

LASSEN COUNTY LOCAL AGENCY FORMATION COMMISSION
Board of Supervisors Chambers 707 Nevada Street Susanville, CA 96130

REGULAR MEETING
October 5, 2015 - 3:00 p.m.

Meeting was called to order at 3:00 p.m. by Chairperson Eid.

Roll call of members present: Jim Chapman, Kathie Garnier, Jeff Hemphill, and Chairperson Todd Eid. Absent: Rod De Boer and Vice Chairperson Wilson.

Staff Present: John Benoit, Executive Officer and Gwenna MacDonald, Clerk.

Mr. Benoit requested the removal of Item 9, the MSR and SOI Update for the Honey Lake Valley RCD, to agendize for discussion at the next meeting.

Motion by Commissioner Hemphill to approve the agenda with the removal of Item 9; Commissioner Chapman provided a second and the motion carried. Ayes: Chapman, Hemphill, Garnier, and Eid. Absent: De Boer and Wilson.

Correspondence

Mr. Benoit provided a copy of The Sphere to the Commission.

Minutes

Motion by Commissioner Chapman, second by Commissioner Hemphill, to approve the minutes of August 10, 2015; motion carried. Ayes: Chapman, Hemphill, Garnier and Eid. Absent: De Boer and Wilson.

Public Comments

There were no public comments.

6. Public Hearing: LAFCO Initiation of West Patton Village CSD and Herlong Public Utility

Mr. Benoit explained that pursuant to the passage of AB-2838, a Municipal Services Review and Sphere of Influence update were completed and approved by LAFCO for the Herlong Area in August and October of 2014. The conclusions for the SOI were to establish a zero sphere of influence for the West Patton Village CSD which signified an anticipated dissolution of the CSD and consolidation of the District's functions to be passed on to another agency. The SOI also called for an expansion of the Herlong Public Utilities District's sphere to include the entirety of the West Patton Village CSD, indicating that HPUD was anticipated to be the successor agency to provide services to West Patton Village customers. A year has passed since the adoption of the Spheres of Influence, and after the negotiations between the two agencies to effectuate the consolidation stalled, at its August 10, 2015 meeting the Commission discussed the process of a LAFCO-initiated consolidation.

The West Patton Village currently provides water distribution, wastewater collection, fire and emergency medical services, street lighting and library services. The Herlong Public Utility District provides water treatment and distribution and wastewater collection and treatment, and as a public utility is restricted on the provision of certain services, specifically library services. Mr. Benoit reviewed the draft resolution which represents a LAFCO-initiated consolidation to accomplish the following goals:

- 1. The two districts provide the same types of services in close geographic proximity to each other, allowing for efficiencies and economies of scale to be achieved through consolidation;*
- 2. The two districts' wastewater and water systems are already interconnected to some extent, which will facilitate consolidation*
- 3. Consolidation of the two districts will benefit customers, by making available certified staff and financial resources that are currently not provided by West Patton Village Community Services District customers;*
- 4. Consolidating the two districts will enhance and make more efficient the maintenance of the facilities and equipment currently operated by the districts separately, which will enhance operational efficiency for the ratepayers*
- 5. Consolidation may make it easier to obtain grand funding and loans, and may facilitate bond financing and make such financing less expensive by increase the size of the customer base*

6. Consolidation may also reduce costs by allowing certain improvements to be delayed, such as upgrades to the West Patton Village Community Services District infrastructure, and by allowing some duplicate equipment or facilities to be disposed of
7. Consolidation may reduce future sewer costs to current West Patton Village Community Services District customers, since West Patton Village Community Services District is current a customer of the Herlong Public Utility District and paying rates reflecting this customer status.

Mr. Benoit concluded by discussing the District and Sphere of Influence boundaries and proposing a page by page review of the draft resolution.

At 3:09 p.m. Chairperson Eid opened the public hearing and requested comments from the public.

Pat Williams, HPUD Manager, distributed a written copy of comments from the Herlong Public Utility District regarding the draft resolution. In addition, he requested elimination of the statement 'to some extent' from number 2, page 1 of the resolution.

Eula Johnson, President /Board member, West Patton Village requested clarification regarding number 3, and what the benefit would be that is currently not available to West Patton Village customers.

Commissioner Chapman suggested eliminating the word customer, as the District is made up of residents and tax payers who are allowed to vote, something that a customer is not necessarily entitled to do, so a term that is constituent-based would be more appropriate.

Pat Williams suggested some of the terms utilized in Proposition 218, including resident, land owner, or rate payer. He noted that the word customer was also used on page 2, number 6.

At 3:17 p.m., Vice Chairperson Wilson entered the meeting and assumed his seat on the dais.

Pat Williams stated that number 8 will be difficult to identify cost reductions as the WPV doesn't separate enterprise funds so it is difficult to identify the true impact of a rate reduction.

Eula Johnson requested an explanation of what is mean in number 7 by the statement that certain improvements may be delayed.

Pat Williams responded that the WPV infrastructure is very aged, and to put the cost of upgrades on current HPUD ratepayers is against the law as established by Proposition 218. It would therefore be necessary to establish divisions and benefit zones to bring everything up to par with existing HPUD infrastructure.

Commissioner Chapman stated that it must be a fair approach that cost of improvements in WPV area are borne by those ratepayers, and not the HPUD as a whole. The ability to leverage funding is done by HPUD as a whole, but the costs of those improvements to a specific geographic area are the responsibility of those rate payers. He asked Mr. Williams if HPUD intends to make it a priority to improve the aging infrastructure.

Pat Williams responded that he anticipated there would be some type of sunset clause established to ensure that the needed improvements are not continually deferred.

Commissioner Chapman asked if the vote for improvements to the area would be restricted to WPV or inclusive of all HPUD customers. Those who bear the brunt of paying for improvements are the ones who vote, and they should be given an opportunity to vote before they get stuck paying for it.

Commissioner Garnier requested clarification of how future costs could be reduced beyond just a postponement of the infrastructure improvements.

Pat Williams stated that HPUD has assets that would immediately become available to WPV customers, including equipment and services that would offer a reduction in expenses.

Mr. Benoit suggested striking number 8 in its entirety.

Pat Williams referred to number 7 and commented that it would be important in the resolution to make the distinction between existing HPUD rate payers versus new customers, such as the inclusion of zones.

Commissioner Chapman agreed that the reduction in maintenance expense, equipment replacement, a consolidation of offices and personnel could present an opportunity for a rate reduction for existing WPV customers. If the WPV is currently purchasing services from HPUD and then sells back to users, the consolidation would eliminate the HPUD resale costs, and it gains efficiency in the process.

Vivian Peterson, Secretary/Manager for West Patton Village, noted that the numbering is out of sequence and number 5 is missing.

Larry Johnson stated that his daughter lives in a house in WPV and only stays there about 12 months out of 36, and the rate is a flat charge that is tacked on whether or not there is any usage. If the system is metered it's going to save money right away because she won't be paying for water that isn't being used.

Pat Williams stated that installing meters would be one of the first improvements to the existing WPV system.

Commissioner Garnier asked if it was a base fee plus usage billing method.

Pat Williams responded that the base fee is \$20 per month, and the average bill is between \$25 to \$30 per month.

Vivian Peterson asked if there would be a special tax imposed for fire protection services.

Mr. Benoit explained that a special tax would require a vote and it would be included on the ballot.

There was a general discussion regarding fire district boundaries and the process for consolidation and voter approval to add a special tax for fire protection.

Vivian Peterson asked if there would be time allowed for the District to have a legal review of the consolidation process.

Mr. Benoit summarized the time and noticing requirements, stating that the LAFCO initiated consolidation requires more time to obtain input from both Districts. He invited the Commission continue the review by moving to page 3.

Pat Williams stated that HPUD has considered providing parks and recreation, as they own agricultural land that could easily be made into a park.

Mr. Benoit suggested that it could be included in the consolidation as a latent power.

Pat Williams requested that in regards to number 4, HPUD has received an unqualified opinion through the auditing process, and he would request that WPV also have a current audit completed.

Mr. Benoit responded that the resolution would not require that an additional audit be paid for, just that they must have a current audit.

Felix Flores, HPUD Board President, does not agree with the increase of board membership. All of the HUPD Board members are current WPV customers, and during the last election none of the WPV board members ran for a seat on the HPUD board, which they could have done.

Eula Johnson asked whether or not after the merger, more latent powers could be granted to the newly formed board.

Mr. Benoit responded that only if they are allowed by the Public Utilities Code.

Pat Williams commented that Street Lights and Fire protection are powers provided for under the Utility code.

Eula Johnson spoke to number 8, and stated that a 5 member board would probably work, but it would only be for a few months, and the incumbents would have the advantage in the election.

Mr. Benoit responded that the issue of board membership had been discussed at length at the August meeting, and the temporary expansion of board membership was to facilitate the assimilation of two separate boards.

Commissioner Chapman stated that he appreciated the suggestion offered by Mr. Flores, however by providing for the temporary expansion of board membership, it takes the issue out of the hands of LAFCO, and puts it back on the voters where it belongs. It would be a relatively short period of time, less than one year, and hopefully there will be enough cooperation to keep the process moving forward.

Pat Williams stated that there will be 2 seats vacant on the HPUD Board, and LAFCO does not have the authority to make all of the existing seats up for nomination.

Vice Chairperson Wilson noted that number 3 addresses the dissolution of WPV and asked when that would occur.

Mr. Benoit responded that it would be after the election and other conditions have been met. There was a discussion regarding the process required for elimination of a board member.

Commissioner Chapman commented that the law dictates the dissolution process that overrides the business as usual protocol, and the consolidation will supersede the existing process.

Mr. Benoit clarified that the resolution for formation of the new district will not include language that is contained on the ballot regarding any new proposed fire tax, and that language has to be clearly spelled out on the ballot prior to the election.

Pat Williams added that the Government Code regulates the size of the board, and the Public Utility Code requires that the board be no more than 5 members.

Larry Johnson stated that the dissolution of the district date will affect the payment of his water bill, as it is charged on his property tax twice per year; once in December and then in July, prior to even receiving the services.

There was a lengthy discussion regarding charging water and sewer fees on the property tax bill.

Vivian Peterson stated that it was for delinquent customers only, and the board approves on a yearly basis instead of just writing off.

Mr. Williams stated that number 10 on page 4 should include a sunset clause that ends when the infrastructure is brought up to standard.

Vivian Peterson addressed number 13 on page 4, that referred to an existing tax or levy would be continued to be assessed against dissolved District members by the new District.

Commissioner Chapman commented that it addresses an old tax or assessment that is kept alive after the consolidation and subsequent dissolution of the WPV. Any new territory added to the district would have to be given an opportunity to vote.

The Commission discussed the issue of imposing taxes on land owners or users as part of the election process.

Mr. Benoit stated that he would circulate a clean copy of the draft resolution, based upon the feedback and discussion that had been received. The Commission discussed holding a public hearing in Herlong to allow for more attendance by the public.

At 4:32 p.m. Chairperson Eid continued the public hearing to December 14, 2015.

Commissioner Garnier stated she had another appointment and existed the meeting at 4:33 p.m.

7. Payment of Claims: August and September 2015

Motion by Vice Chairperson Wilson, second by Commissioner Hemphill, to authorize payment of claims for August and September 2015 in the amount of \$10,061.48; motion carried. Ayes: Chapman, Hemphill, Wilson and Eid. Absent: De Boer and Garnier

8. Southern Cascades CSD District Formation

Mr. Benoit discussed the Southern Cascades CSD and the third attempt to form a district for the purpose of providing ambulance services in Northern Lassen County and Southwestern Modoc County. The last attempt failed by only 4 votes. The proponents are working hard to address the key areas and are gaining ground in turning the response around to a favorable vote. They would like to give it one more shot, and have requested a fee waiver from LAFCO in order to move forward with the process.

Motion by Commissioner Chapman, second by Commissioner Hemphill, to approve the fee waiver as requested; motion carried. Ayes: Chapman, Hemphill, Wilson and Eid. Absent: De Boer and Garnier.

9. *Honey Lake Valley RCD Municipal Service Review and Sphere of Influence update*
Removed from discussion.

10. CALAFCO Annual Conference Sacramento

Mr. Benoit provided an update to the Commission regarding key topics of discussion at the LAFCO Annual Conference held in Sacramento. Included in the legislative items relevant to Lassen LAFCO, was the announcement that Commissioner Chapman had received the 2015 Lifetime Achievement award. The Commission congratulated him on his achievement and thanked him for his years of service.

11 Executive Officer Report

Mr. Benoit provided the following updates:

- Meyers Healthcare District Annexation: Mr. Benoit stated that the annexation is on hold;
- Fall River Mills FPD/McArthur FPD/Northwest Lassen FPD Sphere of Influence: Mr. Benoit stated that a resolution has been passed and the process of dissolution and annexation would begin soon;
- Big Valley Water Users Legislation: The legislation did not make it out of the assembly committee.
- SB-88 Water Districts Consolidation Mr. Benoit briefly explained the affect passage of SB-88 will have on Water Districts.
- Johnstonville Water System CSA #2: The certificate of completion will be recorded and filed with the State.

12. Commissioner Reports

Commissioner Chapman expressed his appreciation to the Commission for his award and discussed his attendance at the annual conference.

Motion by Vice Chairperson Wilson, second by Commissioner Chapman to adjourn until December 14, 2015; motion carried. Ayes: Chapman, Hemphill, Wilson and Eid. Absent: De Boer and Garnier

The meeting adjourned at 4:56 p.m.

Todd Eid, Chairperson

Approved _____

Gwenna MacDonald, Recording Secretary