



February 1, 2012

VIA EMAIL

Patricia Richardson
District Secretary
Pacheco Pass Water District
P.O. Box 1382
Hollister, CA 95024

Re: Implementation of the Recommendations of LAFCO's 2011 Countywide Water Service Review Report

Dear Ms. Richardson:

As you know, LAFCO recently adopted the 2011 Countywide Water Service Review Report that included sphere of influence updates for water districts and resource conservation districts in Santa Clara County. The Report is available on the LAFCO Website (www.santaclara.lafco.ca.gov) under "What's New?" The Report identifies several opportunities and includes several recommendations for improving water and resource conservation services in the county. Specifically, the Report provides recommendations (see Attachment A) for improving the accountability and transparency of agencies through changes in their operations, management, and administration, and recommendations (Attachment B) for exploring options for the reorganization of the District in order to address financial and infrastructure issues.

Agency's Response is Requested

In an effort to follow-up on these recommendations, LAFCO is requesting that each agency:

1. Review the chapter of the Service Review Report pertaining to the agency and provide a written response to LAFCO on how the agency plans to implement the recommendation(s) presented in the Report and summarized in the attached documents (see Attachments A & B), along with a time-frame for that implementation, and
2. Provide an explanation if the agency does not plan to implement a recommendation.

Response Due No Later Than March 14, 2012

Please provide a written response to LAFCO as soon as possible and **no later than March 14, 2012**. If you have any questions or concerns or would like to meet to discuss

the agency's plans, I can be reached at (408) 299-5127 / neelima.palacherla@ceo.sccgov.org or you may contact Dunia Noel, LAFCO Assistant Executive Officer, at (408) 299-5148 / dunia.noel@ceo.sccgov.org.

Lastly, I would like to thank you and the District for participating in LAFCO's 2011 Countywide Water Service Review and for your consideration and timely response to this request.

Sincerely,



Neelima Palacherla
LAFCO Executive Officer

Attachments:

- A. Recommendations for Improving Accountability and Transparency
- B. Recommendations for Exploring Options for Reorganization of the Pacheco Pass Water District in order to Address Financial and Infrastructure Issues

Cc:

Pacheco Pass Water District Board of Directors
San Benito County LAFCO
San Benito County Water District
Santa Clara Valley Water District
LAFCO Members

ATTACHMENT A: RECOMMENDATIONS FOR IMPROVING ACCOUNTABILITY AND TRANSPARENCY

AGENCY	WEBSITE	FINANCIAL RECORDS	AUDITS	ELECTIONS	PLANS / PROGRAMS	OPERATIONAL PRACTICES	MANAGEMENT PRACTICES
Aldercroft Heights County Water	Establish a website or publish a newsletter	Statements need to be more comprehensive	Submit FY09-10 audit to County & prepare future audits on time	Widely advertise board vacancies to ensure contested elections	Establish multi-year capital improvement program	N/A	N/A
Purissima Hills Water District	N/A	N/A	N/A	N/A	Enhance water conservation program efforts to address large lots	N/A	N/A
Pacheco Pass County Water District¹	Establish a website or publish a newsletter	Statements need to be more comprehensive and completed on an annual basis	Submit audit for last 5 years to San Benito County & establish audit schedule	Widely advertise to fill extended board vacancies & to ensure contested elections	Consider long-term future of District Adopt a capital improvement plan & multi-year CIP for infrastructure needs	Track groundwater levels and usage, and water release through dams	Track workload and hours of District staff monthly
San Martin County Water District	Establish a website or publish a newsletter	N/A	Submit audit for last 5 years to the County & establish audit schedule for future audits	Widely advertise to fill extended board vacancies & to ensure contested elections	Prepare master plan & project future water demands and storage needs Establish multi-year capital improvement program	Seek LAFCO approval before extending services outside District boundary	Track District & staff workload
Guadalupe-Coyote Resource Conservation District	Continue to populate website with further information and documents	N/A	N/A	N/A	Prepare a plan for services that the District intends to provide that do not overlap with SCVWD efforts or SCVWD's enabling act	Establish policies and guidelines for reviewing development projects to increase transparency & provide consistency	Track workload of staff and evaluate staff on a regular basis
Loma Prieta Resource Conservation District	N/A	N/A	N/A	N/A	More closely align long range plan with functions in principal act		N/A

¹San Benito County LAFCO is principal LAFCO for the District. Santa Clara LAFCO will forward this information to San Benito LAFCO.

ATTACHMENT B: EXPLORING OPTIONS FOR REORGANIZATION OF THE PACHECO PASS WATER DISTRICT (PPWD) IN ORDER TO ADDRESS FINANCIAL AND INFRASTRUCTURE ISSUES

The Service Review Report identified several concerns regarding the financing, operations, and management of the Pacheco Pass Water District, including the District's lack of necessary revenue (i.e. minimal property tax revenues) to complete essential capital improvements at their North Fork Dam. Furthermore, PPWD has indicated an interest in reorganizing with a larger, more established agency with greater financial resources that could fund the necessary capital improvements and continue the groundwater recharge services currently provided by the District. PPWD is unique in that it has territory in both Santa Clara and San Benito Counties and other water districts completely overlap PPWD's territory in each of these counties— Santa Clara Valley Water District (SCVWD) in Santa Clara and San Benito County Water District (SBCWD) in San Benito. Both SCVWD and SBCWD have indicated interest in some type of collaborative solution to address PPWD's issues, as the North Fork Dam and groundwater recharge into the Pacheco Sub-basin are of interest to both agencies.

The Service Review Report identified the following potential reorganization options that could help address PPWD's issues:

- 1) Consolidation of PPWD into the San Benito County Water District (SBCWD)
- 2) Consolidation of PPWD into the Santa Clara Valley Water District (SCVWD)
- 3) Consolidation of PPWD's territory in each county into the respective water district
- 4) Formation of a joint powers authority (JPA) or other collaborative agreement between the affected agencies

LAFCO of San Benito is the principal LAFCO for the District based on the assessed value of the District's territory and therefore any changes in governance structure would ultimately need to be approved by LAFCO of San Benito. Furthermore, each of the options identified above has its own challenges, for example SCVWD's enabling act does not allow it to include territory outside of Santa Clara County and although SCVWD can obtain, retain, and protect water outside of its bounds, that water must be used for beneficial uses within the District. This and other restrictions may ultimately limit the options available to address PPWD's issues or may mean that additional actions may be required to implement a specific option.

LAFCO of Santa Clara County's primary role at this time would be to facilitate discussions between the Pacheco Pass Water District and other affected agencies such as Santa Clara Valley Water District, LAFCO of San Benito County, and the San Benito County Water District concerning the future of the District given the District's financial and infrastructure issues and the above options. LAFCO can also help determine the process/steps required to initiate any of the reorganization options and clarify what role each LAFCO would need to play in implementing the various options (the formation of a JPA would not require actions or approvals from either LAFCO). Additionally, the Service Review Report indicated that there might be an issue with how property taxes in San Benito County are allocated to the District. LAFCO will forward this information to San Benito County and its LAFCO.