



BOARD OF SUPERVISORS
AGENDA LETTER

Agenda Number:

Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Department Name: Public Works/Lag San
Department No.: 054
For Agenda Of: 2/11/2020
Placement: Administrative
Estimated Tme:
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Directors, Laguna County Sanitation District

FROM: Department Scott D. McGolpin, P.E., Director, (805) 568-3010
Director(s)
Contact Info: Leslie Wells, Deputy Director, (805) 882-3605

SUBJECT: Grazing Lease Agreement with K2 Cattle Company, LLC - Third and Fourth
Supervisorial Districts

County Counsel Concurrence

As to form: Yes

Auditor-Controller Concurrence

As to form: Yes

Other Concurrence: Risk Management

As to form: Yes

Recommended Actions:

That the Board of Directors:

- a) Approve and authorize the Chair to execute a lease agreement with K2 Cattle Company, LLC to graze cattle on Laguna County Sanitation District property; and
- b) Determine that the above action is not a project under the California Environmental Quality Act (CEQA) pursuant to Section 15378(b)(5) of the CEQA Guidelines, because it consists of administrative activities of government that will not result in direct or indirect physical changes in the environment.

Summary Text:

This item is on the agenda to consider approval of a lease agreement with K2 Cattle Company, Inc. to graze beef cattle on Laguna County Sanitation District property in the amount of \$102,000 per year through December 31, 2024.

Background:

Laguna County Sanitation District (District) produces recycled water for various uses to offsite customers. Water not used by offsite users when demand is low (during the rainy season or during non-irrigation hours) is stored in a 300 million gallon reservoir for later discharge to cattle pasture on land owned by the District.

The land consists of a total of 542.6 acres, of which 353 acres are irrigated pasture. The land is divided into 4 pastures used to rotate cattle grazing. Irrigation and grazing has varied between two separate operations, that is a cattle grazing lease separate from a labor contract, and a combined grazing/irrigation operation where the cattle tenant provided the irrigation labor (most recent). In order to better control irrigation activities, the District has gone back to two separate operations and has retained the services of a separate agricultural labor company to perform irrigation services effective December 9, 2019. For clarity, case law required that a combined agreement be awarded to the best bid. However, when separated the grazing lease does not require bidding as the District may lease its property pursuant to Health and Safety Code section 4743.

The most recent agreement with Agland Angus, LLC was a combined agreement that began May 1, 2017 with an expiration of April 31, 2020. However, an initial notice to cure dated March 20, 2019 was issued following the tenant's sale of its herd to a third party, a breach of the agreement for the assignment of rights (sublease). The tenant indicated its inability to cure and a notice of termination was issued June 10, 2019 with a termination date of December 7, 2019. The tenant further failed to pay rent since April 2019 in an amount totaling \$18,850 and was issued notices of default on several occasions for lack of agreement compliance.

On November 19, 2019, staff recommended to your Board that a grazing lease be issued to the current occupant, K2 Cattle Company, LLC. Your board suggested the grazing lease be let out for bidding in order to allow local ranching interests to have an opportunity to bid on the lease. The lease agreement was bid for three weeks and solicited to the Santa Barbara County and San Luis Obispo County Cattlemen's Associations as well as to all cattle ranchers that have expressed interest in the past.

Grazing lease bids were received on Monday, December 16, 2019 from K2 Cattle Company, LLC and Agland Angus, LLC with bid amounts of \$8,500/month and \$10,000/month respectively. The bid proposal sheet provided by the District required bidders to disclose if they had any contracts terminated prior to expiration since January 1, 2010, and if so, to explain the scope of the contract, reason for termination, and contracting parties. The bid proposal sheet informed bidders that termination of a contract for breach or poor performance would cause the bidder to be considered as non-responsible and ineligible to bid. Based on past performance, staff determined that Agland Angus, LLC is ineligible and recommends awarding the grazing lease agreement to K2 Cattle Company, LLC. Due diligence was performed and K2 Cattle Company, LLC is a large, well-organized cattle rancher with holdings in several states and locally in the Santa Margarita, Los Alamos and Santa Paula areas. The grazing lease will become effective April 1, 2020 and expire December 31, 2024.

Fiscal Analysis:

The lease amount that K2 Cattle Company, LLC will pay the District will be \$8,500 monthly.

Special Instructions:

Retain one (1) original agreement for Clerk of the Board records and return the other two (2) original agreements to the Laguna County Sanitation District office, 620 Foster Rd., Santa Maria, CA 93455 attention Martin Wilder.

Attachments:

Attachment A: Original agreement, three (3 copies).

Authored by:

Martin Wilder, P.E., Manager (805) 803-8755

Copy:

File