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County of Santa Cruz

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July 14, 2000

Agenda August 8, 2000

Board of Supervisors
County of Santa Cruz
701 Ocean Street, Room 500
Santa Cruz, California 95060

Re: COUNTY SERVICE AREA 54, MT. CHARLIE WATER SYSTEM

Dear Members of the Board:

Your Board has previously deferred consideration of the operation details of the CSA 54 water system (former Mt. Charlie water system), to pursue a proposal which would transfer the system to the water users, in the form of a non profit corporation. This office has been meeting and conversing with the water user's attorney. It now appears that a transfer of the water system is feasible and that CSA 54 will not need to retain an operator.

The water users have formed a non profit mutual benefit corporation, Santa Cruz Mountains, Summit West, Inc, and its attorney will soon apply to the California Secretary of Corporations for authority to issue shares to each of the users. This will satisfy the CSA 54 formation requirement that the water system, if transferred, be transferred to an entity representative of the water users.

The user's attorney is also communicating with the Department of Water Resources (DWR) to determine if and how the \$900,000 DWR loan can be assumed by Summit West. In the event of a transfer of the water system, it seems sensible that Summit West service this loan directly rather than through CSA 54. This office has begun to negotiate a Memorandum of Understanding with Summit West which will

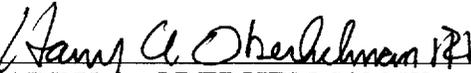
transfer the water system and assure that the County's expenses and staff costs are reimbursed.

It is anticipated that this office will be in a position to bring to your Board on October 10, 2000, a recommendation to transfer the water system to Summit West and a Memorandum governing that transfer.

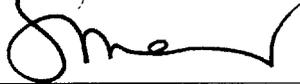
IT IS THEREFORE RECOMMENDED that your Board continue consideration of the transfer of the CSA 54 (formerly Mt. Charlie Waterworks) water system to October 17, 2000

Very truly yours,

SAMUEL TORRES, JR., COUNTY COUNSEL

By: 
HARRY A. OBERHELMAN III
Assistant County Counsel

RECOMMENDED:


SUSAN MAURIELLO
County Administrative Officer

cc: CAO
Auditor-Controller
Public Works
County Counsel
F. McCauley Small, Jr., Esq.
Christopher Ashworth, Esq.