

Draft Municipal Service Review
Los Trancos County Water District
February 8, 2006

Introduction

This draft municipal service review for the Los Trancos County Water District is being circulated for review and public comment prior to consideration by the San Mateo Local Agency Formation Commission. Affected agencies, residents, property owners and interested individuals and groups are encouraged to participate in the municipal service review process.

Community Scoping Session

There will be a community scoping session concerning the draft service review at the following time and location.

When: Thursday, March 2, 2006 at 7:00 p.m.
Where: Historic School House, Portola Valley Town Center,
765 Portola Road, Portola Valley

This draft report is also available on line at www.sanmateolafco.org. Comments or inquiries may be submitted at the community meeting or to the following address by March 3, 2006:

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Introduction

This draft municipal service review for the Los Trancos County Water District is being completed as required by Government Code Section 56430. Section 56430 requires that in order to prepare and update spheres of influence in accordance with Section 56425, the Local Agency Formation Commission 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. Following public input on a draft service review, LAFCo staff will prepare recommended determinations for Commission consideration at a public hearing. Once adopted, service review determinations are used in adopting or amending a sphere of influence.

Local Agency Formation Commission (LAFCo)

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. LAFCo adopts sphere of influence as plans for probable boundaries of cities and special districts. LAFCo operates pursuant to the Cortese Knox Hertzberg Local Government Reorganization Act of 2000 (Government Code Section 56000 and 57000 et seq.) LAFCo has two members of the Board of Supervisors, two city council members of the cities in the county, two directors of independent special districts in the county, a public member, and four alternate members (county, city, special district and public). As an independent commission, LAFCo adopts its own budget and contracts with the County of San Mateo for staff, facilities and legal counsel. The Executive Officer serves in the administrative capacity, which includes staff review of each proposal, municipal service reviews and sphere of influence studies and assistance to local agencies and the public. LAFCo's net operating budget is apportioned in thirds to the County of San Mateo, the 20 cities and the 24 independent special districts. For additional information on LAFCo please visit www.sanmateolafco.org.

Los Trancos County Water District

Los Trancos County Water District (LTCWD) was formed in 1954 pursuant to State Water Code Section 30000¹ 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. In 1985 LAFCo adopted a zero sphere of influence for the District indicating that the District could be dissolved and service transferred to California Water Service Company, which served surrounding areas. Most recently, the District reports: "As of the April 29, 2005 sale of the District's water distribution assets to the California Water Service Company, the District is a) Using revenues available to the District to provide rebates to District customers that will serve to offset the rising cost of water in the District and b) Acting as stewards of 3 parcels of District real estate which were not included in the sale to Cal Water." The District board indicates an interest in providing park services ranging from low level park use such as open space/picnic benches, intermediate park use with grass, play structures, park benches, fences, or full blown recreation center with enclosed structures for meetings and indoor recreational activities.

California Water Service Company (CalWater)² is an investor-owned public utility supplying water service in many areas of California, including portions of San Mateo County. Calwater's service area in southern San Mateo County includes Bear Gulch District serving Atherton, Portola Valley, Los Trancos Woods/Vista Verde, Woodside, Portions of Menlo Park, West Menlo, Ladera, North Fair Oaks and Menlo Oaks. Upon sale of the Los Trancos County Water District system to Calwater, the District's service area was added to the Bear Gulch service area and Los Trancos County Water District no longer provides water service or sets the water rates. The following table provides an overview of Los Trancos County Water District.

¹ 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

² Calwater 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.

LOS TRANCOS COUNTY DISTRICT

112 Foxwood Road
 Portola Valley, CA 94028

Contact Person: David Smernoff

650/851-9202 FAX 650/
 Website: None

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, Portola Valley (Unincorp. Los Trancos Woods)

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

District boundaries: Unincorporated Los Trancos Woods/Vista Verde area south of Portola Valley and Blue Oaks Subdivision in Town of Portola Valley

Estimated Population: 1,064

Contractual Arrangements: None
 Number of Personnel: None
 Sphere of Influence: Zero

Fiscal Data

Revenues:

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

Expenditures:

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

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 has any physical 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 Lo Los Trancos Creek below Ramona road, formerly used as pump station. The District indicates that Calwater has expressed interest as a site to potentially 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 reservoir of approximately 1 million gallon capacity. This reservoir along with the former reservoir on Parcel 2 used to be filled by pumped from Los Trancos Creek. However, water has not been pumped from the Creek since the 1970's. The District indicates that this reservoir currently fills seasonally in part from underground springs and in part from rainfall. The District is currently attempting to determine if the is natural or manmade.

Supplemental comments from the District state that the District is considering provision of park and recreation services on properties owned by the District. Currently the District has no park facilities/infrastructure and no study has been done about the feasibility of locating park and recreation services on District owned land or how such services would be financed. Such a study would include evaluation of community support for park and recreation facilities, analysis of park and recreation uses permitted by current zoning on District owned lands, financing sources for construction and operation of park and recreation facilities and services, alternative methods to provide services and environmental review of such a project.

(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, and instead assuming one home per parcel and an average household size in the area of 2.58, at build-out the population could grow by 116 when all parcels are developed. Blue Oaks Subdivision includes 16 vacant parcels with projected growth at 41.

(3) **Financing constraints and opportunities**

Since implementation of Proposition 13, the District has received a share of the 1% property tax in addition to enterprise revenues from water fees. However, the District does not receive a share of property tax revenues from annexations that occurred since Proposition 13, which includes the Blue Oaks Subdivision. As reported by the San Mateo County Controller, the District's property tax revenue, net of ERAF³ adjustments for the 2004/05 fiscal year was \$144,981. The District's Adopted 2005/06 Budget includes \$130,000 in property tax revenue and total revenues of \$136,000. Fund balance of the District (cash on hand) is reported at \$246,761 as of July, 2005. 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 to be used to rebate CalWater rate payers a fixed amount of \$10.00 per month plus \$0.10 per unit of water purchased.

³ ERAF is the Educational Revenue Augmentation Fund to which the County as an agent for the State of California and based on a formula, shifts agency property tax revenue for distribution to local schools.

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

(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 existence of a government agency.

(5) Opportunities for rate restructuring

The District no longer owns the water system and therefore no longer has rate setting authority. In regard to water rates set by CalWater, the Los Trancos County Water District currently provides rebates to CalWater rate payers within district boundaries to offset water fees charged by California Water Service Company.

(6) Opportunities for shared facilities.

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

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

For the purposes of this report, government structure options include: a) continued existence of the District for the purpose of provision of park and recreation services by activating park and recreation services under water code enabling legislation and b) dissolution of the District including divestiture of district owned real estate. As noted below, initiation of park and recreation powers or reorganization as a park and recreation district would require fiscal feasibility and environmental analysis, which are not within the scope of this study.

Continuation with Park and Recreation Provision

In regard to park and recreation services, as noted above, water district enabling legislation authorizes park and recreation services related to facilities owned by the district. The initial park and recreation service proposals suggested by the District range from low level park use with open space and park benches; intermediate park use with grass, play structures, park benches, fences, etc.; and complete recreation center with enclosed structures for meetings and indoor recreational activities.

Other park and recreation providers in the area include the San Mateo County Park and Recreation Department and the Midpeninsula Regional Open Space District (MROSD). San Mateo County Park and Recreation Department 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. San Mateo County Parks Department does not provide programs such as recreation centers, sports fields or youth athletic programs. The nearest County parks to Los Trancos Woods Community include Huddart and Wunderlich Parks. Midpeninsula Regional Open Space District focuses on passive recreation including trails for hiking. The nearest MROSD preserve is Windy Hill Open Space preserve with entrances on Alpine Road and Portola Road.

An alternative model for a neighborhood park in the Los Trancos Community is the example of the Fair Oaks Community Playground, in which San Francisco Water Department leases land to the Fair Oaks Beautification Association (FOBA) and the Association, with

grant funding and volunteers, constructed and maintains a neighborhood mini-park including a small sport court, lawn area, play structures and picnic table/benches. Given that a neighborhood association is active in the Los Trancos Community and the District has vacant parcels in the area, the Fair Oaks Community Park model may be a viable organizational alternative for limited park services in the community (see dissolution discussion below).

If the Water District were to activate the powers of park and recreation to provide services outlined in the District's service review comments, it would be necessary to apply to LAFCo for activation. As set forth in Article 1.5 of the Cortese Knox Hertzberg Act, any special district proposing new or different services (powers authorized under special district enabling legislation but not actually provided) must apply to LAFCo for approval. Article 1.5 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. Application to LAFCo would also be required if the community wishes to pursue park and recreation services via a reorganized community services district or park and recreation district. In addition, environmental review would be necessary to comply with the California Environmental Quality Act (CEQA).

Dissolution of Los Trancos County Water District

The effects of a dissolution are governed by Government Code Sections 57450-57463. If a district is dissolved, corporate powers cease on the effective date of dissolution and in the case of the Los Trancos County Water District, the County of San Mateo would become successor agency for winding up the affairs of the district, including payment of long term debt. Upon dissolution, property tax revenues would be transferred to the County of San Mateo and pursuant to Section 57457, assets (real property) would be distributed to the county if located in unincorporated area or to a city if located in a city. Assets such as personal properties including cash on hand or due to the agency but uncollected would be distributed to the county and affected city sharing the territory in the proportion that the assessed value of the taxable property of the dissolved district located in the city or the county bears to the total assessed value of all taxable property within the dissolved district. Once assets have been used for winding up the affairs of a

district and after distribution to the county or a city, Section 57463 stipulates that, so far as may be practicable, funds, money and property shall be used for the benefit of the lands, inhabitants and taxpayers within the territory of the dissolved districts. In this respect, following the model of the Fair Oaks Community Park cited above, dissolution of the District might facilitate use of the assets of the dissolved district for the purpose of limited recreation facilities to benefit residents of the dissolved district.

(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.

(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, effectiveness of the district in responding to requests for information and the degree to which the district encourages public participation in decision making. As a special district, the District is subject to the Ralph M. Brown Act governing public meetings. As noted above, the District has a five-member board elected by district voters. District meetings are held every month at the home of the board president, with an agenda prepared and circulated prior. The District does not currently maintain a website. The District does take advantage of a neighborhood association website. The District adopts a budget annually.

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

To be prepared following receipt of comments from the District, affected agencies and residents and interested parties. Comments or questions may be submitted at the community meeting to be held on February 23, 2006 at 7:00 p.m. at the Historic School House, 765 Portola Road, Portola Valley, or may be submitted in writing by February 27, 2006 to:

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