

**COUNTY OF SONOMA  
AGENDA ITEM  
SUMMARY REPORT**

**Clerk of the Board Use Only**  
**Meeting Date** / / **Held Until** / /  
**Agenda Item No:** \_\_\_\_\_ **Agenda Item No:** \_\_\_\_\_

**Department:** Board of Supervisors

( ) **4/5 Vote Required**

**Contact:**  
Peter Rumble

**Phone:**  
(707) 565-3776

**Board Date:**  
10/20/09

**Deadline for Board Action:**

**AGENDA SHORT TITLE:** Franchise agreement between the County of Sonoma and the California American Water Company – Larkfield/Mark West Service Area

**REQUESTED BOARD ACTION:**

- 1) Authorize the Chair of the Board to sign a franchise agreement with California American Water Company, in a form substantially similar to the attached draft and as approved by County Counsel
- 2) Resolution documenting the Board’s intent to pass-through to a Larkfield-Mark West CSD a portion of the franchise revenue to fund the start-up and ongoing administration of the district, upon voter approval of district formation

**CURRENT FISCAL YEAR FINANCIAL IMPACT**

**EXPENDITURES**

**ADD'L FUNDS REQUIRING BOARD**

**Estimated Cost** \$

**Contingencies** \$  
(Fund Name:)

**Amount Budgeted** \$

**Unanticipated Revenue** \$  
(Source:)

**Other Avail Approp.** \$  
(Explain below)

**Other Transfer(s)** \$  
(Source:)

**Additional Requested:** \$

**Add'l Funds Requested:** \$

**Explanation (if required):**

**Prior Board Action(s):**

11/2007 - Authorized Agency’s General Manager/Chief Engineer to amend the agreement between the Sonoma County Water Agency and Economic & Planning Systems to provide economic feasibility and district formation services for the proposed Mark West Area Community Services District Formation Project.

**Alternatives - Results of Non-Approval:**

The County could forgo the franchise revenue allowed under law and/or not commit a portion of the franchise revenue toward a potential Larkfield-Mark West CSD.

**Background:**

The California American Water Company (CalAm) is a national retail water supplier, which provides water to the County's Larkfield-Mark West community, located immediately north of Santa Rosa. The Larkfield-Mark West community is the most urbanized unincorporated area of the County

By law (Franchise Act of 1937), the County may enter a franchise agreement with CalAm in exchange for the company's right to work in the public right of way, such as laying and repairing water transmission pipelines underneath and along County roads. CalAm is amenable to entering into a franchise agreement, under which CalAm would pay the County an annual amount equal to 2% of the company's gross revenue for the Larkfield-Mark West service delivery area. Based on recent figures, the franchise annual payment would total approximately \$50,000 - \$75,000 depending on annual revenue. If approved by your Board, the Franchise agreement would go into effect on January 1, 2010, with payments starting at the end of the calendar year and continuing on annual basis. The franchise agreement would be in place for 20 years.

The franchise fee could be deposited in any fund the County desires, including the General Fund, and offset costs associated with developing and administering this franchise agreement, as well as to offset costs of public services in the overlapping Larkfield-Mark West community/CalAm service area. Initial administration of this franchise agreement will be the responsibility of the County Administrator, but may transfer to another department or organization at a future time.

Members of the Mark West Community Services Committee (Committee) have expressed a desire to bring more public services into the community to enhance quality of life in the area, while at the same time bringing greater local input into what and how the services are delivered. As part of this, the Committee has requested help from the County in establishing a community services district (CSD). Although the Committee is still identifying what services to set as its first priority, a CSD such as this could provide enhanced parks and recreation facilities or public safety enhancements, among other enhanced services.

**Attachments:**

- Resolution
- Draft Franchise Agreement
- Map of CalAm Larkfield-Mark West Service Area

**On File With Clerk:** EPS Study

**CLERK OF THE BOARD USE ONLY**

**Board Action** (If other than "Requested")

**Vote:**

**Background:** (Continued)

A study was completed by EPS Consulting on the feasibility of a CSD for the area, which identifies the possible services a CSD could provide as well as the costs and potential funding sources. Because CalAm provides water to the residents in the same area as the potential CSD area, there is a nexus for the County to pass-through some of the annual franchise agreement fee to the formation of the district, ongoing oversight of the CalAm franchise agreement, and any additional enhanced community services, such as those previously listed. The potential revenue from the franchise agreement may be sufficient to fully fund the CSD's administration costs. However, any administration and/or service costs that are greater than the annual franchise pass-through would need to be covered by another source of funds. Because there is not an anticipation of transferring County services to a CSD in the area, there is no anticipated property tax transfer from the County to a CSD.

For a CSD to be formed, an application must be filed with the Sonoma Local Agency Formation Commission (LAFCO). LAFCO must then conduct an analysis of the proposal, including what proposed services the district would provide, what administration and service costs are present, and what revenue the proposed district has to support those costs. With these criteria met, LAFCO may make a finding that the CSD is viable and can approve the formation of the district, subject to voter approval.

By documenting the County's commitment to pass-through a portion of the CalAm franchise revenue, the proposed CSD could demonstrate a reliable stream of revenue. To complete a proposal for LAFCO, the Committee will move forward with input from the County to identify specific services to provide, and the cost of those services. If the costs exceed the pass-through franchise revenue, an alternate source of funding will be required, which may require voter approval.

The attached resolution states the intent of the County to provide a pass-through of the franchise revenue to a Larkfield-Mark West CSD, once a district is approved by LAFCO and confirmed by the voters within the proposed district. Until that occurs, a portion of the franchise fee will be deposited in the County's district formation fund and set aside specifically to fund the start-up costs of the district when formed. If the CSD is not formed, the County may use these funds for other appropriate uses.

**Requested Action**

The requested action before your Board in this item is to:

- 1) Authorize the Chair of the Board to sign a franchise agreement with California American Water Company, in a form substantially similar to the attached draft and as approved by County Counsel.
- 2) Resolution documenting the Board's intent to pass-through to a Larkfield-Mark West CSD a portion of the franchise revenue to fund the start-up and ongoing administration of the district, upon voter approval of district formation.