los Trancos Woods Community include Huddart and Wunderlich Parks. MROSD focuses on passive recreation including trails for hiking. The nearest MROSD preserves are Windy Hill Open Space Preserve and Coal Creek Open Space Preserve. Town of Portola Valley owns open space lands immediately adjacent to LTCWD's parcel with the lake/reservoir.

Continued existence with activation of limited recreation/open space

If LTCWD were to activate the powers of park and recreation as permitted as a water agency it would be necessary to apply to LAFCo for activation. Government Code Section 56824.10 outlines a process by which a special district can apply to LAFCo and requires a plan for service with information on the estimated cost to provide service, alternative providers of the service, a plan for financing service and alternatives to the proposed service plan. In addition, environmental review would be necessary to comply with the California Environmental Quality Act (CEQA).

Advantages of this alternative are that the District indicates it would continue the rebate program, water conservation programs, and emergency preparedness regarding water while maintaining local control over District owned lands. Disadvantages include the cost of preparing a plan for open space or limited recreational use of District owned lands, application to LAFCo and environmental review for provision of relatively limited services, potential opposition from property owners adjacent to lands proposed for

potential new services/activities, insurance liability and ongoing operating cost of maintaining District owned lands as visitor serving or passive recreation when other agencies serving the area are capable of providing this service.

Continued existence of District without limited recreational/ open space services

Under this alternative, the District would continue to collect property tax revenue, issue rebates, and focus on water conservation and emergency preparedness related to water service in LTCWD boundaries and District-owned lands would be maintained in their current state. An advantage for water users as long as Board policy does not change regarding rebates or district owned lands, as expressed by many commenting on the service review, would be continued use of property tax to fund water rebates and no change in the use of District-owned lands. A clear disadvantage is that property tax would be used to rebate already reduced water rates instead of using them to fund a community need for which fees may not otherwise be collected or for services of more general public benefit provided by the County.

Dissolution with or without provisions to transfer District lands to successor agency for purpose of land stewardship

The District has identified a potential for sharing facilities with public agencies such as the MROSD, Woodside Fire Protection District and the Town of Portola Valley. To date no formal proposal has been considered by any of the affected agencies. LTCWD might consider dissolution with a provision to transfer district lands to one or more of these agencies with a provision that the successor to the land serve as steward of the lands. This alternative could be designed in a manner to address the LTCWD constituents concerns about the lands remaining undeveloped and in a natural state. In this scenario, an argument could be made for transfer of District property tax to a successor agency to fund transfer of service responsibility. This alternative takes advantage of cost savings of agency that already manages land, eliminates initial and on-going costs for the LTCWD to provide services and achieves the goal of land stewardship. A disadvantage of this scenario would be that rebates would end. However, ratepayers are already benefiting from CalWater's lower rates.

While it is not a welcomed proposal to the District or constituents, given that the District is collecting property tax originally intended to provide a service the District no longer

provides, LAFCo consideration is also logically given to dissolution of the district and establishment of the County of San Mateo as successor agency to wind up the affairs of the District, including the payment of long term debt and disposition of district assets. This process worked successfully in the case of the County of San Mateo's application to LAFCo to dissolve the County-governed Palomar Park County Water District. In this case, the County of San Mateo determined that it was not feasible to operate a small water system based on increasing wholesale water costs and newly established State Health regulations and County requested LAFCo approval to dissolve the district conditioned upon execution of an agreement of sale to CalWater. Similarly the County of San Mateo applied to LAFCo to dissolve the East Palo Alto Water District serving portions of East Palo Alto and Menlo Park, conditioned upon transfer of the system to the respective cities.

(8) **Evaluation of management efficiencies.**

This section examines the ability of an agency to provide efficient and effective service by meeting service demands and maintaining adequate staffing levels given the resources available.

The District has no employees. District Board Members volunteer their time to manage the affairs of the District. The District retains a bookkeeper, auditing firm and an attorney as needed. The District comments that it can also rely on volunteers for other services. The District cites use of the Community Association Website noting that this saves the District time and money and keeps the community affairs in a single, well-used resource.

(9) **Local accountability and governance.**

This section examines the degree to which an agency keeps affected residents informed/educated about district services, budget, programs, anticipated changes in service, degree of effectiveness of the district in responding to requests for information and the degree to which the district encourages public participation in decision making.

As noted above, the District has a five-member Board elected by district voters. District meetings are held monthly at the home of a Board Member, with an agenda prepared and circulated prior. The District uses the Vista Verde Neighborhood Association website (www.vistaverdeca.org). The District adopts a budget annually.

The District's March 6 comments cite high voter turnout for the November LTCWD Board election especially related to land use. District comments cite the interest of the Board in maintaining a high level of community involvement. The Board also indicates that it is committed to pursuing only services that have the broad support of the community.

Correspondence and verbal comments at the community-scoping meeting for the draft service review indicated a high level of responsiveness and accountability by the District.

Conclusion

The Municipal Service Review is a process in which determinations are made regarding adequacies or deficiencies in service, cost effectiveness and efficiency, government structure options and local accountability. The process for the Los Trancos County Water District Service Review has included substantial input and comment from the District and constituents and a community meeting with spirited testimony and discussion about community needs. While there is not consensus about specific use of publicly owned lands, the process has identified community values and goals that favor open space and preservation of the community's rural, wooded character and programs for enhanced emergency preparedness and conservation. The following recommended determinations address the required determinations LAFCo must make regarding service provided by the District and where possible, address these community values and goals.

**Recommended LAFCo Determinations Pursuant to Government Code
Section 56430:**

1. Regarding infrastructure needs and deficiencies, the Commission determines:
 - a) Los Trancos County Water appropriately upgraded and transferred water system infrastructure to California Water Service Company to benefit long term needs of the community.
 - b) Land owned by the District are in an unimproved state and would require yet to be determined improvements to serve either as an emergency source of water or facilities for passive recreation.

2. Regarding growth and population projections for the affected area, the Commission determines:
 - a) Projected population growth estimates for build-out of the community range from 1,196 to 1,400 persons and are dependent upon sewer infrastructure and discretionary approvals by the land use jurisdictions.
 - b) Because the District no longer operates or owns the water system, it is not responsible for meeting water service demands of current and projected growth of resident population.
 - c) The rural residential nature of the community and growth projections do not indicate a substantial increase in demand for other services.

3. Regarding financial constraints and opportunities, the Commission determines:
 - a) Water rebates benefiting Los Trancos customers of California Water Service Company detract from the District's ability to fund other services it might be able to provide and from the ability to pay down existing debt.
 - b) Use of property tax to provide rebates competes with other potential use of property tax to fund services that might benefit the broader community.

4. Regarding cost avoidance opportunities, the Commission determines:
 - a) The Los Trancos County Water District's action to sell the water system to California Water Service Company effectively reduced current and future costs to ratepayers.

5. Regarding opportunities for rate restructuring, the Commission determines:
 - a) As noted above, the District successfully achieved beneficial rate restructuring by sale of the water system to California Water Service Company resulting in the District's small customer base of 278 being included in CalWater's urban sized water base of 17,000.

6. In regard to Opportunities for shared facilities, the Commission determines:
 - a) Opportunities exist to partner with Town of Portola Valley, Midpeninsula Regional Open Space District and the Woodside Fire Protection District in pursuing goals of land stewardship and these agencies also have the potential to respond to other identified needs such as emergency preparedness and passive recreation.

7. In regard to government structure options, including the advantages and disadvantages of consolidation or reorganization of service providers, the Commission determines:
 - a) A district that no longer delivers the service for which it was formed and collects property tax that is no longer needed to fund services should consider dissolution.
 - b) Because dissolution can result in disposition of District lands to achieve the stated goals of land stewardship, the District is encouraged to actively pursue this outcome with potential successor agencies.
 - c) Continued existence of the district should include consideration of a sunset date for use of property tax as rebates in order to either fund necessary services the district is authorized to provide and eliminate outstanding debt.

8. Regarding evaluation of management efficiencies, the Commission determines:
 - a) Through the volunteer efforts of dedicated Board Members the district achieves substantial efficiency by eliminating costs of management and staff.
 - b) Further efficiencies can be examined by the District including transfer of land management/stewardship responsibilities either through a contractual arrangement or a potential successor agency.

9. Regarding local accountability and governance, the Commission determines:
 - a) Correspondence and verbal comments on the draft service review indicate satisfaction with District accountability and governance.
 - b) The Brown Act permits public agencies to meet outside their boundaries if no public meeting place exists within district boundaries. Based on attendance of over 50 persons at the Community Scoping Meeting and the level of interest in District activities, the Board is encouraged hold public meetings at the public meeting location closest to district boundaries.