



**MINUTES
BOARD OF DIRECTORS
SAN LORENZO VALLEY WATER
DISTRICT
February 4, 2021**

Thursday, February 4, 2021, at 5:30 p.m., via videoconference and teleconference.

1. Convene Meeting 5:30 p.m.
Roll Call: Pres. Mahood, V. P. Henry, Directors Fultz, Smolley and To were all present.
Staff: R. Rogers-District Manager, G. Nicholls- District Counsel, and H. Hossack-District Secretary were also present.
2. Additions and Deletions to Closed Session Agenda: None
3. Oral Communications Regarding Items in Closed Session: None
4. Adjournment to Closed Session 5:33 p.m.
 - a. PUBLIC EMPLOYEE ANNUAL PERFORMANCE EVALUATION
Government Code Section 54957
Title: District Manager
5. Convene to Open Session at 6:30 p.m.
6. Report of Actions Taken in Closed Session:

Pres. Mahood reported out that the Board voted unanimously in favor of approving the District Manager's goals and objectives for 2021 which will be posted on the District website, subject to minor wording changes to be made by District Counsel.
7. Roll Call (Open Session): Pres. Mahood, Vice Pres. Henry, Directors Fultz, Smolley, and To were all present
Staff: R. Rogers, G. Nicholls, C. Blanchard-Environmental Planner, J. Furtado-Director of Operations, S. Hill-Director of Finance & Business Services, J. Wolff-Engineering Manager, H. Hossack
8. Additions and Deletions to Open Session: None
9. Oral Communications: None
10. Unfinished Business: None

11. New Business:

- a. EXPLORATION OF POSSIBLE CONSOLIDATION OF SAN LORENZO VALLEY WATER DISTRICT WITH SCOTTS VALLEY WATER DISTRICT

G. Mahood explained that a decision has not been made in this matter and the Board will not be taking any action on this agenda item tonight.

R. Rogers said that as the Board memo states, the managers from Scotts Valley Water and SLV Water meet regularly to discuss issues of mutual concern and to find ways to enhance the efficiency of both agencies. At a recent meeting the staff of Scotts Valley Water District suggested that there may be substantial benefits if the two agencies could be joined. San Lorenzo Valley Water District staff agreed and accordingly staff is seeking Board direction to proceed with exploring a possible consolidation. If the Boards of the 2 districts decide to move forward this will be a baby step in a long process. As a District Manager with a long history in the San Lorenzo Valley I feel strongly that the District should cautiously explore a possible consolidation of the 2 agencies. It is far from a done deal, there's a lot of work to be done. Tonight we expect that there will be more questions than answers. We look forward to working through the questions together. The 2 Districts haven't always seen eye to eye however, especially in recent years the Districts have partnered in lowering costs, improving system reliability, offering support during emergencies, and addressing groundwater aquifer levels. Scotts Valley was the lead agency in obtaining a grant for the installation of emergency interties throughout the San Lorenzo Valley and Scotts Valley with approximately \$4 million in grant funds for the District. In June of 2017 the Santa Margarita Groundwater Agency was formed. The 3 member agency was Scotts Valley, San Lorenzo Valley Water and the County are already working on a sustainable water supply where the Sustainable Groundwater Management Act of 2014, over-drafted groundwater basins need to be sustainable, managed, and must reach sustainability by 2042. The 2 Districts and the County have been working together to meet this requirement and attain a sustainable supply of groundwater. Recently we have partnered in our Urban Water Management Plan allowing cost savings with both Districts using one consultant. The 2 Districts are neighbors, both Districts use the same groundwater. It's a shared resource that must be managed sustainably. The San Lorenzo Valley and Scotts Valley Water Districts may be able to promote conservation more efficiently. If not the 2 Districts partnering together, than who? The Districts already share a common sphere of influence boundaries and it is the logical fit moving forward. The benefits of a possible consolidation haven't been worked out. There are some obvious advantages to the San Lorenzo Valley. Scotts Valley has a newer water system, well maintained and operated by a highly professional staff. Scotts Valley has made a significant investment in water conservation technology. Together the agencies could increase revenues, reduce costs, and benefit from each other's combined talents. There are a lot of questions that need to be addressed. Like you and the Board I have had many emails voicing concern. There are a lot of questions being asked and a lot non-factual information circulating through social media that also needs to be addressed. With every consolidation there are concerns that may be raised and should be raised.

Drinking water partnerships and consolidations can be very positive. As demonstrated with our consolidations with Felton and Lompico just to name a couple. Smaller public water districts like ours and Scotts Valley are often less resilient in natural disasters such as drought, fires, and difficulty adjusting to regulatory changes. We struggle with infrastructure maintenance, and replacement due to poor economies of scale and staffing. Tonight I have introduced this topic of consolidation and asking the Board to discuss whether the San Lorenzo Valley wants to explore the potential to consolidate with Scotts Valley. I believe there can be a lot of positive in this consolidation as there has been with Felton and Lompico. However, it has not been thoroughly explored nor has the public had a chance to comment. Next week at the regular Board of Directors meeting for Scotts Valley their directors will be kicking off the same process and asking the same questions. Both managers have invited Mr. Joe Serrano the Executive Director of LAFCO to provide a presentation about the lengthy and transparent process of consolidation. I'm asking the Board whether staff should proceed exploring with possible consolidation of the 2 Districts. This does not involve a commitment to consolidation. Only to examine and educate the Board and public to the benefits of consolidation. I want to be clear to the Board our top priorities are moving forward with the CZU Fire repair. The consolidation process will be a secondary priority. With that said I would like to introduce to the Board and public, Mr. Joe Serrano the Executive Officer of the Santa Cruz County LAFCO.

J. Serrano from LAFCO presented his PowerPoint on the consolidation process (see attached).

Discussion by the Board, staff and the presenter.

L. Palmer questioned if Joe Serrano is a paid person to help us consolidate who is the paid person to help us not consolidate? What are the differences in the numbers of people in each District? Why is this being discussed in the middle of COVID? Who's going to limit development in Scotts Valley?

R. Rogers said that the Valley always has some type of disaster or issue going on, there's never a perfect time. Water Districts cannot limit growth, that's the city and county planners. Scotts Valley groundwater stabilized in 2010. There is recovery in the basin.

J. Serrano answered that LAFCO is a state agency that has full authority of boundary changes. He is just here to provide information and he is unbiased.

R. Rogers added that water districts do review service applications for new buildings to determine if water is available.

J. Herrick said that she feels the concern for small unincorporated communities getting pushed out.

R. Rogers said that our Board will represent you.

J. Serrano said elections will be by district zones for fair representation in elections.

B. Thomas questioned if LAFCO has denied a consolidation.

J. Serrano replied that he has not seen a consolidation denied but he has seen them pulled from consideration before LAFCO.

R. Rubin suggested district rather than at large voting.

B. Hollenbeck she reminded the Board that residents have fought to not have high density housing and to protect our water resources.

R. Rogers doesn't believe that this will be a problem. We will continue to protect our water supply.

J. Mosher said he is concerned about the way the Board is presenting this to residents. Why now?

R. Rogers said that the Brown Act doesn't allow the Board to discuss the process except in a public meeting.

S. Herrick questioned why this is a negative rather than a positive vote. He wants to talk about the negatives.

R. Rogers said we don't know all of the pros and cons.

G. Mahood asked Rick to comment on the relative sizes of the Districts.

R. Rogers responded that Scotts Valley is about ½ the size of SLVWD.

A. Bradford said that she is concerned that her vote will matter less because of our property values.

J. Serrano explained that all registered voters have a vote. All landowners also have a vote.

B. Zent said that SLV is different than Scotts Valley. What's the benefit?

R. Rogers said that financial benefit is one. Water management and aquifer management is also a concern. We can combine our resources. We don't have all of the answers yet.

J. Serrano said that the public is raising really good questions. We can't answer the questions without doing an analysis.

J. Cucchiara said that this is the worst idea since the Pet Rock.

R. Albert said that he is an operator with SVWD. The merger is a short sighted measure. We need to look at a better way to move water around the County for better water security.

J. Martin asked for the number of registered voters in SLVWD and in Scotts Valley. She believes that Mr. Serrano said that the registered voters include renters and there is a separate vote that represents landowners, is that correct? The piece about the land valuation wasn't clearly explained. What is the amount of money that will be saved in consolidation?

R. Rogers repeated that we don't have all of the numbers yet. He doesn't know if this is a good idea yet.

T. To said that the County Elections website has the registers voters for each area.

B. Fultz said that at the last election SLVWD registered were 18,000 and Scotts Valley is half of that.

J. Serrano explained that the County Elections provides the registered voters in the Districts and that includes renters. We look at all of the parcels within the consolidation area and see the assessed value of the all of the parcels within the 2 Districts. The LAFCO website has the policy.

L. Henry noted that part of SLVWD is in Scotts Valley.

B. Holloway said that we have a water right to a share of the Loch Lomond water. Are we in danger of losing that water right? SLVWD owns a waste water system. Can that be shuffle off to the County before the merger takes place? He thinks this is a good fit for the Districts but he's not in favor of injection wells. He's concerned about neighborhood equity with this kind of merger.

R. Rogers said the District has always treated all customers equally.

Shar asked who brought the idea forward. She is concerned about the cost of consultants. Why now?

R. Rogers said that he meets with the District Manager on a regular and basis and at a recent meeting the Scotts Valley District Manager brought up the subject to him.

R. Brune said the she feels this merger would be the Board abdicating their responsibility to the District. We could lose our autonomy.

T. To noted that the SLVWD is about twice the size and population of Scotts Valley Water District.

R. Rogers explained that both Districts are Special Districts and the City and County has no control over them.

C. Dzendzel said that she is concerned that our District would be less vulnerable if all of our utilities were underground. Would the merger make the possibility of getting that done greater or less?

R. Rogers explained that in emergencies SLVWD always restores water quickly.

T. Norton said that she was part of the merger with Lompico. She recommended that we have an unofficial survey.

C. Dahl is concerned that we are funding with our water Scotts Valley's growth, tax base, and political influence.

R. Rogers said that 10,000 connections adds more water quality.

S. McGee questioned how much LAFCO costs? What is the cost to move forward? This is not the time to go through this.

R. Rogers said we don't know the costs at this time.

J. Serrano clarified that LAFCO is a state agency and he is not getting paid for this. This is just the first step, letting the public know.

Jennifer N said this is not a great idea. The demographics is too different.

A. Breeze said it is important to consider the sizes of the Districts. What would be put in place to maintain equitable representation for SLV in the future?

R. Rogers said he can't answer that at this time.

J. Serrano said it is premature to respond to that question at this time.

N. Clifford asked if we will be fluoridating the water if this merger goes through.

R. Rogers said no.

Trevor N encouraged the Board to have a conversation with their predecessor and his experience with LAFCO.

L. Henry said that she would like to get more answers and go through the process.

M. Smolley said it obvious that we need more information.

T. To concurs that more information is needed.

B. Fultz read a statement. (see attached)

G. Mahood said that she thinks we are open to the idea but not yet ready to make a decision. The main reasons to go forward are:

1. Consolidation would give us more control over water used by Scotts Valley.
2. Much more resilient to fire & drought because we would have backup well water.

The Board hasn't had time to learn about the outcomes. We won't rush into anything.

b. QUAIL HOLLOW PIPELINE INITIAL STUDY - MITIGATED
NEGATIVE DECLARATION

C. Blanchard introduced and explained this item.

L. Henry believes this needs to be done.

M. Smolley asked what the Environmental Committee recommended regarding this item. Noted that there is summer work only. Can we go to the County and request that we start sooner?

C. Blanchard said she thinks that is a possibility.

M. Smolley said that there are draft documents in the report that should be in final format.

T. To said that the report is very thorough. She would like to get going as soon as possible.

B. Fultz said that he thinks the County should be contacted to start the process sooner because the schools aren't going to open anytime soon. He would like to get a blank permit for working in the sand hills.

R. Rogers said that we are trying to get a habitat conservation plan that will help with mitigation.

L. Henry asked if this is part of the loan project.

R. Rogers said it is part of the \$15 million loan project.

G. Mahood made a motion to adopt the IS-MND for the Quail Hollow Pipeline project. The motion was seconded.

All present voted in favor of the motion. Motion passed.

c. ANNUAL SALMONID RESTORATION VIRTUAL CONFERENCE
ATTENDANCE

G. Mahood described the item.

B. Fultz said that he doesn't think we need to be sponsors of the conference.

C. Blanchard said that she agreed that since this is a virtual meeting sponsorship might be unnecessary.

G. Mahood said that this should be handled by staff.

12. Consent Agenda:

- a. BOARD OF DIRECTORS MEETING MINUTES FOR 12.3.20
- b. SPECIAL BOARD OF DIRECTORS MEETING MINUTES FOR 12.7.20
- c. SPECIAL BOARD OF DIRECTORS MEETING MINUTES FOR 12.16.20

No comments.

13. District Reports:

- DEPARTMENT STATUS REPORTS
Receipt and consideration by the Board of Department Status Reports regarding ongoing projects and other activities.
 - Engineering
 - Operations

B. Fultz noted that there are temporary and permanent facilities, does FEMA cover both.

R. Rogers said that FEMA does cover both. He explained the difference between permanent and temporary.

B. Fultz also questioned the intertie report.

J. Furtado explained that interties out from the North System is water going to the Probation System because of the 1 year anniversary of the Probation Tank inspection. Also, water went to the Felton System.

Discussion by the Board and staff regarding in house design and RFPs.

B. Holloway said that there is a report in the packet regarding the water right in Felton. The District is in violation of the water right.

Response by the staff regarding the petition to the State regarding for emergency use of our interties. Operations is still in an emergency situation.

14. Written Communication:

- Letter from A. Eshoo to G. Mahood
- Letter from LAFCO to Board of Directors

15. Informational Material: None

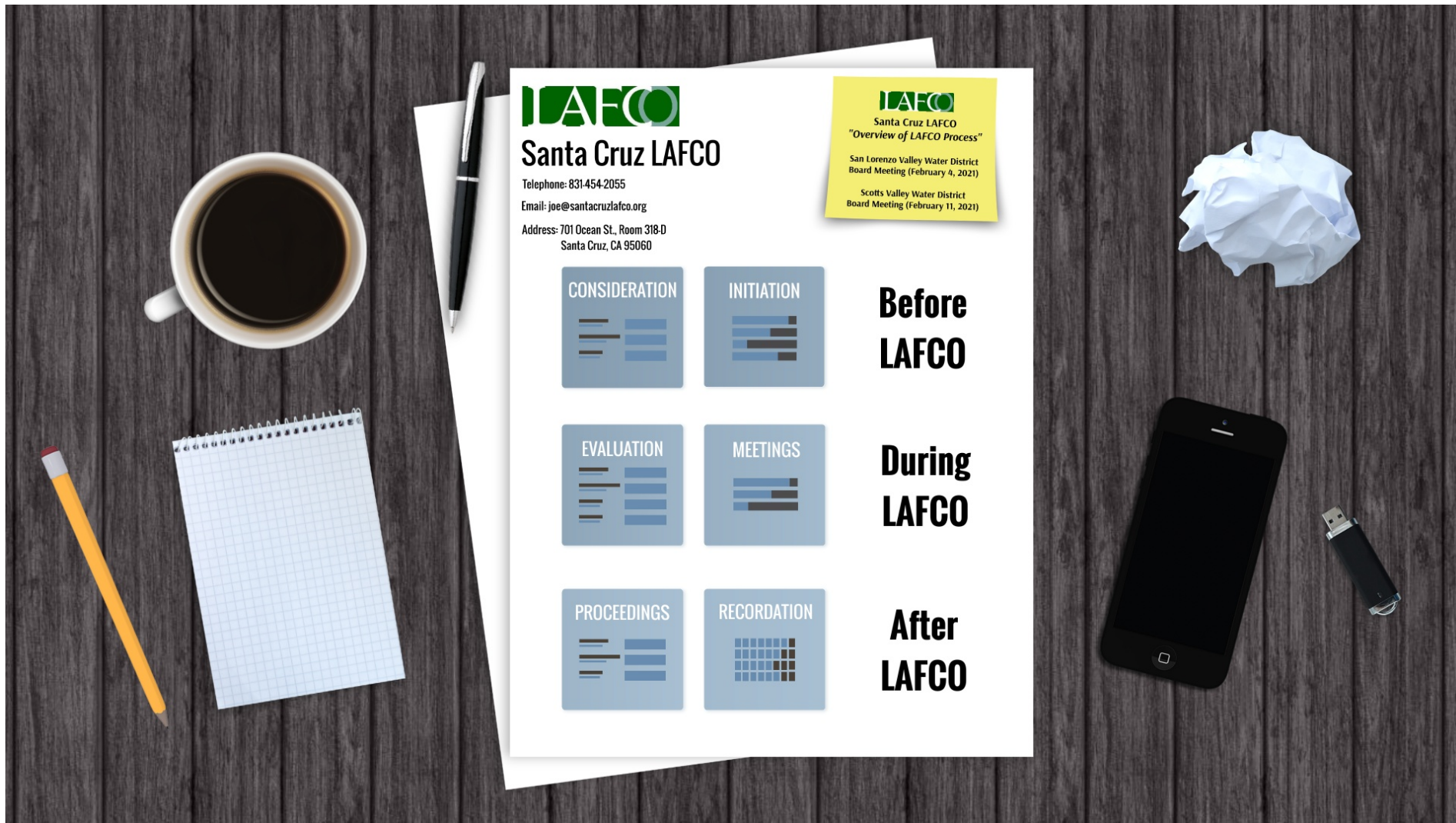
16. Adjournment 9:17 p.m.



Santa Cruz LAFCO
"Overview of LAFCO Process"

**San Lorenzo Valley Water District
Board Meeting (February 4, 2021)**

**Scotts Valley Water District
Board Meeting (February 11, 2021)**



Santa Cruz LAFCO

Telephone: 831-454-2055

Email: joe@santacruzlafco.org

Address: 701 Ocean St., Room 318-D
Santa Cruz, CA 95060

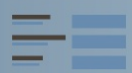


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CONSIDERATION



INITIATION



**Before
LAFCO**

EVALUATION



MEETINGS



**During
LAFCO**

PROCEEDINGS



RECORDATION



**After
LAFCO**

Explore Governance Options

- *Receive board direction from both Districts to begin analysis**
- *Form a stakeholder group with reps from both Districts**
- *Hire an outside consultant to conduct a detailed analysis**

**#1 Board
Direction**

**#2 Ad-Hoc
Committee**

**#3 Feasibility
Study**

Initiate Governance Option

- *Present feasibility study to District boards and residents**
- *Adopt similar resolutions to initiate LAFCO process**
- *Submit joint application to begin the LAFCO process**

**#1
Outreach**

**#2 Adopt
Resolutions**

**#3 Submit
Application**

LAFCO Evaluation of Application

- *Make sure all required documents are submitted**
- *Notify affected and interested local agencies**
- *Deem application complete by signing a Certificate of Filing**

**#1 Legal
Requirements**

**#2
Notification**

**#3 Deem
Complete**

Public Meetings

- *Once deemed complete, LAFCO will hold a public meeting for Commission consideration**
- *Prior to the Commission Meeting, the Districts should continue outreach efforts**
- *At the LAFCO Meeting, the Commission will take action**

#1 LAFCO Meeting

#2 More Outreach

#3 LAFCO Action

Statutory Proceedings

If approved, LAFCO is required to conduct two proceedings:

***Request for Reconsideration
(30 days)**

***Protest Period (21 to 60 days)**

Less than 25% = approval passes

Between 25% - 50% = special election

More than 50% = termination

**#1
Reconsideration
Period**

**#2 Protest
Period**

**#3 Protest
Threshold**

Recordation = Effective Date

LAFCO will record the consolidation once the following are completed:

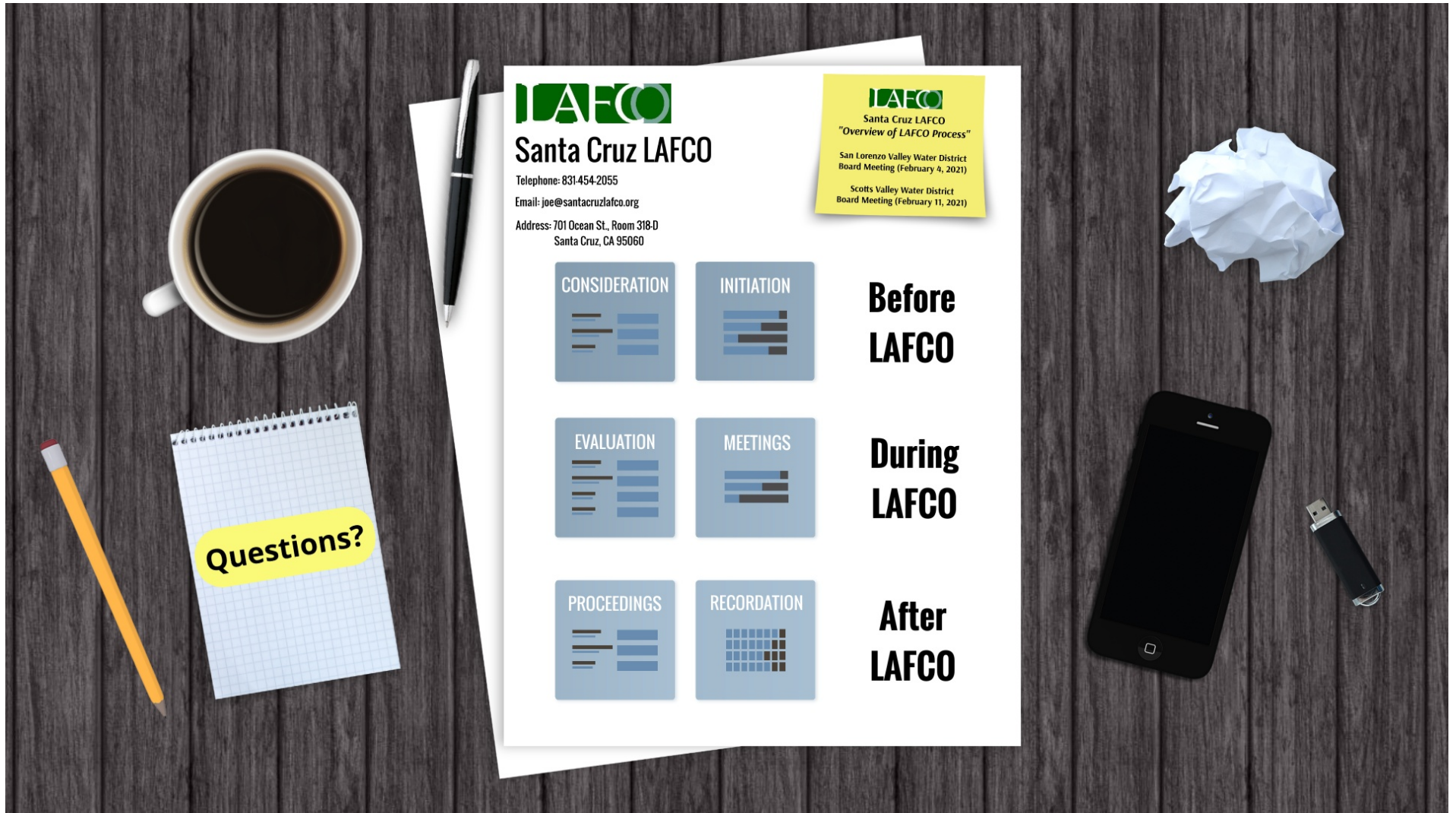
- *Both proceedings (Request for Reconsideration & Protest)**
- *Fulfill all terms and conditions in adopted LAFCO resolution**

LAFCO will record a Certificate of Completion finalizing the consolidation

**#1 Complete
Proceedings**

**#2 Fulfill
Conditions**

**#3 Record
Certificate**



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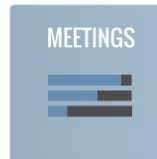
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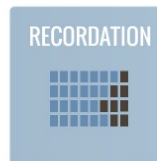
Scotts Valley Water District
Board Meeting (February 11, 2021)



**Before
LAFCO**



**During
LAFCO**



**After
LAFCO**

I'd first like to thank everybody who turned out for this meeting, who took the time out of their day to do that. This is a very serious topic and what I love about our community is that people get to the heart of the issues really, really fast. Our community plays two roles with respect to the SLVWD, one role as customers getting the water service that you pay for and the other role as owners, part owners of a public agency that we all own a part of. And in that role, thinking like owners, and getting to the heart of the matter about strategy, about cultural issues, about control, about our ability to manage our future going forward is really, really important.

My general approach to big items like this is what I would call "open-minded skepticism". Thinking about big changes like this is dislocating. So I'm with everybody in the community that has expressed similar sentiments around that same kind of thing. I'm really grateful that everybody took to social media, one of the reasons I think it was created, and let us know what you were thinking and a lot of these questions came out in that process.

I'm glad that Gail decided we aren't going to take any action tonight because I was going to suggest that we not do so. I'm reminded of the words of a recently departed board member, Rick Moran, who, when facing a big decision, and particularly one that didn't require immediate action, said that we should slow things down and take time to think about whether or not that big decision is something that makes sense. There is absolutely no rush on this. Having said that, I think it is important for us to realize that the Scotts Valley Water District is a sister agency. They are a serious agency. They are run and managed by serious people. We work with them already on many issues, not the least of which is the Santa Margarita Groundwater Agency. That plan has to be submitted January 2022. It is very possible that one of the benefits might be around that plan. I believe that plan has to be put into final form in the next 6 to 7 months in order to go through public review and comment process. I think we have an obligation to consider seriously something they propose—just as we would expect the same courtesy if the shoe were on the other foot.

In my professional life, I've been involved with a number of consolidations over the years so I'm familiar with that process. Typically, the first thing after a concept that two companies or two parties may want to get together, is to work on a high-level term sheet that lists the critical outcomes and benefits of such a consolidation. That's before you get into spending a lot of time and hiring consultants and process and diligence and analysis and that sort of thing. One of things that I react to, and I think the community is reacting to, is that we're dealing with a lot of feelings about the concept. What I would really like to see happen, and again, this is my personal opinion, not speaking for the Board, is for Scotts Valley and Rick Rogers and our senior staff to really address that high level discussion about what those advantages might be. And what some of the potential outcomes might be. Because right now, I have to say, I'm really not prepared to spend a lot of money on this without having a little bit more background—sort of peeling the onion another layer or two.

As you all know, on Tuesday, this Board approved starting a Proposition 218 process to increase everyone's bills by \$10 a month or about a 13% increase on the current median bill. I'm really sensitive to the notion of spending a lot of money until we get a comprehensive financial picture about where we are on all of the things that are pending for us, as well as what our future budgets are going to be going forward a few years. Because of that, I think we need to be focused on reducing our operating costs. Spending a lot of money on this is not necessarily on my priority lineup.

One of the things that came up today is the possibility of cost savings. Scotts Valley's expense budget is about \$8 million this year, we're about \$10 million. IF Rick and Piret came up with a notion that we could save 2 – 3 million a year through consolidation, that is something that needs to be put on paper. Consultants typically interview the principals—the ones that know the most about operating—so I'm not sure we need to go that route until we get another peel of the onion before we decide whether or not to move forward.

I think we also need to recognize, as I wrote in the SLV Post this past week, there are already proposals on the table for how we are going to stabilize the Santa Margarita Groundwater Basin, where excess surface water would either be injected into wells or sold to Scotts Valley so they could rest their wells during the rainy season. And that water could conceivably come from either Santa Cruz or SLVWD.

There is already kind of this process of water sharing that has been considered for 2 – 3 years so, again, all of this needs to be put on the table and discussed at the same time.

I am, perhaps unlike other folks, not ready to move forward on this yet pending some additional information about costs and benefits, what we are going to get out of it and a discussion of how to mitigate some of the cons—at least at a high level. I disagree that it requires an enormous effort on the part of consultants to get that that point. I think that in order to do an application to LAFCO we need to go through that process. But in order for our community to decide whether or not we want to move forward with this, I don't know that that is necessary. I think we can do a lot of that work on our own over the course of the next few months.

Again, I want to thank everyone for participating, asking great question—a lot of which I share with you. I'm looking forward to seeing how this might be done in a slower and lower cost fashion. Thank you.