

March 2011 Sphere of Influence Review
Freedom County Sanitation District Sphere of Influence
Prepared by the Santa Cruz Local Agency Formation Commission

Executive Summary

Government Code Section 56425(g) requires LAFCOs to review and, as necessary, update each city and district sphere of influence every five years. Government Code Section 56430 requires LAFCOs to prepare municipal service reviews in order to address big-picture governmental organizational and efficiency issues before updating spheres. Santa Cruz LAFCO completed the Countywide Service Review in 2007 and has subsequently been reviewing the spheres of influence of each city and district subject to Santa Cruz LAFCO's boundary regulation.

This sphere review study addresses the Freedom County Sanitation District. The study evaluates the operating conditions of the district as well as the demand for the district's services based upon the adopted general plans. The study recommends that a 348-acre area be taken out of the Freedom County Sanitation District's Sphere of Influence because that area has been annexed to the City of Watsonville and detached from the Freedom County Sanitation District since 1990 when the last sphere review occurred. The sphere study provides an evaluation of planned land uses, need for services, and adequacy of services that supports determinations on these matters in a LAFCO resolution updating the Freedom County Sanitation District Sphere of Influence.

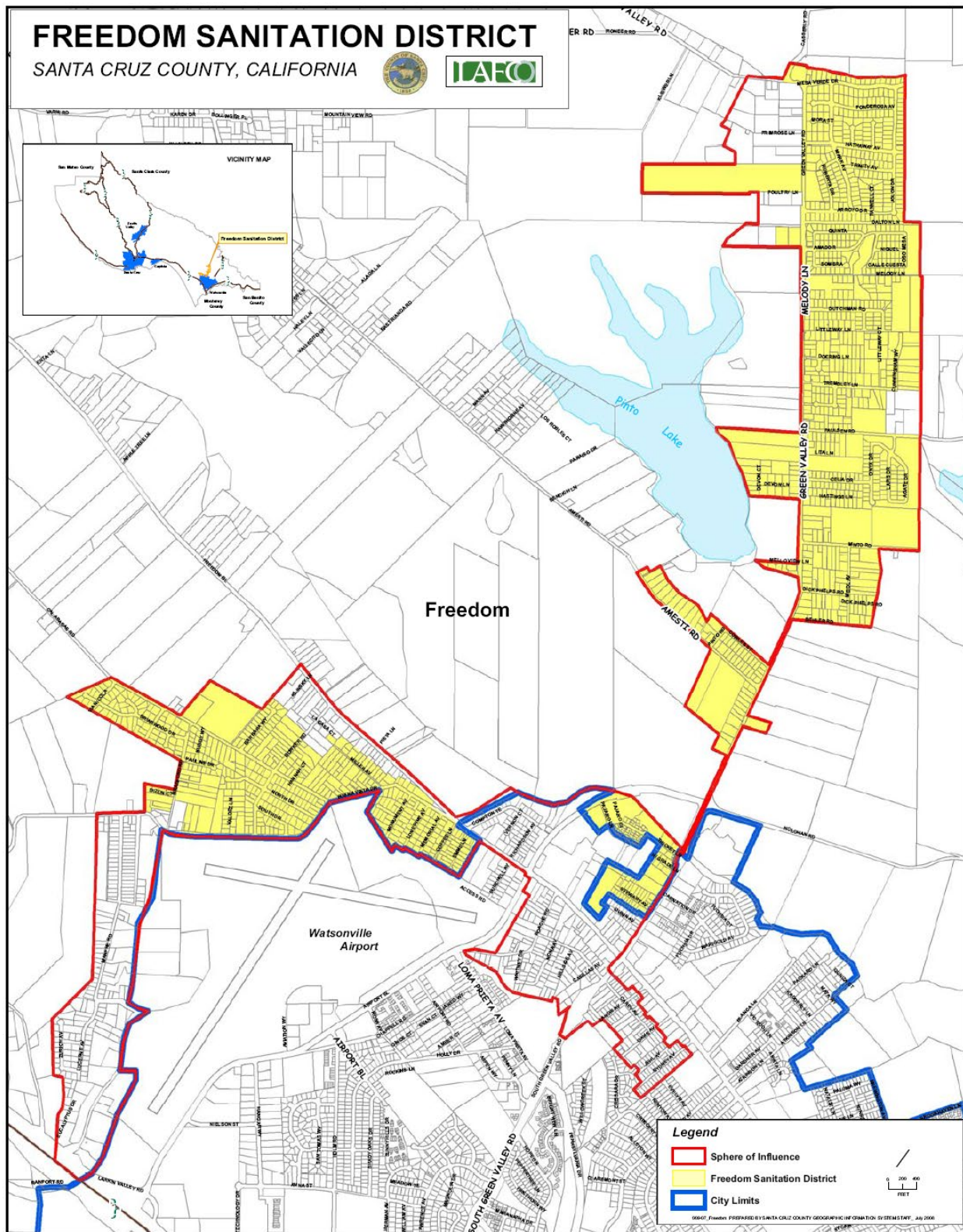
Description of District

The Freedom County Sanitation District provides sanitary sewer collection services in the urban and suburban unincorporated areas of Freedom, north and northwest of the City of Watsonville. The District contracts with the City of Watsonville to treat, recycle, and dispose of the District's wastewater at the city treatment plant. The Santa Cruz County Board of Supervisors acts at the Board of Directors of the Freedom County Sanitation District. The County Public Works Director is the District Engineer, and County Public Works staff operates the District's sewage collection system.

The District's collection system includes 10 pump stations and 21 miles of sewer mains. It serves 1300 single-family dwellings, 185 multiple-family dwellings, 178 mobile homes, and 23 commercial and institutional users.

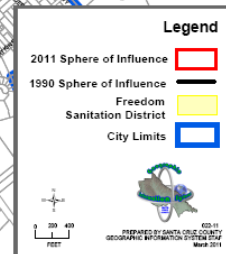
The District has two non-contiguous service zones. The western service zone serves the neighborhoods north of the Watsonville Airport off Freedom Boulevard, Buena Vista Drive, Calabazas Road, and Bowker Road. The northern service zone serves the Green Valley Road corridor, including neighborhoods off Stewart Street, Pajaro Lane, Amesti Road, Paulsen Road,

Melody Lane, and Mesa Verde. The District's current boundaries are shown on the following map:



Description of District's 1990 Sphere of Influence

The Freedom County Sanitation District was formed in 1958, before the existence of LAFCO'S. Santa Cruz LAFCO adopted the first Sphere of Influence for the District in 1975, and performed a major review of the District's Sphere of Influence in 1990. Since 1990, the City of Watsonville has annexed 348 acres of the District containing 4584 people at the time of annexation. Since the City operates a municipal sewage system, any annexation to the City is accompanied by a concurrent detachment from the Freedom County Sanitation District. In 1984, the District had a contracted treatment capacity in the City plant of 1.350 million gallons per day. As a result of the detachments, the District's treatment capacity has been reduced under the agreement to 0.711 million gallons per day. The District believes that it has adequate capacity to accommodate general plan build-out within its sphere of influence. The Watsonville Wastewater Treatment Plant, operating as the regional treatment plant serving the City, the Freedom County Sanitation District, Pajaro Dunes, the Salsipuedes Sanitary District, and the Pajaro County Sanitation District in Monterey County, is well below its 12.1 million gallon a day permitted capacity. A map of the District's Sphere of Influence follows on the next page.



District Finances

A summary of the Freedom County Sanitation District's operating budgets follows. FY 2003-04 and FY2004-05 are included because they are the base years used in the Countywide Service Review in which LAFCO compared municipal-type services provided by agencies in Santa Cruz County.

FREEDOM SANITATION

John J. Presleigh, Director of Public Works

Index Number: 625130

Fund:

Special District

Function:

Health & Sanitation

<u>Requirements</u>	<u>Actual 2008-09</u>	<u>Appropriated 2009-10</u>	<u>Estimated 2009-10</u>	<u>Requested 2010-11</u>	<u>Recommended 2010-11</u>	<u>Change From 2009-10</u>
Appropriations						
Services & Supplies	\$606,332	\$574,794	\$471,123	\$649,500	\$650,050	\$75,256
Other Charges	\$293,700	\$182,857	\$182,857	\$107,818	\$107,818	(\$75,039)
Approp. for Cont.	\$0	\$4,252	\$0	\$6,831	\$6,281	\$2,029
Total	\$900,032	\$761,903	\$653,980	\$764,149	\$764,149	\$2,246
Increase Reserve	\$52,818	\$0	\$0	\$0	\$0	\$0
Total Requirements	\$952,850	\$761,903	\$653,980	\$764,149	\$764,149	\$2,246
Available Funds						
Fund Balance Avail.	\$242,338	\$54,731	\$54,731	\$101,549	\$101,549	\$46,818
Cancel Reserve	\$129,435	\$52,818	\$52,818	\$0	\$0	(\$52,818)
Revenue	\$635,808	\$654,354	\$647,980	\$662,600	\$662,600	\$8,246
Total	\$1,007,581	\$761,903	\$755,529	\$764,149	\$764,149	\$2,246

The District's main revenue sources are sewer services charges, which are collected on the property tax bills. The FY 2010-11 service charges are:

Annual Sewer Rates

Single-family	\$401.50
Multiple-family	\$315.86
Mobile Homes	\$319.62
Commercial Facilities	\$145.04 plus \$2.58 per hundred cubic feet
Schools	\$145.04 plus \$6.89 per average daily attendance

The Board of Supervisors, acting as the Board of the Freedom County Sanitation District, has scheduled a public hearing for May 3, 2011 to consider raising rates 3.4% for FY 2011-12.

For comparison, in the Countywide Service Review, the single-family rates for the Freedom County Sanitation District were more than the rates in the City of Watsonville, similar to the

rates in the Cities of Santa Cruz and Scotts Valley, and less than the rates in the City of Capitola and rest of the mid-county served by the Santa Cruz County Sanitation District.

On the expenditures side, the District's principal expenditures are paying the City for the treatment costs, maintaining the collection system, and replacing mains and lift stations:

FCSD BUDGET, EXPENDITURES	FY 2010-11
Sewer Lift Station Maintenance and Operations	\$145,000
Watsonville Treatment Plant-District Charges	370,000
Collection Line Maintenance and Operations	83,500
Utilities and Chemicals	17,000
Engineering	5,000
Generator Repairs	1,000
Source Control Program	5,000
Replacement Pumps and Motors	20,000
Permits	3,000
Accounting and Audit Fees	0
Contributions to Expansion Construction Fund	107,818
Contingencies	6,831
<hr/> TOTAL	<hr/> \$764,149

The District collects a \$4, 000 per unit connection fee, which goes into the District's Expansion Construction (capital outlay) fund. The District's Expansion Construction Fund, used for capital facilities construction and replacement, has the following budget. It should be noted that this fund constitutes the District's capital improvements program and the projects are expected to be constructed over a period of years. The planned improvements are listed below:

FCSD CAPITAL BUDGET, EXPENDITURES	FY 2010-11
Engineering Services	\$ 2,000
Minor Sewer Repairs	100,000
Small Pump Station Improvements	25,000
Wastewater Reserves	190,041
Small Line Rehabilitation	300,000
Inflow and Infiltration Improvements	100,000
Control Panel Improvements	50,000
Calabasas Road Repaving	50,000
Ponderosa/Hathaway/ Sewer Replacement	700,000
Trembly Sewer Replacement	500,000
Los Arboles Pump Station Improvements	200,000
Minto/Meidl/ Phelps Sewer Replacement	800,000
<u>Contingencies</u>	<u>70,000</u>
TOTAL	\$3,087,041

Countywide Service Review

The Countywide Service Review (www.santacruzlafco.org/CSR.html), which used 2004-5 data, made the following determinations for the Freedom County Sanitation District.

1) *Population and Growth*

The Freedom County Sanitation District serves an estimated population of 5,040 in the Buena Vista, Calabasas, and Green Valley areas adjacent to the City of Watsonville. Watsonville is projected to have the highest growth rate in the County at 1.3% per year. The City is preparing a general plan update, specific plan, sphere of influence amendment, and environmental impact report for significant new residential growth in the Buena Vista and Calabasas areas.

2) *Infrastructure Needs and Deficiencies*

The Freedom County Sanitation District provides wastewater collection services; treatment is provided through the Watsonville Wastewater Treatment Plant.

The District has budgeted for approximately \$1.6 million in capital projects in FY 2004-2005 including pump station and sewer line replacements.

3) *Financing Constraints and Opportunities*

The Freedom County Sanitation District is primarily funded through sewer service charges. The District maintains reserves for capital needs.

District funding will be reduced in the future as areas are detached from the District and annexed to the City of Watsonville.

4) *Cost Avoidance Opportunities*

The Freedom County Sanitation District is controlling costs through the management and operations provided by the County Department of Public Works, including sharing staff and equipment as needed.

5) *Management Efficiencies*

The Freedom County Sanitation District is achieving management efficiency through the management provided by the County Department of Public Works.

6) *Shared Facilities*

The Freedom County Sanitation District shares equipment with the Santa Cruz County Sanitation District as well as the other services provided through the County.

7) *Rate Restructuring*

The Freedom County Sanitation District rate structure is reviewed annually in the context of operations and capital needs. Rates have increased 57% over the past two years and are expected to increase another 10% in the next two years.

8) *Government Structure Options*

The Freedom County Sanitation District is a dependent special district operating in accordance with Health and Safety Code §4700 et seq. Watsonville has been annexing portions of the District which may eventually leave a small island of collection lines and pump stations. LAFCO should consider designating the area north of Watsonville as a special study area to determine the most efficient way to provide wastewater collection services.

LAFCO should consider adopting a zero sphere for the Freedom County Sanitation District if an acceptable governance and maintenance structure can be designed for the Green Valley corridor area not included in the City's sphere of influence.

9) *Local Accountability and Governance*

The Freedom County Sanitation District is governed by the County Board of Supervisors and addressed during the Board's regular meetings. Public notice is provided for all meetings through posted notice, email, newspaper notice and website. The County Department of Public Works has information on the District on its website.

Study Areas

In conducting the 2011 Sphere of Influence Review for the Freedom County Sanitation District, the LAFCO staff divided the 1990 Freedom County Sanitation District Sphere of Influence into 10 study areas. (See map on next page). No areas were studied to add to the 1990 Sphere because:

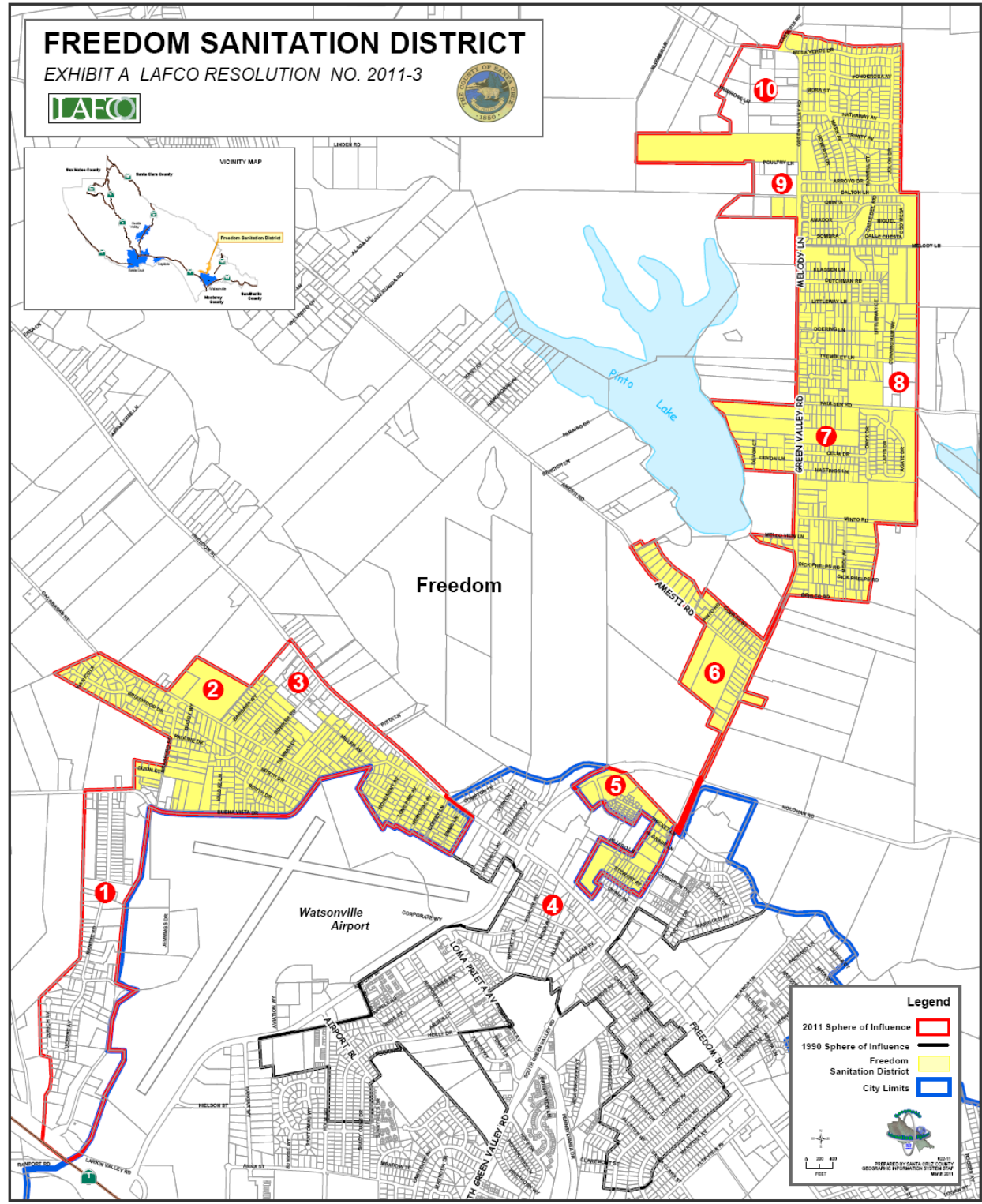
--Since 1990 the County General Plan has not changed in unincorporated Freedom with regard to maintaining a stable Urban Services Line.

--The District, the LAFCO Consultant, the LAFCO Staff, the Commission, and the Public did not identify nearby areas needing sanitary sewers during the preparation of the Countywide Service Review.

--Since the Countywide Service Review was completed, the LAFCO staff has not learned of any unincorporated areas adjacent to the 1990 Sphere where sanitary sewer service is needed.

The following table summarizes the land uses, boundaries, and staff recommendations for the 2011 review of the Freedom County Sanitation District Sphere of Influence. The only change from the 1990 review is deleting Area 4 because it has now been annexed to the City of Watsonville, detached from the Freedom County Sanitation District, is receiving sanitary sewer service from the City, and will not need service from the Freedom County Sanitation District.

Area	Name	Land Use Plan	Within FCSD Boundary	Within 1990 FCSD Sphere	2011 FCSD Sphere Recommendation
1	Manfre	Residential Urban Low	No	Yes	In
2	Calabasas	Residential Urban Low	Yes	Yes	In
3	Bowker/Freedom	Residential Urban Low	No	Yes	In
4	Inside City	Residential and Commercial	No	Yes	Out
5	Stewart	Residential Urban Medium /Commercial Offices	Yes	Yes	In
6	Amesti/Cowles	Suburban Residential	Yes	Yes	In
7	Green Valley	Residential Urban Low	Yes	Yes	In
8	Paulsen	Residential Urban Low	No	Yes	In
9	Poultry	Residential Urban Very Low	No	Yes	In
10	Primrose	Residential Urban Very Low	No	Yes	In



City of Watsonville Annexations in Freedom Since 1990

Area 4 has been annexed to the City of Watsonville and detached from the Freedom County Sanitation District since 1990. List of annexations:

Sub-Area	Name	Year Annexed	Acres	Population
A	Freedom Blvd/Fosters Freeze	1993	0.2	0
B	Airport Blvd/Graybeal	1994	0.3	0
C	Green Valley/Carnation	1995	36	394
D	Freedom School/Green Valley	1996	106	1437
E	Monument/Burchell	1996	10	73
F	Clifford/ Arthur	1996	43	680
G	Hospital	1987	19	0
H	Freedom/Carey	2000	134	2000
TOTAL			348.5	4584

California Environmental Quality Act

The LAFCO staff has conducted a review of this project under the California Environmental Quality Act and has determined that the project qualifies for a categorical exemption under State CEQA Guidelines Section 15320—no geographical change in existing powers.

Alternatives and Recommendation

After conducting the public hearing, the Commission has several alternatives. It may:

- 1) Decline to accept the report as complete, and direct staff to perform additional work;
- 2) Continue its consideration of the sphere review to a future meeting;
- 3) Accept the report by approving draft Resolution No. 2011-3, either in the form as recommended by staff or with minor amendments.

Concerning Determination No. 8 from the Countywide Service Review, the LAFCO staff believes that it is premature to assign a zero sphere of influence to the Freedom County Sanitation District. Such an action would imply that sufficient information is available to demonstrate that, if the District ceased to exist, that a cost-effective alternative could be set up with sufficient customer input into the governing of the system. Currently Areas 1, 2, 3, and 5 are unincorporated areas within the City of Watsonville's Sphere of Influence, and Areas 6-10 (the Green Valley Corridor) are unincorporated areas outside the City of Watsonville's Sphere of Influence. Therefore, even if the City annexed Areas 1, 2, 3, and 5, the Areas 6-10 would still need sanitary sewer service. Those Green Valley areas are not currently in the City's General Plan growth areas as authorized by Measure U. The LAFCO staff suggests that the zero sphere option be deferred to future rounds of sphere reviews, and that the 2011 Freedom County

Sanitation District Sphere overlap with the City of the Watsonville Sphere in Areas 1, 2, 3 and 5 with clear policy language that the City Sphere is primary and that District detachments will occur as the City annexes. Since State law requires that LAFCO's decisions on boundary changes be consistent with adopted spheres of influence, the overlapping spheres of the District and City will allow the District to serve new properties in their sphere in Areas 1 and 3 in the interim time period before any City annexation occurs.

Therefore, it is RECOMMENDED that the Commission approve draft Resolution No. 2011-3 reviewing the Freedom County Sanitation District Sphere of Influence, deleting Area 4 (inside City limits) from the sphere map as shown on Exhibit A, and making the determinations in Exhibit B of the draft resolution.