

3.0 GOVERNANCE

The following sections describe the current water governance structures in place in the SCV and discuss the results of the Governance Report completed by National Demographics Corporation (NDC) (See **Appendix A** for a copy of the complete report). NDC was asked to assist with an analysis of the issues and options involved in creating a new public water district through the integration of the respective governing boards. NDC is especially well known for its work in local and state government. Since 2002, NDC has established a reputation as the state's leading demographic expert on the California Voting Rights Act (CVRA), having performed demographic assessments of potential CVRA liability for over 250 jurisdictions. When considering a change to the existing structure certain challenges and opportunities may present themselves:

Challenge: *Changes NCWD's and CLWA's current board system to a more regionally integrated board.*

Opportunity: *Improve on current structure to provide a more effective locally representative and regionally integrated voice for water governance.*

Summary: The creation of a new public water district would transition the existing directors of both the NCWD and CLWA boards to the new public water district. This would result in a broader policy focus. Having a diverse board of directors working on regional policy decisions has the potential to provide greater regional representation for customers, especially those in the NCWD service area, and the community as a whole. Moreover, the State of California has committed to a strategy of integrated regional water management. A new board would help achieve this goal by working together – as one water district – on local regional issues.

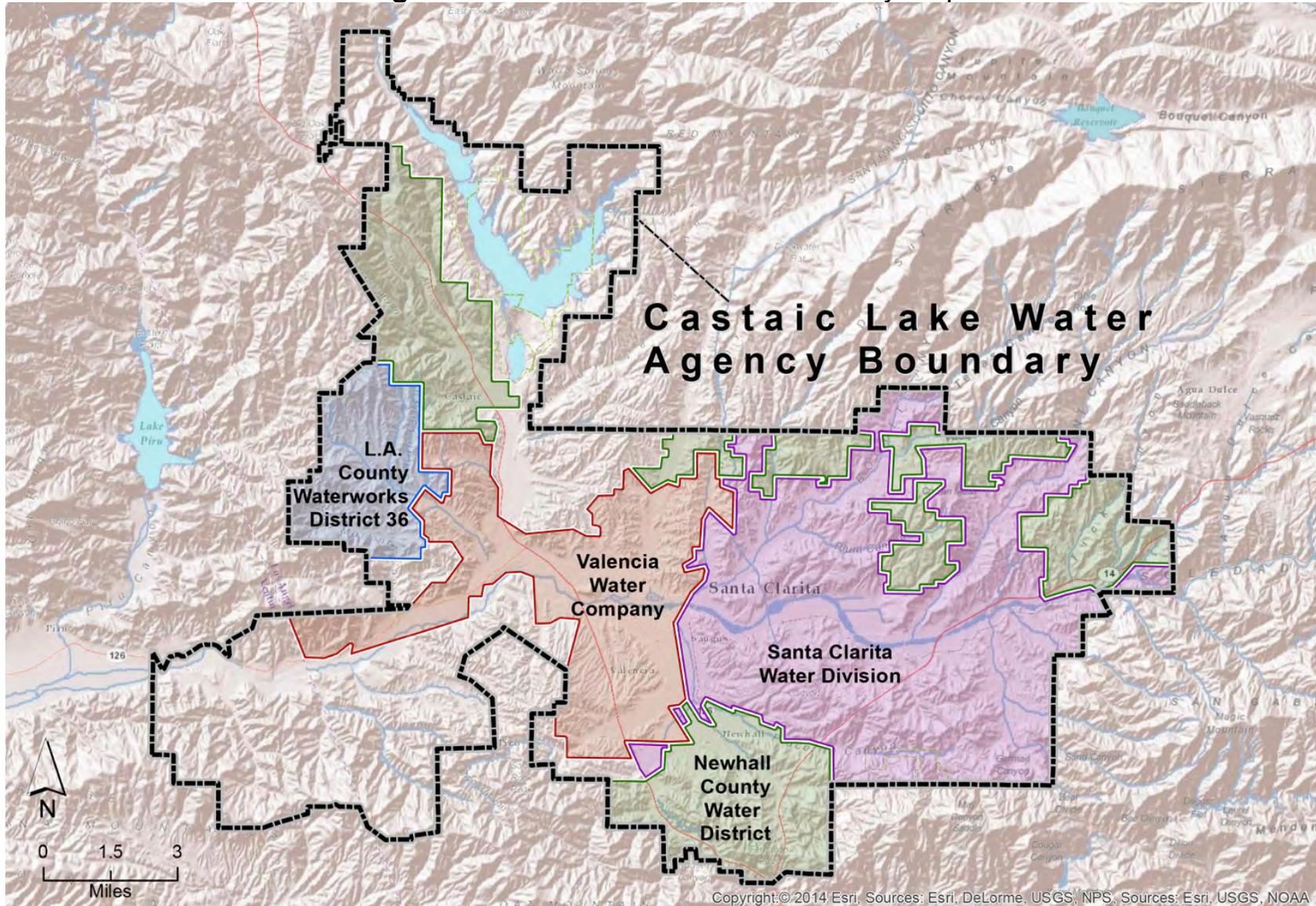
3.1 Existing Governance Structure

It is informative when considering a new governance structure to first evaluate the opportunities and challenges of the existing one. The existing SCV water governance is one built upon the history of the SCV itself. The current water providers are made up of a patchwork of boundaries (some more than 100 years old) that challenge modern governance (see **Figure 1-1** Water Service Area Boundary Map). A few of these facts are:

- Roughly 5,000 residents live within one water provider, but are served by another due to odd boundaries and geographic constraints
- Some service area boundaries look more like island chains, than sensible borders
- Voter participation in CLWA elections has been in the 20% to 25% range, while turnout for NCWD has been closer to 10%, due in part to odd year elections.

Despite these quirks, the water providers have worked hard to ensure these systems generally work well. The following explains the current governance structures in place for each water supplier in the SCV.

Figure 3-1 Water Service Area Boundary Map



Castaic Lake Water Agency: CLWA is governed by an 11 member board, 9 of whom are elected by the public and 2 of whom are appointed by the governing body of retail purveyors served by CLWA. The 9 elected board seats include 3 elected at-large over the whole CLWA service area and 6 elected by division (three divisions with two seats in each division). The NCWD Board appoints one of the appointed CLWA director to represent NCWD and the LA County Board of Supervisors appoints the other to represent LACWD.

Therefore, a resident of the Santa Clarita Water Division votes to elect the divisional directors in their particular division as well as the at large directors. A resident of NCWD or LACWD votes for the divisional directors in their particular division, as well as at-large directors, and has a director appointed by their retail governing body. A resident of Valencia Water Company votes to elect the divisional directors in their particular division as well as at-large directors. All retail customers in the Santa Clarita Valley have an opportunity to vote for representation on the CLWA Board. The governing board sets the Agency's ordinances, policies, taxes, and rates for service.

Santa Clarita Water Division: Santa Clarita Water Division is operated as a division of the Castaic Lake Water Agency. Governance of SCWD is provided through the CLWA Board of Directors. As noted above, a resident of the Santa Clarita Water Division may vote to elect the divisional directors in their particular division as well as the at large directors who serve on the CLWA Board. The governing board sets the Division's ordinances, policies, and rates for service.

Los Angeles County Waterworks District No. 36: Los Angeles County Waterworks District 36, Val Verde, is a special district formed in accordance with Division 16, Sections 55000 through 55991 of the State Water Code to supply drinking water for urban use in Val Verde. The local water system of the LACWD was installed in 1963 using a federally assisted County Improvement Assessment District which was paid for by the local property owners. The District is operated by the Los Angeles County Department of Public Works, Waterworks Division and is governed by the Los Angeles County Board of Supervisors.

Newhall County Water District: The Newhall County Water District was formed in 1953 as a County Water District per Division 12 of the California Water Code. Five (5) Directors are elected at large by voters to serve staggered four year terms on its governing board. The governing board sets the District's ordinances, policies, taxes, and rates for service.

Valencia Water Company: Valencia Water Company is operated as a water utility corporation. Currently, CLWA is the sole shareholder, having acquired the stock of VWC in 2012. CLWA, as sole shareholder, appoints an independent Board of Directors to govern VWC. Residents of the Valencia Water Company service area may vote to elect the divisional directors in their particular division as well as the at large directors who serve on the CLWA Board.

3.2 Governance Report

NDC was retained as a consultant to analyze the existing governance structures and then dive deeper into the concept of how governance could be modernized, fully integrated and enhanced to provide for better local water management. NDC's full report is included as **Appendix A** of this Study. The following information provides a summary of critical items included in the NDC Report.

Key Questions: The form of governance for the new combined CLWA – NCWD entity faces potential questions arising from two different sources: the combination of entities, and relatively recent state legislation.

The California Voting Rights Act (CVRA), or California Elections Code Sections 14025 through 14032, significantly lowers the legal threshold plaintiffs must cross to force a California jurisdiction to change its elections from any system other than pure by-division elections to pure by-division elections. CLWA and NCWD both do not have pure by-division elections and it is possible they could be challenged under the CVRA. Numerous CVRA challenges have been filed or threatened in this area, including to the City of Santa Clarita, College of the Canyons, Hart Union High School District, and all of the elementary school districts in the area. All but the City have changed their election systems to pure by-division systems as a result of these challenges, and the new entity may face a similar challenge if the new elections are not purely by-division.

From the integration itself, there are the questions of:

- a) How to blend the five-member NCWD board with the eleven-member CLWA board;
- b) How many members to have on the new board and, if fewer than 15, how and when to reduce the current numbers;
- c) Whether to elect Directors by-division, at large, or in some combined system.

Finally, as is inherent in any combination of two entities, there is the question of how to preserve the “voice” of the different regions in the new integrated larger entity. This question has influenced the question of how potential election divisions would be designed.

Key Decisions: In looking at options, it was quickly clear that a “by division” election system offered a number of advantages over at-large and/or combined elections systems. A by-division system would ensure compliance with the California and Federal Voting Rights Acts; be the simplest for residents and voters in the new jurisdiction to understand; and offer the strongest opportunity for different regions of the new jurisdiction to feel they would have a strong voice on the new elected leadership (in particular, but certainly not limited to, the NCWD residents).

It was also quickly clear that a multi-member “by division” election system would offer distinct advantages including continuity, because:

- CLWA already had a multi-member by-division system where two Directors are elected from each of three divisions; and
- A three-division system with equal-population divisions offered the best means to unite the Newhall and Canyon County relatively-more-Latino areas into a single united division (as plaintiffs pushed for in the College of the Canyons and Hart Union High School District litigation).

But, by-division election systems come with their own legal requirements:

- 1) The requirement that each division have an equal population per director according to the most recent decennial Census;
- 2) That division borders not be drawn in a manner that impairs the electoral strength of “protected class” populations as defined under the Federal Voting Rights Act; and
- 3) That division borders not be drawn with race or ethnicity as a “predominate” factor as that would be unconstitutional racial gerrymandering.

While it is possible to draw one division that elects four directors and another division that elects two directors, as long as the total population of the former division is double the population of the latter, those calculations can be complicated and confusing – and in general there is an advantage to avoiding adding additional complications to the already-complex discussion of the overall integration of the two jurisdictions.

The Details: What This Structure Could Look Like

This governance system would create three evenly sized divisions – each with roughly 80,000 residents. Voters would be responsible for electing directors residing within their specific division. This would create a locally representative, but regionally integrated board of directors managing water resources.

These divisions are designed to meet several practical goals, including:

- Full compliance with California Voting Rights Act laws to ensure equitable minority representation and opportunity
- Equal amount of residents in each division
- Designed along manmade or geographic landmarks to create logical boundaries

In essence, it would blend CLWA’s divisional structure with NCWD’s directly elected approach. NDC developed two map options that were presented at the joint board meeting/public workshop held on June 6, 2016. Both maps implement the legal requirements and traditional redistricting principles, though in different manners. The two alternative maps were considered as part of the governance study process and are presented in **Appendix A** of this study.

3.3 Conclusions and Recommendations

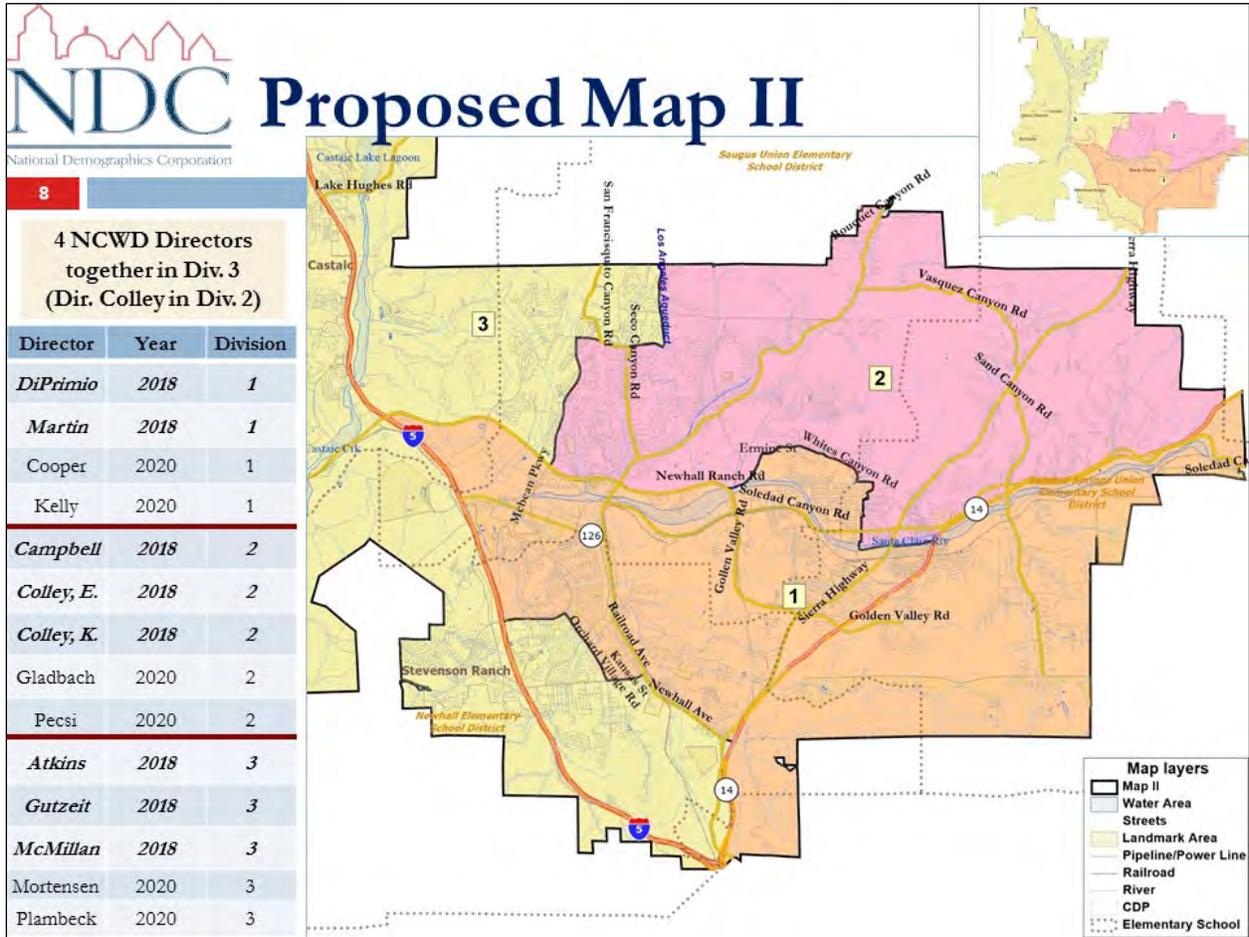
Given that combining two separate entities is complicated, NDC's experience has been that the simplest solution is generally preferable whenever that solution does not bring its own detrimental effects to the situation.

With that goal in mind, and based on NDC's experience with other jurisdictions in the area; conversations with the board and staff of both CLWA and NCWD; and input gathered at the joint board meeting/public workshop held on June 6, 2016, NDC offers the following recommendations regarding how to proceed. These are certainly not the only options available to the two boards, but they appear to best meet the situation and goals for this project:

- A. The new entity should be governed by a board elected from three divisions with an equal population and equal number of directors elected by each division;
- B. Adopt a map that has as many of the current NCWD board members in a western division uniting most of the current NCWD territory;
- C. Eliminate the CLWA post held by the NCWD appointee, since that appointee is also on the NCWD board;
- D. Start with four directors per division, resulting in either 12 or 13 total directors depending on whether the County Water 36 appointee remains, and provide the board the opportunity in the future to decide to reduce to three directors per division for 9 or 10 total directors. This approach could result in a smaller and possibly more manageable board, without complicating the current discussions with concerns regarding which board members will move to the new entity and which will not.

Based on all of the considerations including public input, NDC recommends (**Figure 3-1**) "Proposed Map II" as its preferred map. This map of election divisions, along with a list of which directors are in which divisions and what year each director would be next up for election, is on the next page. The current proposal recommends that the initial board consist of all 15 members, and then reduce to a 13 member Board over four years, 12 publicly elected by division and 1 appointed, with the opportunity to reduce to 9 members over time.

Figure 3-2 Proposed Governance Map



Director Efstathiou is an appointed representative of Los Angeles County Waterworks District No. 36