June 1, 2020

TO: Commissioners

FROM: Keene Simonds, Executive Officer
Linda Heckenkamp, Analyst I

SUBJECT: Proposed “County Service Area No. 137 Formation” | Formation of County Service Area No. 137 in the Unincorporated Community of Live Oak Springs and Associated Sphere Establishment (CO20-06 et al.)

SUMMARY

The San Diego County Local Agency Formation Commission (LAFCO) will consider a change of organization proposal filed by resolution from the County of San Diego consisting of the formation of County Service Area (CSA) No. 137. The proposal purpose is for the County to formally assume and relatedly improve domestic water service from an existing private operator for the Live Oak Springs unincorporated community and its estimated 300 residents in southeast San Diego County. Staff recommends approval of the formation along with establishing a coterminous sphere subject to certain terms – including final purchase of the Live Oak Springs Water Company and establishment of sufficient funding streams. It is also recommended the Commission delegate protest proceedings to the Executive Officer.

BACKGROUND

Applicant Request

San Diego LAFCO has received an application from the County of San Diego by adopted resolution of the Board of Supervisors requesting formation of CSA No. 137 to formally assume domestic water service responsibility within the unincorporated community of Live Oak Springs. The affected territory as submitted spans 151.5 acres and includes 173 assessor
parcels primarily developed with rural residential uses. Also within the affected territory is an established groundwater source and associated infrastructure that presently serves 92 residential connections and two commercial connections.

**Affected Territory**

The following map shows the approximate location of the affected territory in context to the greater San Diego County. Attachment One shows the affected territory relative to the proposed boundary change involving CSA No. 137.

**Subject Agencies**

The proposed change of organization filed with San Diego LAFCO involves one subject agency: County of San Diego. A summary of the County in terms of municipal service functions, resident population, and financial standing follows.

- The County of San Diego is one of 27 original counties established in 1850. A five-member Board of Supervisors oversees the County and its direct provision of multiple municipal services within the unincorporated area and this includes community planning, law enforcement, parks and recreation, and public works. The County also provides other municipal services through several dependent special districts – including CSAs – and marked by fire protection and wastewater. The current estimated resident population in the unincorporated area is 518,582 with an average annual growth rate of 0.68% since 2010. The County’s net position on governmental activities has increased over the last five audited fiscal years by more than two-fifths – or 42.7% – from $4.341 to $6.197 billion less pension and benefit obligations.

1 State law defines “subject agency” to mean any district or city for which a change of organization or reorganization is proposed.
Affected Local Agencies

The affected territory lies within the jurisdicational boundaries and/or spheres of influence of two local agencies directly subject to San Diego LAFCO. These agencies qualify as “affected agencies” relative to the proposed change of organization and listed below.²

- County Service Area No. 135 (Regional Communications and Fire Protection)
- Resource Conservation District of Greater San Diego County

DISCUSSION

This item is for San Diego LAFCO to consider approving – with or without discretionary modifications – the change of organization proposal to form CSA No. 137. The Commission may also consider applying conditions so long as it does not directly regulate land use, property development, or subdivision requirements. Additional discussion with respect to proposal purpose, development opportunities, and Commission focus follows.

Proposal Purpose

The purpose of the proposed change of organization before San Diego LAFCO is to establish a legally separate government structure to enable the County of San Diego to formally assume and make related improvements to an existing domestic water system. The affected water system serves the unincorporated community of Live Oak Springs and its current resident estimate of 300. The proposal follows the 2013 bankruptcy filing by the current water system owner/operator – Live Oak Springs Water Company – which prompted the County to receive court approval to assume control on an emergency basis.³ The County has subsequently negotiated a purchase agreement with the court-appointed trustee.

Current and Potential Development

The majority of the affected territory is currently developed with low-to-moderate density residential uses along with a limited number of local-serving commercial uses.⁴ Additional development potential within the affected territory is restricted given the combination of existing improvements and rural land use policies of the County of San Diego that prescribe minimum lot sizes between four and ten acres. Any substantive new development within the affected territory would necessitate a general plan amendment and zoning change.

---

² State law defines “affected local agency” as any entity that contains, or would contain, or whose sphere contains or would contain, any territory for which a change of organization is proposed or ordered. Notice of the proposal and hearing were provided to the agencies.
³ Live Oak Holding LLC is the parent company for the Live Oak Springs Water Company.
⁴ Commercial uses include Matthew’s Live Oaks Restaurant and Live Oaks Market.
Commission Focus

Three central and sequential policy items underlie San Diego LAFCO’s consideration of the proposed change of organization. These policy items take the form of determinations and orient the Commission to consider the interrelated merits of the (a) formation of CSA No. 137, (b) establishment of a sphere of influence, and (c) whether modifications or approval terms for either of the preceding items are warranted.

ANALYSIS

San Diego LAFCO’s analysis of the proposed change of organization is divided into two distinct subsections. The first subsection pertains to evaluating the central issues referenced in the preceding section and headlined by analyzing the merits of forming CSA No. 137 and establishing a sphere of influence. The second subsection considers other germane issues required for consideration by the Commission in evaluating the proposal and highlighted by applicability under the California Environmental Quality Act (CEQA).

Central Policy Items

Item No. 1 | Change of Organization Timing

The timing of the proposed change of organization to form CSA No. 137 appears appropriate. This conclusion draws from the analysis of the factors required for consideration under statute anytime jurisdictional changes are proposed along with locally adopted Commission policies. Most of the prescribed factors and applicable policies focus on the impacts of the proposed formation on the service and financial capacities of the receiving agency, County of San Diego (emphasis added). A summary of key conclusions generated in the review of these factors and applicable local policies follow with a complete analysis provided as Appendix A.

- **Service Needs**
  The formation of County Service Area No. 137 addresses the current and pressing need for a public operator with sufficient resources to fully assume responsibility of the domestic water system within the affected territory to support existing and planned development. Additional details follow.

  - The holding organization of the current owner/operator (Live Oak Springs Water Company) has filed bankruptcy and a court-ordered trustee now oversees the domestic water system.

  - The domestic water system has become increasingly prone to disrepair and related deficiencies. These deficiencies are marked by nine violations issued by the State for excessive containments in the domestic water supplies between 2010 and 2020. The most recent violation was issued in January 2018 and involved excessive Trichloropropane or TCP.
- The formation of CSA No. 137 to assume and improve the domestic water system serving the affected territory aligns with the Commission’s statutory objective to facilitate the orderly expansion of local government when private industry has proven non-responsive to the needs of the community.

- **Service Capacities and Levels**
  The County of San Diego has included an appropriately detailed plan of service to formally assume and improve the domestic water system within the affected territory as part of their application to form CSA No. 137. Additional details follow.

- County Public Works has assumed temporary operations of the existing domestic water system through a court-appointed trustee for the Live Oak Springs Water Company. The system presently spans 94 active connections with laterals to two miles of buried water mains. Supplies are generated from one groundwater well and pump with pressure maintained by three 20,000-gallon storage tanks.

- An initial assessment of the domestic water system by County Public Works identifies significant improvements are needed to meet baseline standards. To this end, the County has developed a three-year capital improvement plan of $7.9 million and includes construction of a new potable well and replacement of all three existing storage tanks.

- **Service Funding and Costs**
  The County of San Diego has financial resources and related administrative controls to readily assume and improve domestic water services in the affected territory through the formation of CSA No. 137 without significant impacts. Additional details follow.

- The County Board of Supervisor recently authorized a $0.2 million in community grant funding monies to purchase the Live Oak Springs Water Company and the domestic water system within the affected territory. The Board has also recently authorized $2.7 million in general fund monies to Public Works to make immediate repairs and improvements should the purchase proceed.

- Existing water rates within the affected territory have proven insufficient to meet current operating costs as evident by the bankruptcy filing by the Live Oak Springs Water Company. The rates will become further deficient in step with the County via CSA No. 137 assuming formal control and bringing the domestic water system up to current regulatory standards. Accordingly, water rates will need to be revisited and increased to meet true operating costs with the opportunity to protest by residents under the provisions of Proposition 218.5

---

5 Proposition 218 requires the amount charged to each customer for service be proportional to the cost of providing the service and cannot be higher than the need to properly operate the water system.
- The ability of residents to readily assume a significant increase in water rates is presumably constrained given the affected territory qualifies as a disadvantaged unincorporated community or DUC under LAFCO policies.

- The combination of needed significant improvements and the status of the affected territory as a DUC suggests an extended timetable is merited to sync water rates with operating costs. This dynamic also underscores the benefit and need for the County to manage the timetable given its economies of scale.

Conclusion | Merits of Change of Organization Timing

The timing of the change of organization and formation of County Service Area No. 137 therein is sufficiently warranted. Justification is marked by the preceding analysis and appropriately responds to the need for a more dependable and resourced entity to assume domestic water service for the affected territory in support of its current and planned development. Additional supporting analysis is provided in Appendix A.

Item No. 2 | Establishment of Sphere of Influence

The proposed change of organization necessitates San Diego LAFCO consider the establishment of a sphere of influence to complement the formation of CSA No. 137. Consideration of the establishment is premised on the Commission’s statutory task to designate spheres to demark the affected agencies’ appropriate service areas relative to community needs and – among other features – inform future annexation opportunities. To this end, staff believes establishing a sphere for CSA No. 137 to be coterminous with the proposed jurisdictional boundary is appropriate. This designation memorializes the Commission determining CSA No. 137 is the appropriate water service provider for the area while also as an entry placeholder ahead of preparing a future municipal service review.

Conclusion | Merits of Establishing a Sphere of Influence

The establishment of a sphere of influence for CSA No. 137 to be coterminous with the proposed jurisdictional boundary is sufficiently warranted. This designation would memorialize the Commission determining CSA No. 137 is the appropriate and exclusive water service provider in the area with the explicit intent of revisiting the sphere comprehensively as part of a future municipal service review.
Item No. 3 | Modifications and Terms

Staff believes no modifications to the proposed jurisdictional boundary for CSA No. 137 are merited. Proceeding with the proposed jurisdictional boundary as submitted, notably, matches the existing service area of the Live Oak Springs Water Company and mitigates the need for additional environmental review. Staff separately believes terms are appropriate and this includes two special conditions to collectively address known variables underlying the Commission’s review of the proposal and have been discussed with the County. The County has agreed to these special conditions as summarized below.

- **Finalize Purchase Agreement**
  It is recommended the Commission require the County to provide proof to the satisfaction of Executive Officer that the purchase of the Live Oak Springs Water Company has closed according to the terms of the purchase agreement. This condition is recommended to ensure the County and through CSA No. 137 has the legal right to the existing domestic water system within the affected territory with the associated regulatory approval from the California Public Utilities Commission.

- **Establishing Sufficient Funding**
  It is recommended the Commission require the County to provide proof of sufficient funding streams to cover CSA No. 137’s costs with respect to operations, capital improvements, and reserves. It is further recommended the Commission provide the County up to 36 months to satisfy this requirement, as distinct from the standard twelve months, with the combination of funding streams to include water rates, general fund resources, or other available grants to the satisfaction of the Executive Officer. Such additional time is warranted given the complexity of assuming ownership and control of the water utility, implementing necessary system upgrades and adjusting rates in compliance with the Proposition 218 process.

Standard approval terms are also recommended under Government Code Section 57302.

Conclusion | Modifications and Terms

No modifications to the proposed CSA No. 137 jurisdictional boundary appear merited. Approval terms are appropriate and include the County providing proof of purchase of the Live Oak Springs Water Company as well as sufficient funding streams to meet CSA 137’s costs with respect to operations, capital improvements, and reserves. It is similarly recommended the Commission delegate the determination of establishing sufficient funding streams to the Executive Officer with direction to consider industry best practices.
Other Statutory Considerations

Exchange of Property Tax Revenues

San Diego LAFCO is responsible under statute to determine the amount of property tax revenue to be formally exchanged between the County of San Diego and CSA No. 137.6 Staff believes no exchange is appropriate given – and among other factors – the intended enterprise function of CSA No. 137 to ultimately recover its costs through user charges and associated fees (i.e. connection, pumping, etc.). As applicant, the County has consented to no exchange or dedication of property taxes to CSA No. 137 in its resolution of application.

Environmental Review

CEQA requires San Diego LAFCO to assess whether environmental impacts would result from activities approved under the Commission’s statutory authority. Accordingly, San Diego LAFCO is tasked with making two distinct determinations as lead agency under CEQA with respect to this proposal. This involves addressing the (a) proposed change of organization and (b) establishing a sphere of influence. The Executive Officer has determined both actions as projects under CEQA but are exempt from further review based on the following findings:

- The change of organization to form CSA No. 137 qualifies as a project but is exempt under State CEQA Guidelines Section 15320. This exemption appropriately applies given the underlying action enables the County through CSA No. 137 to formally assume domestic water service responsibilities for an existing service provider (Live Oak Springs Water Company) with no additional service powers and no expansion of the existing service territory.

- The establishment of a sphere of influence for the formation of CSA No. 137 qualifies for exemption under State CEQA Guidelines Section 15061(b)(3). This exemption appropriately applies given it can be seen with certainty that spheres are planning policies and their establishments and subsequent amendments or updates do not change the environment or authorize any new uses or services.

Protest Proceedings

An approval of the proposed change of organization by San Diego LAFCO would require protest proceedings under Government Code Section 57000. As allowed under State law and further contemplated under local policy, it is recommended the Commission delegate these proceedings to the Executive Officer and hold a noticed hearing to accept written objections filed by registered voters and/or landowners within the affected territory. The following thresholds would apply in valuing protests and determining next steps:

---

6 Reference to California Government Code Section 56810(a)(2).
San Diego LAFCO
June 1, 2020 Meeting
Agenda Item No. 6a | Proposed Formation of CSA No. 137 (CO20-06 et al.)

- Should less than 25% of (a) registered voters and/or (b) landowners holding less than 25% of the assessed value of land within the affected territory file written protests the change of organization will be ordered without an election.

- Should 25% to 50% of (a) registered voters and/or (b) landowners holding 25% to 50% of the assessed value of land within the affected territory file written protests the change of organization will be ordered subject to an election at a future date.

- Should more than 50% of (a) registered voters and/or (b) landowners holding 50% or more of the assessed value of land within the affected territory file written protests the change of organization will be terminated.

Should the Commission proceed with an approval, staff has tentatively scheduled a protest hearing on the change of organization on July 2, 2020 with the details as to time and place to be determined so as to comply with the physical distancing requirements applicable per the state and local orders regarding COVID-19. Notice for the protest hearing would be provided to landowners and registered voters in a manner provided under statute no less than 21-days in advance. Further – and importantly should this apply – all protest forms would need to be signed on or after the date the protest hearing is noticed; signatures dated ahead of the noticing are invalid under statute.

RECOMMENDATION

Staff recommends San Diego LAFCO approve the proposed change of organization to form CSA No. 137 without modifications and subject to terms based on the analysis provided in the preceding analysis. This recommendation also includes establishing a coterminous sphere of influence and is consent with Alternative One in the proceeding section.

ALTERNATIVES FOR ACTION

The following alternative actions are available to San Diego LAFCO and can be accomplished with a single-motion:

Alternative One (recommended):
Adopt the attached draft resolution conditionally approving the change of organization proposal without modification while also establishing a coterminous sphere of influence.

Alternative Two:
Continue consideration to a future meeting and provide direction to staff concerning additional information, as needed.

Alternative Three:
Disapprove the change of organization proposal with direction to staff to return at the next regular meeting with a conforming resolution for adoption.

---

Official protest forms for both landowners and voters are available on the LAFCO website with additional instructions.
PROCEDURES FOR CONSIDERATION

This item has been placed on San Diego LAFCO’s agenda for action as part of a noticed public hearing. The following procedures are recommended in the consideration of this item:

1) Receive verbal presentation from staff unless waived.
2) Initial questions or clarifications from the Commission.
3) Open the hearing and invite comments in the following order:
   - representatives from the County of San Diego
   - other interested parties and the general public
4) Discuss item and consider the staff recommendation.

On behalf of the Executive Officer,

[Signature]

Linda Heckenkamp
Analyst I

Appendices:
A) Analysis of Boundary Change Factors
B) Analysis of Sphere of Influence Factors

Attachments:
1) Vicinity Map of the Affected Territory
2) Draft Resolution of Approval
3) Application Materials
APPENDIX A

Government Code Section 56668
Proposal Review Factors

a) Population and population density; land area and land use; per capita assessed valuation; topography, natural boundaries, and drainage basins; proximity to other populated areas; the likelihood of significant growth in the area, and in adjacent areas, during the next 10 years.

The affected territory as proposed by the applicant is 151.5 acres in size and includes 173 assessor parcels within the unincorporated community of Live Oak Springs in southeast San Diego County. (Live Oak Springs is part of the census designated place of Boulevard.) The subject parcels are mostly developed with low to moderate single-family residential uses. The estimated resident population is 300. The total assessed value (land only) is $9,633,585 as of May 2020. No significant new development or growth is planned and/or expected within or adjacent to the affected territory within the next 10-year period based on the County General Plan and prevailing market conditions.

b) The need for municipal services; the present cost and adequacy of municipal services and controls in the area; probable future needs for those services and controls; probable effect of the proposed incorporation, formation, annexation, or exclusion and of alternative courses of action on the cost and adequacy of services and controls in the area and adjacent areas.

The County of San Diego acts as the primary purveyor of general governmental services to the affected territory. This includes community planning, roads, and public safety with the latter including fire protection through County Service Area No. 135. This proposal affects water service and is the focus of the succeeding analysis.

- Public Water Service to Affected Territory
  The affected territory is currently served by the Live Oak Springs Water Company. The existing domestic water system includes 94 active connections. Supplies are dependent on a groundwater well and pump and distributed through two miles of buried mains with pressure and storage provided by three 20,000-gallon tanks. The County Public Works has recently assumed temporary operations of the water system through a court-appointed trustee for the Live Oak Springs Water Company as part of the latter’s ongoing bankruptcy petition. The County’s initial assessment identifies significant improvements are needed to the water system to meet baseline standards. To this end, the County has developed a three-year capital improvement plan and includes construction of a new potable well and replacement of all three existing storage tanks at an estimated cost of $2.7 million. The Board of Supervisors has authorized funding the capital improvement plan through general fund monies.
c) The effect of the proposed action and of alternative actions, on adjacent areas, on mutual social and economic interests, and on local governmental structure.

Approving the change of organization proposal to form CSA No. 137 would strengthen existing economic and social ties between the County of San Diego and the affected territory. Formation would expand existing County-controlled municipal services that support current and future development to include domestic water and in doing so further empower the County and its Board of Supervisors to effectuate and support development in the area.

d) The conformity of the proposal and its anticipated effects with both the adopted commission policies on providing planned, orderly, efficient patterns of urban development, and the policies/priorities set forth in G.C. Section 56377.

Approving the proposed change of organization and formation of CSA No. 137 would affirmatively respond to the present need in the affected territory to transition domestic water responsibilities away from the Live Oak Springs Water Company and its insolvent operations to the County of San Diego and its economies of resources. The affected territory does not qualify as “open-space” as defined under LAFCO law and no conflicts exists therein under G.C. Section 56377. There are also no documented jurisdictional disputes and/or related concerns with other local agencies, organizations, or members of the general public relative to addressing Commission Policy L-107.

e) The effect of the proposal on maintaining the physical and economic integrity of agricultural lands, as defined by G.C. Section 56016.

The affected territory does not qualify as “prime agricultural land” under LAFCO law. Specifically, the lands are not currently used for any of the following purposes: producing an agricultural commodity for commercial purposes; left fallow under a crop rotational program; or enrolled in an agricultural subsidy program. Approval of the change of organization proposal and formation of CSA No. 137 would have no effect on maintaining the physical and economic integrity of agricultural lands.

f) The definiteness and certainty of the boundaries of the territory, the nonconformance of proposed boundaries with lines of assessment, the creation of islands or corridors of unincorporated territory, and other similar matters.

LAFCO is in receipt of a draft map and geographic description of the affected territory that details metes and bounds consistent with the standard of the State Board of Equalization. Approval would be conditioned on a final map and description conforming to the referenced standards and address any modifications required by the Commission. Approval for the change of organization of the affected territory would not create service islands or corridors of unincorporated territory.
g) A regional transportation plan adopted pursuant to Section 65080.

A notice of the proposed change of organization to form CSA No. 137 and allow the County of San Diego to formally assume domestic water service responsibilities within the affected territory was provided to the San Diego Association of Governments or SANDAG. No comments were received from SANDAG and as such no conflicts have been identified with respect to its regional transportation plan, San Diego Forward.

h) Consistency with the city or county general and specific plans.

The County of San Diego General Plan designates most of the affected territory as Semi-Rural Residential and Rural Commercial with minimum lot sizes of four to ten acres. A small remainder is designated as Rural Lands. The proposed formation of CSA No. 137 for purposes of assuming existing domestic water services within the affected territory is compatible with these land use designations.

i) The sphere of influence of any local agency affected by the proposal.

See analysis provided as part of Appendix B.

j) The comments of any affected local agency or other public agency.

Staff provided notice of the change of organization proposal to all subject and affected agencies as required under LAFCO law. No written comments were received ahead of preparing this agenda report for distribution on May 22, 2020.

k) The ability of the newly formed or receiving entity to provide the services which are the subject of the application to the area, including the sufficiency of revenues for those services following the proposed boundary change.

The County of San Diego has prepared a detailed plan of service that includes a capital improvement plan to steady and improve the domestic water system within the affected territory. It is recommended the Commission term approval on satisfactory proof of the County via CSA No. 137 establishing sufficient funding revenues to operate the water system as a solvent enterprise.

l) Timely availability of adequate water supplies for projected needs as specified in G.C. Section 65352.5.

The affected territory is presently dependent on groundwater accessed through an existing well and pump station. The operational reliability of the existing well cannot be assessed at this point. Therefore, two new wells are required to satisfy source capacity requirement under CCR Sec. 64554(a) and have been incorporated into the County’s plan of service and associated draft capital improvement plan.
m) The extent to which the proposal will affect a city or cities and the county in achieving their respective fair shares of the regional housing needs as determined by the appropriate council of governments.

The proposed change of organization to form CSA No. 137 would not impact any local agencies in accommodating their regional housing needs. All potential units tied to the lands within the affected territory are already assigned to the County of San Diego by the region's council of governments, SANDAG.

n) Any information or comments from the landowner or owners, voters, or residents of the affected territory.

The affected territory is developed with 67 registered voters and qualifies as “inhabited” as defined by LAFCO law (containing 11 registered voters or greater). Notice of the proposal and associated public hearing scheduled on June 1st have been provided to all registered voters and landowners with no comments received by the date.

No written comments from local residents (landowners and/or voters) within the affected territory regarding the change of organization proposal have been received.

o) Any information relating to existing land use designations.

See above analysis for (h).

p) The extent to which the proposal will promote environmental justice.

As used in this review factor, "environmental justice" means the fair treatment of people of all races, cultures, and incomes with respect to the location of public facilities and the provision of public services. The proposed change of organization does not include locating new public facilities and therefore approval is not anticipated to directly influence the promotion of environmental justice within the affected territory.

q) Information contained in a local hazard mitigation plan, information contained in a safety element of a general plan, and any maps that identify land as a very high fire hazard zone or maps that identify land determined to be in a state responsibility area, if it is determined that such information is relevant to the affected territory.

The County of San Diego General contains a hazard mitigation plan for potential fire, flooding and earthquakes. The affected territory lies within a “very high” fire hazard zone. It is also mapped within a State Responsibility Area with respect to wildland fire protection. CSA No. 135 is the designated fire service provider.
APPENDIX B
STATEMENT OF DETERMINATIONS
SPHERE OF INFLUENCE FACTORS

(1) The present and planned land uses, including agricultural and open-space lands.

The affected territory as proposed by the applicant totals 151.5 acres and is part of an unincorporated community of Live Oak Springs with an estimated resident population of 300. Most of the affected territory has been developed with low to moderate residential uses consistent with the County of San Diego General Plan and its rural and semi-rural designations. The lands have not been cultivated for agricultural products and not subject to the Williamson Act. The lands are also not considered prime agriculture under LAFCO law and do not contain open-space. Establishing a coterminous sphere of influence in conjunction with forming CSA No. 137 to allow the County the means to formally assume domestic water services is consistent with these present and planned land uses.

(2) The present and probable need for public facilities and services in the area.

The proposed formation of CSA No. 137 addresses an existing need within the affected territory for the County of San Diego to formally assume domestic water services responsibility from the Live Oak Springs Water Company given the latter’s bankruptcy filing. Establishing a coterminous sphere of influence similarly responds to these present needs and memorializes CSA No. 137 as the designated water service provider for the affected territory under State law proceeding forward.

(3) The present capacity of public facilities and adequacy of public services the agency provides or is authorized to provide.

The County of San Diego has prepared a draft three-year capital improvement plan to address critical infrastructure deficiencies within the affected territory to ensure water quality compliance and operational reliability should it formally assume control through the proposed formation of CSA No. 137. Establishing a coterminous sphere of influence facilitates the formation and positions the County to proceed with the capital improvement plan with certainty the Commission has designated CSA No. 137 as the designated provider.

(4) The existence of any social or economic communities of interest in the area if the commission determines that they are relevant to the agency.

The County of San Diego has established explicit social and economic ties within the affected territory as the primary municipal service provider and headlined by community planning, roads, and public safety. Establishing a coterminous sphere of influence in conjunction with the formation of CSA No. 137 expands these existing ties to include domestic water service.
(5) The present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.

The affected territory is in a census tract qualifying as a disadvantaged unincorporated community under State statute or LAFCO policy. Establishing a coterminous sphere of influence in conjunction with the formation of CSA No. 137 affirmatively responds to statute and the intent to extend public water services to DUC lands.
RESOLUTION OF THE SAN DIEGO LOCAL AGENCY FORMATION COMMISSION

APPROVING THE FORMATION OF COUNTY SERVICE AREA NO. 137
AND ESTABLISHING A COTERMINOUS SPHERE OF INFLUENCE
(CO20-06 et al.)

WHEREAS, the County of San Diego (County), filed a resolution of application with the San Diego County Local Agency Formation Commission (Commission) pursuant to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000; and

WHEREAS, the County’s application requests the formation of County Service Area No. 137 to formally assume water service responsibility for approximately 151.5 acres in the unincorporated area of Boulevard in southeast San Diego County and its estimated 300 residents who are currently served by a private operator who had filed bankruptcy; and

WHEREAS, the County has entered an agreement dated September 19, 2019, to purchase the assets of the Live Oak Springs Water Company, and the United States Bankruptcy Court, Southern District has approved such agreement by order dated March 13, 2020 in Case No. 13-11672-LT11 9 (“Purchase Agreement”); and

WHEREAS, the community served by the Live Oak Springs Water Company is a disadvantaged unincorporated community as defined in Government Code section 56033.5; and

WHEREAS, the County represents that with the purchase of the assets of the Live Oak Springs Water Company it will have the financial resources to assume and provide water service within the affected territory; and

WHEREAS, the application filed by the County is processed by the Commission as a proposal to form a county service area and is referred to as the “County Service Area No. 137 Formation”; and

WHEREAS, in its resolution of application the County of San Diego, as applicant has consented to no exchange or dedication of property taxes related to the County Service Area No. 137 Formation; and

WHEREAS, the Commission’s Executive Officer has reviewed the County Service Area No. 137 Formation proposal and prepared a report with recommendations; and

WHEREAS, the Executive Officer’s report and recommendations on the County Service Area No. 137 Formation proposal and need for concurrent sphere of influence establishment have been presented to the Commission in the manner provided by law; and

WHEREAS, the Commission heard and fully considered all the evidence presented at a noticed public hearing along with reviewing the necessary concurrent sphere of influence establishment for consistency under Government Code Section 56375.5 on June 1, 2020.

NOW, THEREFORE, BE IT RESOLVED, the Commission hereby finds, determines, and orders the following:

230620.1
1. The hearing was held on the date set therefore, and due notice of said hearing was given in the manner required by law.

2. At the hearing, the Commission called for, heard, and considered all interested parties and public comments and read and considered the Executive Officer's report.

3. The community served by the Live Oak Springs Water Company is a disadvantaged unincorporated community as defined in Government Code section 56033.5.

4. The Commission serves as lead agency under the California Environmental Quality Act (CEQA) in considering two distinct “projects” associated with the County Service Area No. 137 Formation and as detailed in the Executive Officer's report: (a) the formation itself; and (b) the establishment of a sphere of influence. The Commission's findings follow.

   a) The sphere of influence establishment qualifies as a project under CEQA, but is exempt from further review under State CEQA Guidelines Section 15061(b)(3). This exemption appropriately applies given it can be seen with certainty spheres of influence are planning policies and any amendments do not make any changes to the environment or authorize any new uses or services.

   b) The formation qualifies as a project under CEQA, but is exempt from further review under State CEQA Section 15320. This exemption appropriately applies given the underlying action enables the County through CSA No. 137 to formally assume domestic water service responsibilities for an existing service provider (Live Oak Springs Water Company) with no additional service powers and no expansion of the existing service territory.

5. The Commission conditionally APPROVES the following sphere of influence establishment.

   a) The sphere of influence for County Service Area No. 137 is established to be coterminous with its service territory as shown in Exhibit A.

6. The Commission conditions the approved sphere of influence establishment as described below in Section 9(a).

7. The written statements of the Commission addressing the mandatory factors required for consideration any time spheres of influence are adopted, amended, or updated under Government Code Section 56425 are provided as Exhibit B.

8. The Commission finds that given the complexity of assuming ownership and control of the water utility, implementing necessary system upgrades and adjusting rates in compliance with the Proposition 218 process, it is reasonable to allow the applicant more than the default one year allowed in Government Code section 57001 to satisfy the conditions of approval and for the Certificate of Completion to be filed. The time to satisfy the conditions of approval is extended as specified below.

9. The Commission conditionally APPROVES the proposed County Service Area No. 137 Formation proposal identified as (CO20-06 et al.) without modification or amendment and as specified below:
a. The following conditions must be satisfied within three calendar years – or June 1, 2023 – unless prior written request for an extension is received and approved by the Commission.

i. Completion of the 30-day reconsideration period provided under Government Code Section 56895.

ii. The September 19, 2019 purchase agreement has been approved by the California Public Utilities Commission.

iii. The Purchase Agreement has closed according to its terms.

iv. The County shall provide proof of funding streams sufficient to cover the County Service Area No. 137’s adopted and budgeted costs including operations and maintenance, reserves and capital improvements, such funding streams to be a combination of water rates, general fund resources or other available grant/funding sources to the satisfaction of the Executive Officer.

v. Receipt and confirmation by the County of San Diego Assessor’s Office of the completeness of maps and geographic descriptions of the affected territory showing the CSA No. 137’s boundaries.

vi. The Executive Officer has the sole discretion to release and or waive any condition of approval before filing the Certificate of Completion.

b. The following conditions apply upon and after the effective date of the County Service Area No. 137 formation:

i. Tax Revenues. No property tax will be exchanged as a result of this formation.

10. The population in the affected territory is approximately 300 and, thus, the affected territory is inhabited as defined in Government Code Section 56046.

11. The Commission delegates to the Executive Officer performing all conducting authority proceeding requirements under Government Code Section 57000.

12. The effective date of the County Service Area No. 137 Formation proposal shall be the date of recordation of the Certificate of Completion.

13. As allowed under Government Code 56107, the Commission authorizes the Executive Officer to make non-substantive corrections to this resolution to address any technical defect, error, irregularity, or omission.

PASSED AND ADOPTED by the San Diego County Local Agency Formation Commission on June 1, 2020, by the following vote:
AYES:
NOES:
ABSENT:
ABSTAINING:
MINUTE ORDER NO. 15

SUBJECT: NOTICED PUBLIC HEARING: RESOLUTION OF APPLICATION TO SAN DIEGO LOCAL AGENCY FORMATION COMMISSION TO FORM NEW COUNTY SERVICE AREA (DISTRICT: 2)

OVERVIEW
The Live Oak Springs Water Company (Water Company) is a small privately-owned water system serving approximately 300 people in the community of Boulevard, located southeast of San Diego County (Attachment A). The water system serves 92 residential connections and 2 commercial connections. The system consists of approximately two miles of buried water mains, one groundwater well and pump, three 20,000-gallon water storage tanks, and various pumps.

The Water Company’s owner filed for bankruptcy in 2013 and the bankruptcy trustee attempted for several years to locate a buyer. With no buyers available and the system in disrepair, the County entered into an agreement with the trustee to take over as the water system’s operator on September 19, 2019, with the intention of purchasing the water system by mid-2020 and assuming water service responsibilities for the affected landowners and/or residents.

On December 10, 2019 (23), the Board of Supervisors established appropriations of $2,700,000 in the DPW General Fund, to provide funding for necessary repairs and improvements to the degraded water system infrastructure. On February 11, 2020 (06), the Board of Supervisors authorized a $200,000 reallocation of unspent Fiscal Year 2019-20 Community Development Block Grant (CDBG) program funds to Fiscal Year 2019-20 Department of Public Works program funds for the acquisition of Live Oak Springs Water System. The acquisition will be funded after a local income survey is conducted and the project is determined to be eligible for CDBG funds.

Today’s request is for the Board to adopt a resolution of application to initiate proceedings with the San Diego Local Agency Formation Commission (LAFCO) to form a County Service Area (CSA) under Government Code sections 25210.1- 25217.4 (Attachment B). This will enable the County of San Diego Department of Public Works to provide water service within the affected territory. Upon formation of the CSA, the County of San Diego Department of Public Works will return to the Board of Supervisors to establish a new water service rate and adopt a fee ordinance.

RECOMMENDATION(S)
CHIEF ADMINISTRATIVE OFFICER
1. Find that the proposed project is exempt from the California Environmental Quality Act (CEQA) under CEQA Guidelines Section 15060(c)(3) because adopting a resolution to submit an application to LAFCO in accordance with Government Code 25211.3 is an organizational or administrative activity that is not a project as defined by Section 15378 of the State CEQA Guidelines.

2. Adopt a resolution entitled Resolution of Application of the Board of Supervisors of the County of San Diego to Initiate Proceedings with the San Diego Local Agency Formation Commission to Form a County Service Area and Authorization Therein to Provide Water Service Within the Affected Territory as Specified.

MARCH 24, 2020
3. Direct the Clerk of the Board to file a certified copy of the resolution of application to the Local Agency Formation Commission.

**FISCAL IMPACT**
Funds for the formation of a County Service Area (CSA) with the San Diego Local Agency Formation Commission (LAFCO) are included in the Fiscal Year 2019-20 Operational Plan in the Department of Public Works General Fund. Costs are approximately $15,000. The funding source is General Fund. There will be no change in net General Fund cost and no additional staff years.

**BUSINESS IMPACT STATEMENT**
N/A

**ACTION:**
ON MOTION of Supervisor Jacob, seconded by Supervisor Gaspar, the Board of Supervisors closed the Hearing and took action as recommended, on Consent, adopting Resolution No. 20-026 entitled: RESOLUTION OF APPLICATION OF THE BOARD OF SUPERVISORS OF THE COUNTY OF SAN DIEGO TO INITIATE PROCEEDINGS WITH THE SAN DIEGO LOCAL AGENCY FORMATION COMMISSION TO FORM A COUNTY SERVICE AREA AND AUTHORIZATION THEREIN TO PROVIDE WATER SERVICE WITHIN THE AFFECTED TERRITORY AS SPECIFIED.

AYES: Cox, Jacob, Gaspar, Fletcher, Desmond

State of California)  
County of San Diego) §

I hereby certify that the foregoing is a full, true and correct copy of the Original entered in the Minutes of the Board of Supervisors.

ANDREW POTTER  
Clerk of the Board of Supervisors

Signed  
by Marvice Mazyck, Chief Deputy

MARCH 24, 2020
Resolution No. 20-026
Meeting Date: March 24, 2020 (15)

RESOLUTION OF APPLICATION OF THE BOARD OF SUPERVISORS OF THE COUNTY OF SAN DIEGO TO INITIATE PROCEEDINGS WITH THE SAN DIEGO LOCAL AGENCY FORMATION COMMISSION TO FORM A COUNTY SERVICE AREA AND AUTHORIZATION THEREIN TO PROVIDE WATER SERVICE WITHIN THE AFFECTED TERRITORY AS SPECIFIED

WHEREAS, the County of San Diego is a political division of the State of California with corporate powers pursuant to Government Code Sections 23000-33205;

WHEREAS, the unincorporated community of Boulevard in southeast San Diego County currently receives water service from the Live Oak Springs Water Company, a private for-profit utility system;

WHEREAS, it is the County of San Diego's intention to purchase the Live Oak Springs Water Company and assume water service responsibilities for the affected landowners and/or residents;

WHEREAS, the County of San Diego desires to initiate an application with the San Diego Local Agency Formation Commission, hereafter referred to as LAFCO, to form a new county service area pursuant to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (Section 56000 et al.) in conjunction with its intended purchase and operation of the water system serving the Boulevard community; and

WHEREAS, the County of San Diego considered this resolution of application as part of a noticed public hearing held on March 24, 2020.

NOW, THEREFORE, the Board of Supervisors does hereby resolve and order as follows:

1. This resolution of application initiates the LAFCO process to form a county service area to assume and provide water service to the Boulevard community as shown in Exhibit "A" and further described in Exhibit "B."

2. A plan for providing services for this resolution of application to LAFCO has been prepared pursuant to Government Code Section 56653 and provided as Exhibit "C."

3. The Board of Supervisors finds the proposal to LAFCO is exempt from the provisions of the California Environmental Quality Act under Section 15378 of the State CEQA Guidelines.
4. The Board of Supervisors requests LAFCO approve the resolution of application with the following terms:

(a) Written notice by the County of San Diego confirming the completed purchase of the Live Oaks Springs Water Company.

(b) Within 36 months after a LAFCO hearing, the imposition of a proposed fee for the provision of water service or identification of an alternative funding source by the County of San Diego.

(c) No property tax shall be exchanged. The County of San Diego relatedly consents to the waiver of notice of property tax exchange information from LAFCO under Government Code Section 56810(b).

5. The Clerk of the Board of Supervisors is authorized and directed to file a certified copy of this resolution of application with the LAFCO Executive Officer along with completing all associated documentation in the application process.

**PASSED AND ADOPTED** by the Board of Supervisors of the County of San Diego on March 24, 2020 by the following vote:

AYES: Cox, Jacob, Gaspar, Fletcher, Desmond
EXHIBIT "B"

GEOGRAPHIC DESCRIPTION

"FORMATION OF THE LIVE OAK SPRINGS COUNTY SERVICE AREA (CSA 137)"

LAFCO REFERENCE NO.: RO20-04


BEGINNING AT CORNER 1 OF SAID TRACT 39, AS SHOWN ON RECORD OF SURVEY NO. 1580, FILED IN THE OFFICE OF THE COUNTY, BEING ALSO THE NORTHEAST CORNER OF LIVE SPRINGS RESORT, ACCORDING TO MAP THEREOF NO. 1667, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, JUNE 8, 1915;

1. THENCE ALONG THE EASTERLY LINE OF SAID TRACT 39, SOUTH 0°11'25" EAST 1119.08 FEET TO AN INTERSECTION WITH THE COMMON BOUNDARY LINE OF SECTIONS 13 AND 24, ALL IN TOWNSHIP 17 SOUTH, RANGE 6 EAST;

2. THENCE CONTINUING ALONG SAID EASTERLY LINE, SOUTH 0°11'25" EAST 211.17 TO AN INTERSECTION WITH THE EASTERLY PROLONGATION OF THE LINE BETWEEN CORNERS 3 AND 4 OF SAID TRACT 39;

3. THENCE CONTINUING ALONG SAID EASTERLY LINE, SOUTH 00°11'25" EAST (SOUTH 00°34'00" EAST-RECORDED) 2706.97 FEET TO THE SOUTHERLY LINE OF SAID TRACT 39, BEING ALSO CORNER 6 THEREOF;

4. THENCE ALONG SAID SOUTHERLY LINE, SOUTH 89°46'00" WEST 1320 FEET TO THE WESTERLY BOUNDARY OF SAID TRACT 39, BEING ALSO CORNER 5 THEREOF;

5. THENCE ALONG SAID WESTERLY BOUNDARY, NORTH 0°50'00" WEST 2387.28 FEET TO AN INTERSECTION WITH THE CENTER LINE OF STATE HIGHWAY XI-SD12F (OLD HIGHWAY 80), MAP ON FILE WITH THE OFFICE OF THE STATE DIVISION OF HIGHWAYS OF SAID COUNTY;

6. THENCE LEAVING THE BOUNDARY OF SAID TRACT 39 AND ALONG THE CENTER LINE OF SAID STATE HIGHWAY, NORTH 41°48'26" WEST 1839.83 FEET TO AN INTERSECTION WITH THE BOUNDARY OF SAID TRACT 39;

7. THENCE LEAVING SAID STATE HIGHWAY AND ALONG SAID TRACT BOUNDARY, NORTH 0°08'46" WEST 288.81 FEET TO CORNER 2 OF TRACT 39, BEING ALSO THE NORTHERLY BOUNDARY THEREOF;
8. THENCE ALONG THE NORTHERLY LINE OF SAID TRACT 39, SOUTH 89°52'53" EAST 2191.79 FEET TO AN INTERSECTION WITH THE COMMON BOUNDARY LINE OF SECTIONS 13 AND 14, ALL IN TOWNSHIP 17 SOUTH, RANGE 6 EAST;

9. THENCE CONTINUING ALONG THE NORTHERLY LINE OF SAID TRACT 39, SOUTH 89°58'58" EAST 376.73 FEET TO THE POINT OF BEGINNING.

CONTAINING 151.50 ACRES OF LAND MORE OR LESS.

FOR ASSESSMENT PURPOSES ONLY. THIS DESCRIPTION OF LAND IS NOT A LEGAL PROPERTY DESCRIPTION AS DEFINED IN THE SUBDIVISION MAP ACT AND MAY NOT BE USED AS THE BASIS FOR AN OFFER FOR SALE OF THE LAND DESCRIBED.
EXHIBIT C
PLAN OF SERVICE
PLAN OF SERVICE

Pursuant to Government Code Sections 56653 and 56824.12, this plan describes services to be provided by the County of San Diego within Live Oak Springs, an unincorporated community in southeast San Diego County. The community currently receives water service from the Live Oak Springs Water Company (Water Company), a private for-profit utility company that filed for bankruptcy protection in 2013. It is the County of San Diego’s intention to purchase the Water Company and assume water service responsibilities for the affected landowners and/or residents.

(1) An enumeration and description of the services currently provided:

The Water Company is a small privately-owned water system serving approximately 300 people in the community of Live Oak Springs, located in southeast San Diego County. The water system serves 92 residential connections and 2 commercial connections. The system consists of approximately two miles of buried water mains, one groundwater well and pump, three 20,000-gallon water storage tanks, and various pumps. The County of San Diego, Department of Public Works (County) upon lawful formation of the County Service Area (CSA), establishment of new water service rate, and adoption of a fee ordinance shall take over operations of the Water System to provide safe and reliable potable water to the community.

(2) The level and range of services to be provided:

The County shall operate and maintain the existing water system to provide safe and reliable potable water. The County has identified infrastructure deficiencies that must be addressed to ensure water quality compliance and operational reliability of the Water Company. Once the purchase is complete, County will address those deficiencies and operate the Water Company under the regulatory authority of the County Department of Environmental Health.

(3) An indication of when those services can feasibly be extended to the affected territory, if new services are proposed:

The County’s main objective is to provide potable water service to existing customers of the water system. No extension of water services anticipated.

(4) An indication of any improvement or upgrading of structures, roads, sewer or water facilities, or other conditions the local agency would impose or require within the affected territory if the change of organization or reorganization is completed:

The County plans to implement a 3-yr Capital Improvement Program (CIP) to address water infrastructure deficiencies. The identified projects include but are not limited to construction of new potable water well; replacement of water storage tanks; improvements to electrical and control systems; upgrade of booster pump system to meet fire flow demand per regulatory standards; replacement of water distribution system; and other improvements as needed to ensure compliance with state water works and health and safety standards.

(5) Information with respect to how those services will be financed:

On December 10, 2019 (23), the Board of Supervisors established appropriations of $2,700,000 in the Department of Public Works General Fund, to provide funding for necessary repairs and improvements to
the degraded water system infrastructure. On February 11, 2020 (06), the Board of Supervisors authorized $200,000 reallocation of Fiscal Year 2019-20 Community Development Block Grant (CDBG) program funds for the acquisition of Live Oak Springs Water System, contingent on satisfaction of CDBG funding requirements.

Upon successful formation of CSA, the County Board of Supervisors will set water service rates and adopt ordinances authorizing collection of fees and charges, and establishing rules and regulations governing the provision of water service. Per County policy, service rates will be established to provide full recovery of annual costs to operate and maintain the water system.

(6) The total estimated cost to provide the new or different function or class of services within the special district’s jurisdictional boundaries:

The following table provides the breakdown of anticipated operations budget for Fiscal Year 2020-21:

**Customer Connections**

<table>
<thead>
<tr>
<th>Meter Size</th>
<th>Number of Connections</th>
</tr>
</thead>
<tbody>
<tr>
<td>5/8-inch x ¾-inch</td>
<td>94</td>
</tr>
</tbody>
</table>

**Fiscal Year 2020/2021 Operating Budget**

<table>
<thead>
<tr>
<th>Description</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labor</td>
<td>$112,100</td>
</tr>
<tr>
<td>Utilities</td>
<td>$5,700</td>
</tr>
<tr>
<td>Laboratory</td>
<td>$5,000</td>
</tr>
<tr>
<td>Supplies</td>
<td>$3,700</td>
</tr>
<tr>
<td>Landscape Maintenance</td>
<td>$3,000</td>
</tr>
<tr>
<td>Permits</td>
<td>$4,000</td>
</tr>
<tr>
<td>Vehicles/Equipment</td>
<td>$6,800</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$140,300</strong></td>
</tr>
</tbody>
</table>

**Proposed Fiscal Year 2020/2021 Water Service Rate**

<table>
<thead>
<tr>
<th>Meter Size</th>
<th>Annual Service Charge</th>
</tr>
</thead>
<tbody>
<tr>
<td>5/8-inch x ¾-inch</td>
<td>$1,493</td>
</tr>
</tbody>
</table>

(7) An identification of existing providers, if any, of the new or different function or class of services proposed to be provided and the potential fiscal impact to the customer of those existing providers:

Upon formation of the CSA, the County will provide water service to the Live Oak Springs Community at the same or higher level of service currently provided by the Water Company. Fiscal impacts to the existing customers will include establishment of new service charges that will replace the current tariffs
approved by the California Public Utilities Commission. New service charges and fees will be established in accordance with requirements set forth in the California Constitution (Article XIII D) and County laws and policies. The County is preparing a rate study that will develop a financial plan and supporting rate schedule.

(8) A written summary of whether the new or different function or class of services will involve the activation or divestiture of the power to provide a particular service or services, service function or functions, or class of services:

No anticipated activation or divestiture of latent powers during this CSA formation.

(9) A plan for financing the establishment of the new or different function or class of services within the special district's jurisdictional boundaries:

See items (5) and (6) above. Cost for operations and maintenance of the water system will be recovered from service charges collected from water system customers. Funding for capital improvements and establishment of operational and capital reserve accounts will be provided through County general fund transfers and potential state and federal grant funding.

(10) Alternatives for the establishment of the new or different functions or class of services within the special district's jurisdictional boundaries:

An alternative to the proposal could be for the bankruptcy court to find a suitable private water system operator to provide safe and reliable water service for the community.
ON MOTION of Supervisor Jacob, seconded by Supervisor Gaspar, the above Resolution was passed and adopted by the Board of Supervisors, County of San Diego, State of California, on this 24th day of March 2020, by the following vote:

AYES: Cox, Jacob, Gaspar, Fletcher, Desmond

STATE OF CALIFORNIA
County of San Diego

I hereby certify that the foregoing is a full, true and correct copy of the Original Resolution entered in the Minutes of the Board of Supervisors.

ANDREW POTTER
Clerk of the Board of Supervisors

By: [Signature]

Grace Caro, Deputy

Resolution No. 20-026
Meeting Date: 03/24/2020 (15)