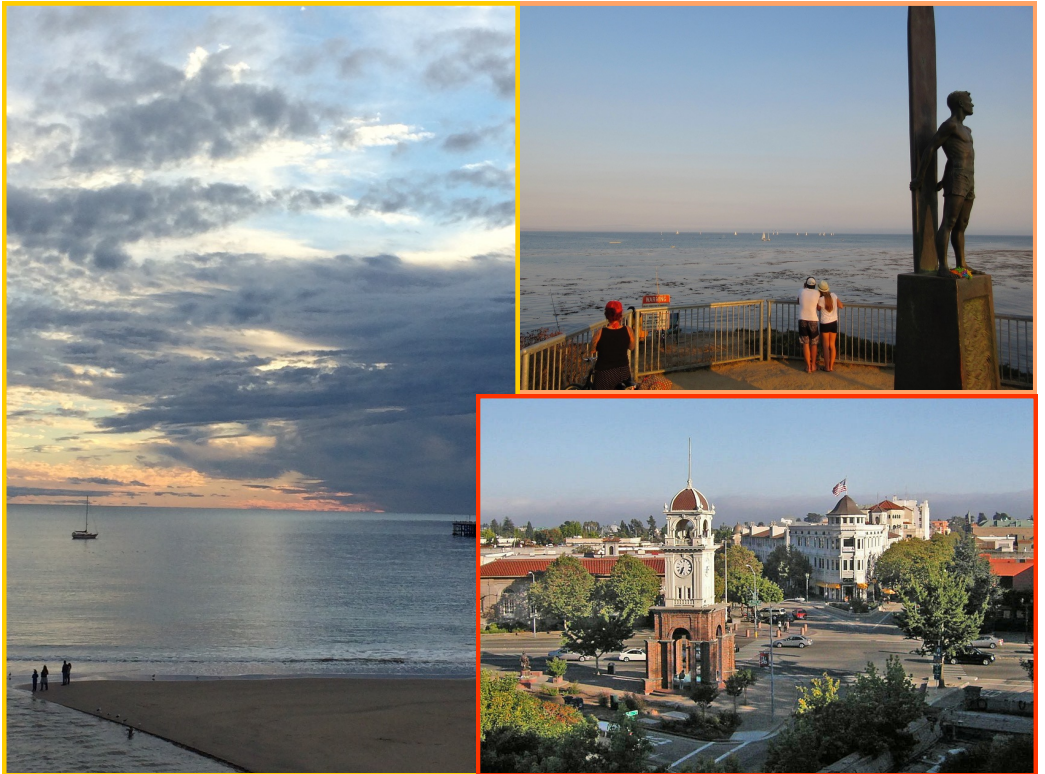


Public Review Draft REVISED 12/28/18

# City of Santa Cruz Service and Sphere of Influence Review



December 2018



Local Agency  
Formation Commission  
of Santa Cruz County  
701 Ocean Street, Room 318D  
Santa Cruz CA 95060

**Project Name:**

2019 Service and Sphere Review for the City of Santa Cruz

**Prepared By:**

Name: Katherine Donovan

Title: Senior Planner

Address: 809 Center Street, Room 107  
Santa Cruz, CA 95060

Phone: (831) 420-5134

Email: [kdonovan@cityofsantacruz.com](mailto:kdonovan@cityofsantacruz.com)

Name: Patrick McCormick

Title: Executive Officer

Address: 701 Ocean Street, Room 318-D,  
Santa Cruz 95060

Phone: (831) 454-2055

Email: [pat@santacruzlafco.org](mailto:pat@santacruzlafco.org)

**Date:** December 28, 2018

Public Review Draft, Revised 12/28/18

**PURPOSE OF SERVICE REVIEW**

The purpose of a service review, sometimes called a “municipal service review” or “MSR,” is to provide an inventory and analysis for improving efficiency, cost-effectiveness, accountability, and reliability of public services provided by cities, districts, and service areas. A service review evaluates the structure and operation of an agency and discusses possible areas for improvement and coordination. A service review is used by LAFCO when updating a sphere of influence, and can be used by the subject agencies when considering changes in their operations. In accordance with Government Code section 56430, a written statement of determinations must be made addressing the following subjects:

1. Growth and population projections for the affected area.
2. The location and characteristics of any disadvantaged communities within or contiguous to the agency’s sphere of influence.
3. The present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies including need or deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged, unincorporated communities within or contiguous to the agency’s sphere of influence.
4. The financial ability of agencies to provide services.
5. The status of, and opportunities for, shared facilities.
6. Accountability for community service needs, including governmental structure and operational efficiencies.
7. Any other matter related to effective or efficient service delivery, as required by commission policy.



## PURPOSE OF SPHERE OF INFLUENCE

A “sphere of influence” is defined in state law to be a plan for the probable physical boundaries and service area of a local agency, as determined by the LAFCO in the county where the agency is based. The sphere of influence is adopted and amended by LAFCO following a public hearing. The sphere action includes a map, determinations, and a resolution, which may contain recommendations and implementation steps specific to the agency. Government Code section 56425 requires LAFCO to make determinations upon the following subjects:

1. The present and planned land uses in the area, including agricultural and open-space lands.
2. The present and probable need for public facilities and services in the area.
3. The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.
4. The existence of any social or economic communities of interest in the area if the commission determines that they are relevant to the agency.
5. For a city that provides sewers, water, or structural fire protection, the present and probable need for those services in any disadvantaged unincorporated communities within the existing sphere of influence.

In this report, the sphere analysis follows the service review analysis. State law requires that all boundary changes (annexation, detachment, consolidation, dissolution, etc.) be consistent with LAFCO’s policies and the adopted sphere of influence of the subject agency.

## EXECUTIVE SUMMARY

LAFCO periodically performs municipal service reviews<sup>1</sup> and updates, as necessary, the sphere of influence of each agency subject to LAFCO's boundary regulation. As noted above, a "sphere of influence" is defined as a plan for the probable physical boundaries and service area of a local agency. This report has been prepared to analyze the City of Santa Cruz. The main conclusions of this report are:

1. The City of Santa Cruz is operating in a responsible manner to provide municipal services to its residents.
2. The City has generally recovered from the recession that started in 2008; however, its costs are going up faster than its revenues. It is addressing the shock of significantly higher CalPERS pension costs by a plan that includes pension bonds, increased taxes, and expenditure controls. The plan anticipates stabilization in 2022, with the potential to reduce taxes or improve services after that date.
3. The City does not have an adequate water supply during drought years. The City has a process in place to investigate and develop supplemental supplies of water.
4. The City is experiencing a series of problems associated with homelessness. The City is hoping to work with the County and the local non-profits to re-align local efforts to provide better services to the homeless and reduce the negative impacts on the community.
5. The disadvantaged areas inside the city limits and the within the City's Sphere of Influence receive the same levels of service as the non-disadvantaged areas.
6. The City is working to recognize and prepare for the impacts of climate change.
7. The City's sphere of influence should be amended to recognize the City limits in the bay and ocean.



---

<sup>1</sup> The last adopted service review for the City of Santa Cruz was prepared by LAFCO in 2005:  
<http://www.santacruzlafco.org/wp-content/uploads/2016/02/Whole-Public-Review-Draft.pdf>

A service review was prepared in 2011, with assistance from BAE Urban Economics, to provide timely service information in support of a sphere amendment application and extraterritorial water and sanitary sewer services being extended to the unincorporated North Campus area. Due to CEQA litigation, LAFCO never completed its review of the applications and never accepted the 2011 service review.



## AGENCY PROFILE

Santa Cruz City Council	Title	First Year of Service on the Council	Date of Term Expiration
Martine Watkins	Mayor	2017	2020
Justin Cummings	Vice Mayor	2018	2022
Sandy Brown	Council Member	2017	2020
Drew Grover	Council Member	2018	2022
Chris Krohn	Council Member	1998	2020
Cynthia Matthews	Council Member	1992	2020
Donna Meyers	Council Member	2018	2022

**City Manager: Martin Bernal**

**Address: 809 Center Street, Room 10**

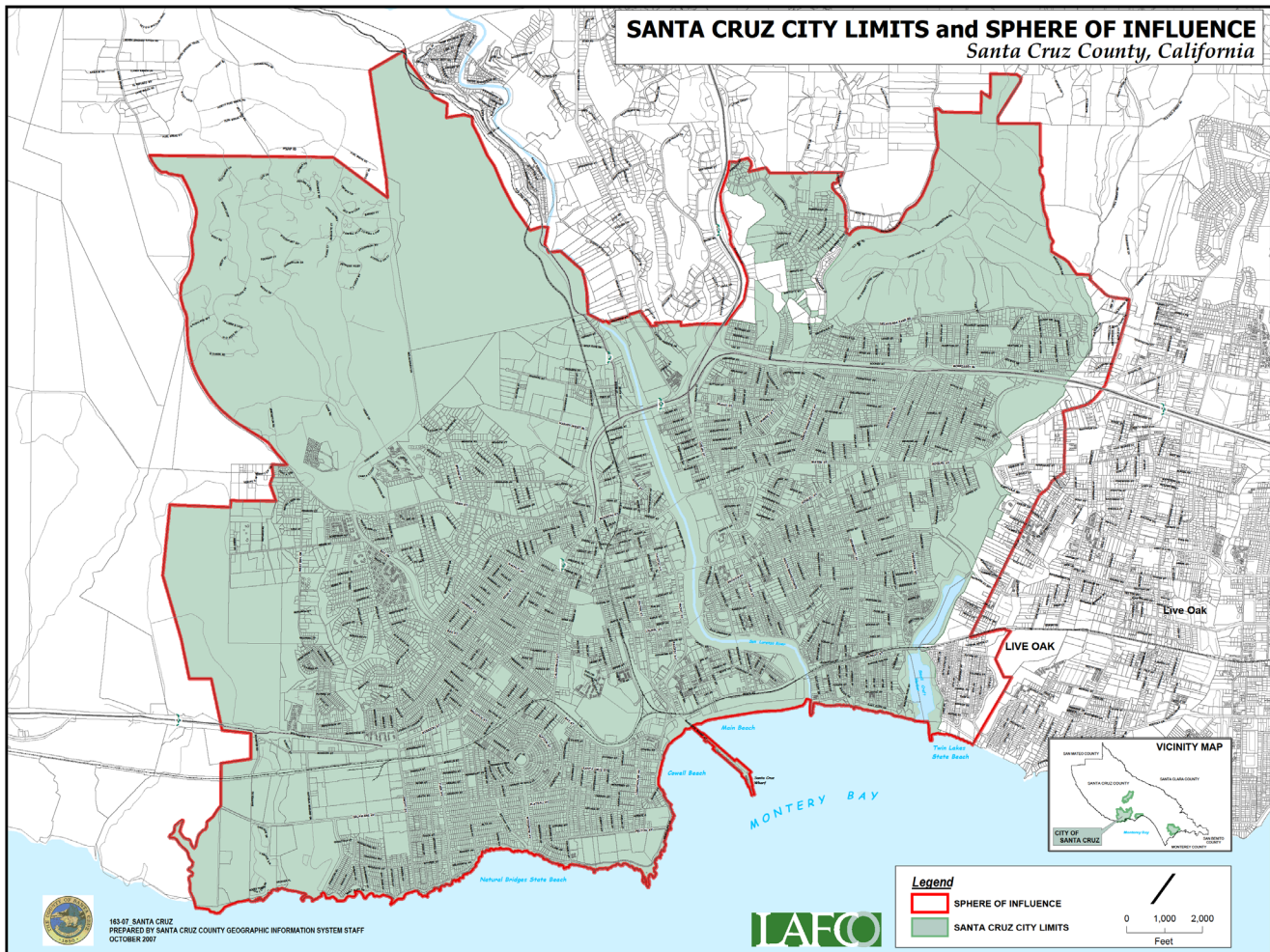
**Phone: 831-420-5010**

**Fax: 831-420-5011**

**email: [mbernal@cityofsantacruz.com](mailto:mbernal@cityofsantacruz.com)**

**Website: <https://www.cityofsantacruz.com>**

Link to [Santa Cruz City Map](#):



Santa Cruz was an established community when California became a state in 1850. In 1866, the State granted a town charter to Santa Cruz, and an Act of Congress relinquished the Mission lands to the town, thus perfecting land titles. In 1876, the form of government was changed from a board of trustees to incorporation as a city with a mayor and council.<sup>2</sup> In 1907, a new city charter was approved by the voters, and the City annexed Branciforte (between Ocean Street and Woods Lagoon). Additional organizational changes were made in the charters of 1911, 1914, and 1947, when the current council/manager form was begun.

The City's estimated population on January 1, 2018 was 66,464<sup>3</sup> and the City contains 12.74 square miles of land area.

<sup>2</sup> Santa Cruz County Place Names, Donald Thomas Clark, pages 313-314.

<sup>3</sup> <http://www.dof.ca.gov/Forecasting/Demographics/Estimates/>

The City provides the following services:

- General local governmental administration (council, manager, attorney, city clerk, finance)
- Police
- Fire and emergency services
- Roads
- Water
- Sanitary sewers
- Garbage collection, recycling, and disposal
- Stormwater management
- Parks and recreation
- Community development, planning, and building regulation.

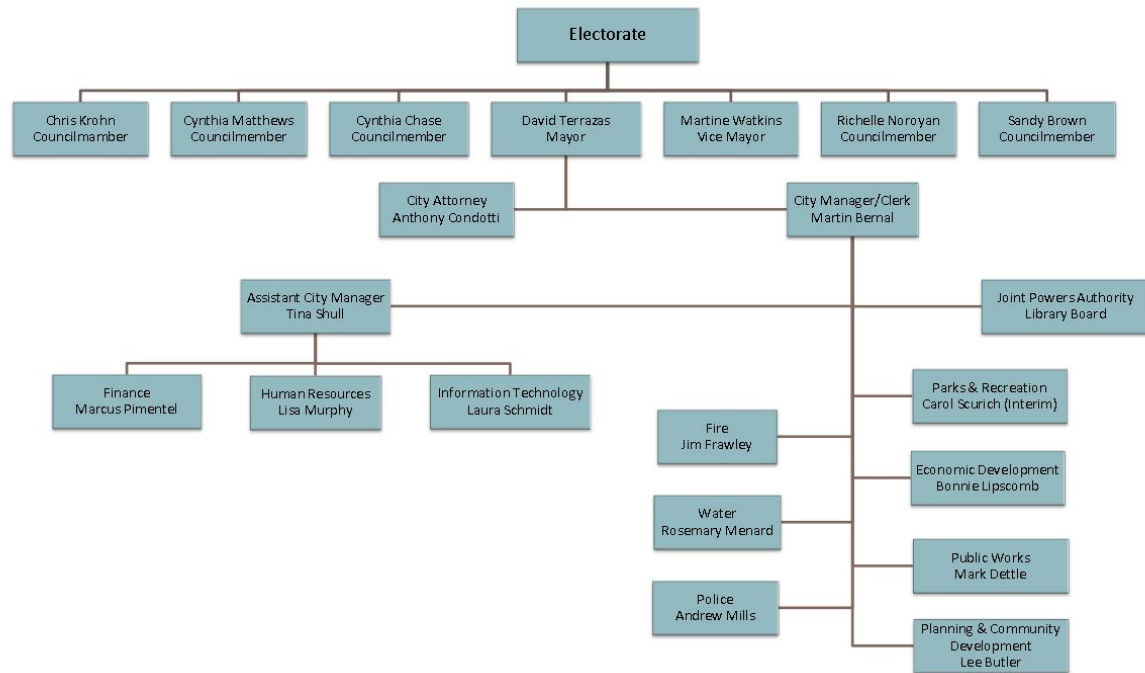
#### 2018-2019 Authorized Positions, City of Santa Cruz

The City has 874 authorized positions, up 4 from fiscal year 2017-18. In the current budget, nine park rangers have been transferred from the Parks and Recreation Department to the Police Department.

AUTHORIZED POSITIONS			
Department	Authorized Positions 2018-19	% of Total	Change from 2017-18
City Manager	12	1	
Economic Development	12	1	
Finance	30	3	
Fire	66	8	
Human Resources	12	1	
Information Technology	20	2	
Library	93	11	
Parks and Recreation	87	10	-9
Planning and Community Development	38	4	-1
Police	136	16	9
Public Works	253	29	3
Water	115	13	2
<b>TOTAL</b>	<b>874</b>	<b>100</b>	<b>4</b>

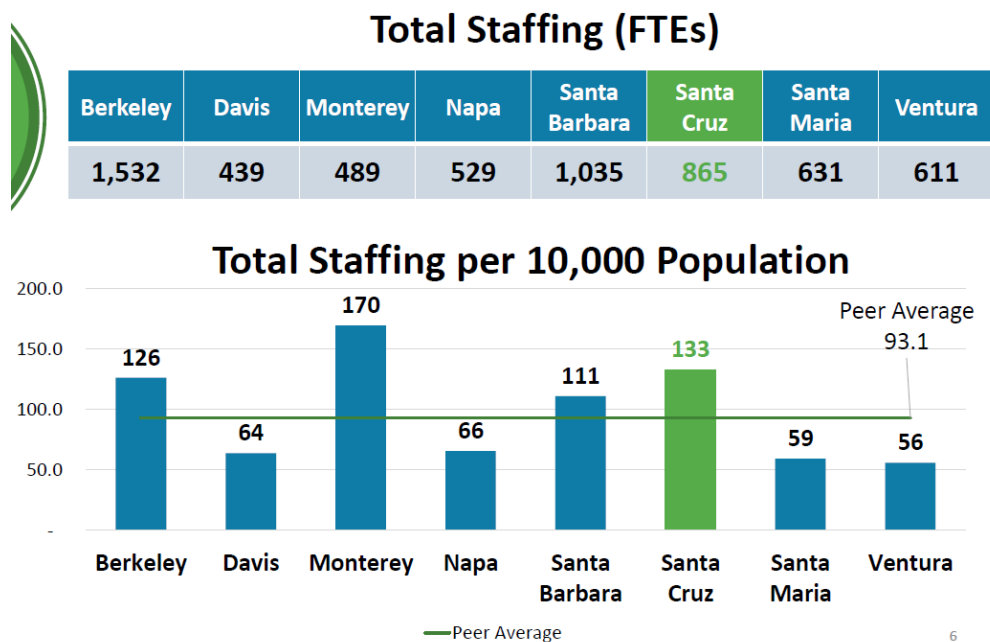


## CITY OF SANTA CRUZ ORGANIZATIONAL CHART



Source: City of Santa Cruz

In 2018, the City contracted with a public management consultant to compare the City's revenues and expenditures with eight comparable cities in California. Santa Cruz has a per capita staffing level that is higher than the average of the peer cities.



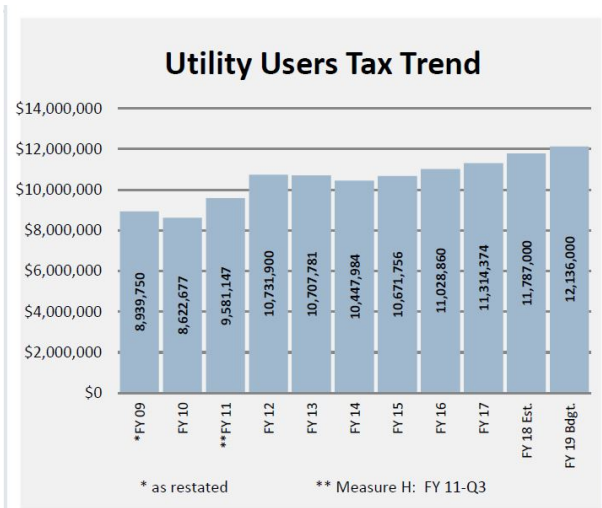
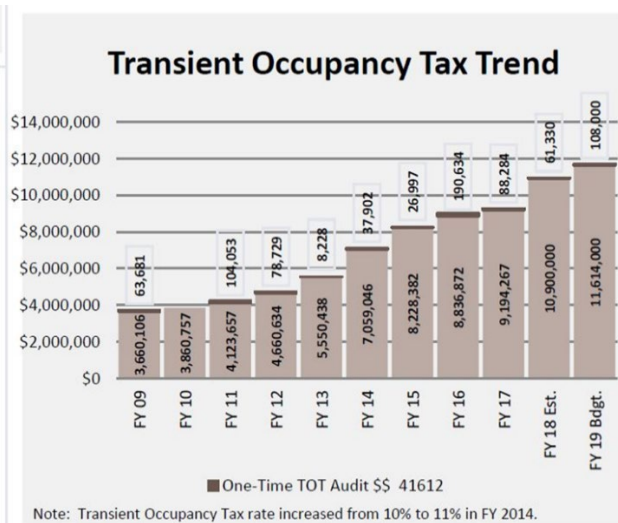
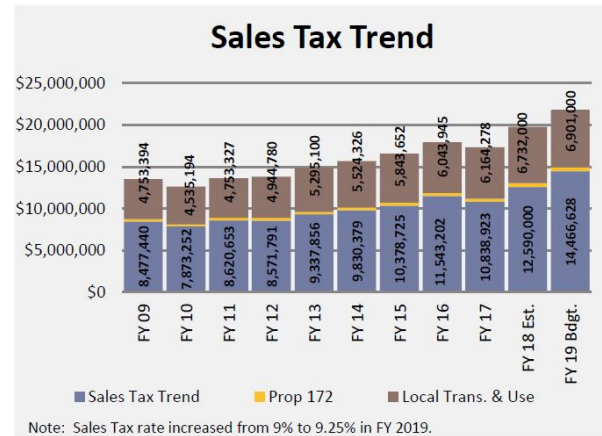
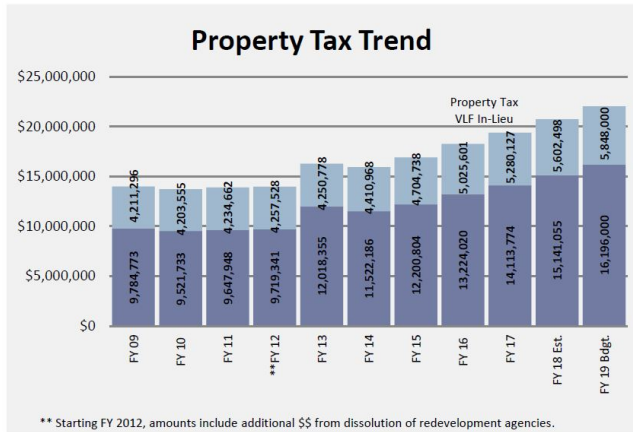
## 2017-2019 City of Santa Cruz General Fund Revenues and Expenditures

### GENERAL FUND REVENUES

	Fiscal Year 2017 Actuals	Fiscal Year 2018			Fiscal Year 2019 Adopted Budget
		Adopted Budget	Amended Budget	Estimated Actual	
General Funds					
Primary General Fund					
Taxes	65,861,266	73,187,000	73,289,000	72,735,177	77,305,628
Licenses and Permits	1,059,040	5,541,200	5,541,200	1,524,237	1,361,400
Grants	387,840	349,000	1,003,414	224,453	166,500
Charges for Services	14,177,822	16,843,760	17,010,760	16,930,061	16,973,374
Fines and Forfeitures	1,820,542	2,079,390	2,079,390	1,758,292	1,842,000
Rents & Miscellaneous Revenues	3,791,525	4,858,902	4,879,686	4,472,868	4,434,044
Other Financing Sources	59,284	537,915	1,174,115	1,180,315	194,400
Total Primary General Fund	87,157,319	103,397,167	104,977,565	98,825,403	102,277,346
General Fund - Assigned & Committed for Special Programs					
Taxes	218,023	220,000	220,000	220,000	220,000
Grants	-	-	6,000	7,500	-
Charges for Services	2,495,625	1,883,501	1,886,976	1,571,748	1,721,400
Fines and Forfeitures	399	7,000	7,000	19,365	12,000
Rents & Miscellaneous Revenues	3,998,220	3,016,159	3,046,840	3,763,653	3,657,463
Other Financing Sources	2,838,327	2,064,422	2,118,141	3,257,562	3,229,898
Total General Fund - Assigned & Committed for Special Programs	9,550,593	7,191,082	7,284,957	8,839,828	8,840,761
City Public Trust					
Rents & Miscellaneous Revenues	31,423	28,100	28,100	13,959	19,270
Other Financing Sources	419,483	350,000	350,000	927,327	350,000
Total City Public Trust	450,906	378,100	378,100	941,286	369,270
Total General Funds	97,158,818	110,966,349	112,640,622	108,606,517	111,487,377

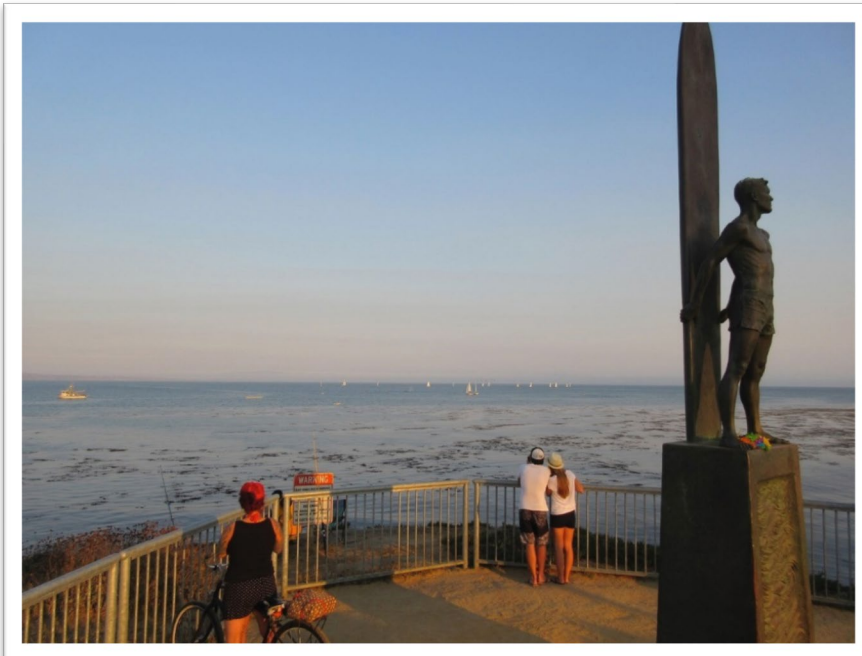


The four pillars of the City's general fund revenues which fund police, fire, parks, and other core public services are property tax, sales tax, transient occupancy tax, and utility users' tax. Following the major drop in revenues during the great recession that started in 2008, the revenues have recovered to "normal" levels.



## GENERAL FUND EXPENDITURES

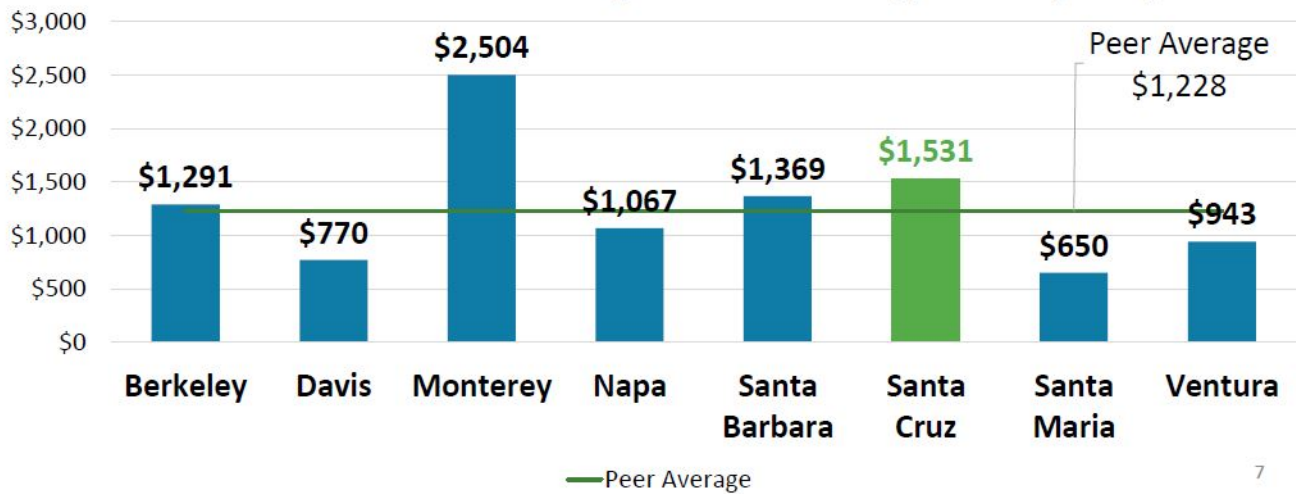
	Fiscal Year 2017 Actuals	Fiscal Year 2018			Fiscal Year 2019 Adopted Budget
		Adopted Budget	Amended Budget	Estimated Actual	
General Funds					
Primary General Fund					
Personnel Services	60,789,856	69,057,842	68,599,982	62,596,303	68,132,969
Services, Supplies, & Other Charges	23,252,397	30,494,546	32,041,907	30,300,216	30,182,901
Capital Outlay	245,769	38,000	598,444	583,446	28,000
Debt Service	4,771,682	4,798,193	4,798,193	4,771,095	4,933,514
Other Financing Uses	3,410,072	1,731,526	1,615,602	764,950	(1,000,038)
Total Primary General Fund	92,469,776	106,120,107	107,654,129	99,016,010	102,277,346
General Fund - Assigned & Committed for Special Programs					
Personnel Services	3,447,449	2,922,570	2,926,045	2,567,966	2,917,383
Services, Supplies, & Other Charges	2,123,052	2,788,374	2,970,351	2,868,100	2,770,153
Capital Outlay	53,545	-	69,660	-	-
Other Financing Uses	1,943,879	405,000	2,320,891	1,030,891	1,723,386
Total General Fund - Assigned & Committed for Special Programs	7,567,924	6,115,944	8,286,947	6,466,957	7,410,922
City Public Trust					
Other Financing Uses	-	-	878,000	878,000	-
Total City Public Trust	-	-	878,000	878,000	-
Total General Funds	100,037,700	112,236,051	116,819,076	106,360,967	109,688,268



## Total General Fund Expenditures (in millions) excluding Non-Departmental Costs (e.g., internal service, debt)

Berkeley	Davis	Monterey	Napa	Santa Barbara	Santa Cruz	Santa Maria	Ventura
\$156.5	\$53.0	\$72.2	\$86.0	\$127.4	\$99.6	\$69.1	\$103.0

## General Fund Expenditures (per capita)



## Other Funds

The City's special funds total more than twice the size of the General Fund.

CITY OF SANTA CRUZ, SPECIAL FUND REVENUES AND EXPENDITURES, 2017 - 2019						
\$	Actual 16-17 Revenues	Actual 16-17 Expend.	Est. 17-18 Revenues	Est. 17-18 Expend.	Bud. 18-19 Revenues	Bud. 18-19 Expend.
SPECIAL REVENUE						
Police Special Revenue	120,887	110,000	214,178	110,000	128,370	110,000
State Highway	2,772,766	4,683,993	2,424,415	27,638,698	4,369,986	2,104,968
Measure D Transportation	0	0	1,199,872	1,050,000	1,202,356	1,083,000
Traffic Impact	303,438	605,781	780,511	5,015,873	533,030	1,136,891
Clean River, Beaches & Ocean	659,949	427,832	653,212	929,713	644,414	845,830
Parks and Recreation	299,659	273,107	1,076,186	1,168,453	886,280	672,500
Housing and Community Dev.	2,274,099	1,518,892	1,430,466	2,096,153	898,670	1,383,471
Low/Mod. Income Housing	160,185	72,338	6,372,681	6,167,275	442,778	554,440
Transportation Development	748,134	748,134	744,077	744,077	744,077	744,077
TOTAL SPECIAL REVENUE	7,339,116	8,440,078	36,706,334	44,920,242	9,849,961	8,635,177
FUNDS						
CAPITAL IMPROVEMENT	8,817,937	13,340,658	28,965,396	46,663,761	19,557,077	17,957,494
FUNDS						
GENERAL DEBT FUNDS	6,430,804	6,576,788	867,635	828,236	850,320	860,971
ENTERPRISE						
Water	31,327,217	35,756,461	42,474,642	66,245,750	48,956,716	54,527,438
Wastewater	22,156,690	21,333,934	26,050,455	33,872,289	22,550,921	26,022,442
Refuse	19,968,394	19,681,047	20,808,061	22,528,986	20,409,930	23,121,896
Parking	5,308,875	5,030,735	5,213,712	9,047,500	5,020,240	6,051,667
Storm Water	916,009	1,279,875	1,083,167	2,383,302	922,446	1,166,556
Golf Course	57,285	3,375	0	0	0	0
TOTAL ENTERPRISE FUNDS	79,734,470	83,085,428	95,630,037	134,077,827	97,860,253	110,889,999
INTERNAL SERVICE						
Equipment Operations	4,330,471	3,958,125	4,595,963	5,820,422	5,092,591	6,513,395
Group Health Insurance	2,109,760	1,977,841	2,170,131	2,167,512	2,155,809	2,514,575
Liability Insurance	2,945,431	4,232,647	4,605,958	3,932,685	4,502,013	4,224,879
Unemployment	1,729,255	0	563,845	2,500	601,993	102,500
Workers' Compensation	4,484,196	3,962,620	3,944,116	3,829,069	4,161,853	3,213,273
TOTAL INTERNAL SERVICE	15,599,113	14,131,233	15,880,013	15,752,221	16,514,259	16,568,622
FUNDS						
ALL FUNDS	215,080,258	225,611,884	286,655,932	286,655,932	256,119,247	264,600,531

## Fund Balances

The City has many funds. Funds with major balances and selected other funds are listed in the following table:

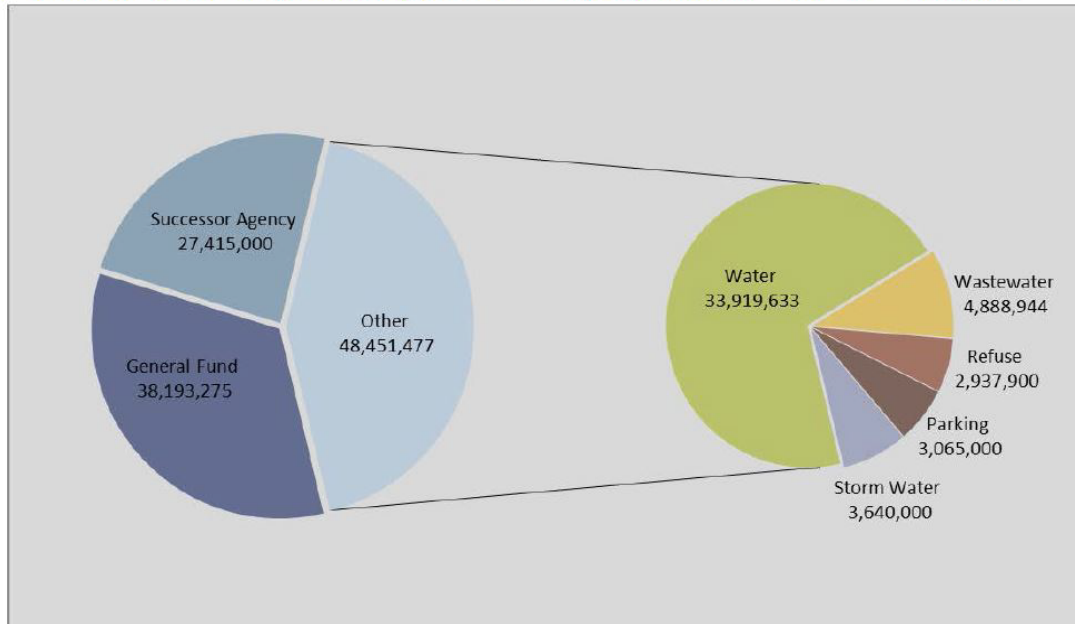
### SELECTED FUND BALANCES

	<b>FY 17-18 Beginning</b>	<b>Est. FY 18-19 Beginning</b>
General Fund	(2,954,956)	(3,154,563)
City Stabilization Reserve Fund	2,226,906	18,556,866
Gasoline Tax Fund	(58,353)	(3,319,805)
Measure D Transportation	0	149,872
Traffic Impact	(4,236,202)	(537,470)
Clean River, Beaches & Ocean	1,374,211	1,097,710
Affordable Housing Trust Fund	(567,157)	367,049
Redevelopment Successor Housing	205,406	572,455
Capital Improvements	(2,903,961)	(7,344,238)
Street Maintenance	11,711,688	(1,656,314)
1998 General Obligation Bonds	1,347,654	1,331,388
Water	10,721,842	(14,731,202)
Water Revenue Stabilization	2,490,936	4,898,469
Water System Development	(781,085)	3,337,978
Water 90-Day Operating Reserve	6,516,570	6,523,040
Water Emergency Reserve Fund	3,055,696	3,060,626
Wastewater	15,894,444	8,062,299
Refuse	14,393,902	12,616,200
Landfill Closure	1,735,663	1,751,103
Landfill Post-Closure Maintenance	5,386,505	5,434,225
Parking	3,957,198	122,837
Storm Water	1,005,647	320,749
San Lorenzo River Flood Plain	1,062,876	447,471
Golf Course	0	0
Equipment Operations	(456,587)	(1,681,046)
Group Health Insurance	701,070	703,689
Liability Insurance	3,782,531	4,455,804
Unemployment	1,729,255	2,290,600
Workers' Compensation	12,135,698	12,250,745

**Source:** <http://www.cityofsantacruz.com/home/showdocument?id=71784>

## DEBT

The graph below estimates outstanding debt obligations, excluding pension, of \$27,415,000 in RDA Successor agency debt, \$38,193,275 in the General Fund, and \$48,451,477 in the City's Enterprise funds for a total outstanding debt obligation of \$114,059,752 at the end of the fiscal year.

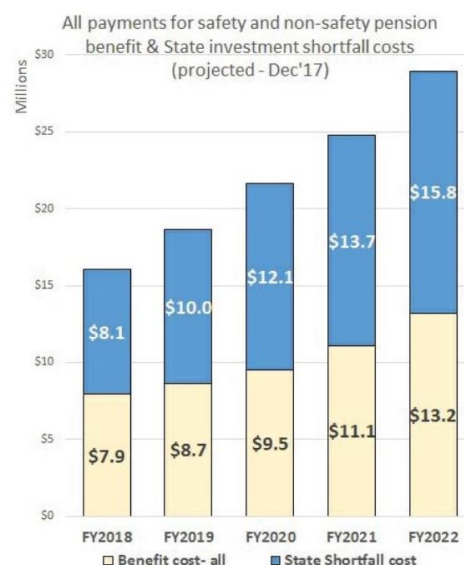


## ISSUES

As discussed in the FY 2017/18 budget, the main issues for Santa Cruz are:

### 1) Pension and Costs

Employee pension costs have skyrocketed over the last several years and are not projected to stabilize for approximately five years.



## 2) Revenues Not Increasing as Fast as Costs

The City's revenues dropped significantly during the recession that started in 2008. The revenues have generally recovered to pre-recession levels, but are not increasing as fast as costs.

## 3) Homelessness

Even though City, County, and non-profits are dedicating significant resources to providing services to the homeless, many individuals in the City and County are unsheltered.

## 4) Water Supply in Dry Years

The City has an adequate supply of water in wet and normal years. It does not have adequate sources during multi-year droughts.

## 5) Climate Change

The City's infrastructure is expected to need major investment to adapt to climate change.



### QUICK FACTS ABOUT THE CITY OF SANTA CRUZ



*Santa Cruz City Population* 65,070



*UCSC Student Population* 18,063



*Longest Wharf on West Coast* 2,745 ft



*Paved Streets City maintains* 136 miles



*Parks acreage City maintains* 1,704



*Santa Cruz City General* AA+

***Bond Rating***

## SERVICE REVIEW CHECKLIST

### SUMMARY OF POTENTIALLY SIGNIFICANT SERVICE REVIEW DETERMINATIONS

#### SUMMARY

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> 1. Growth and Population                                   | <input checked="" type="checkbox"/> 5. Shared Services |
| <input type="checkbox"/> 2. Disadvantaged Unincorporated Communities                           | <input type="checkbox"/> 6. Accountability             |
| <input checked="" type="checkbox"/> 3. Capacity, Adequacy & Infrastructure to Provide Services | <input type="checkbox"/> 7. Other                      |
| <input type="checkbox"/> 4. Financial Ability  |  |

#### 1. GROWTH AND POPULATION

Growth and population projections for the affected area.

	YES	MAYBE	NO
a) Is the agency's territory or surrounding area expected to experience any significant population change or development over the next 5-10 years?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b) Will population changes have an impact on the agency's service needs and demands?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c) Will projected growth require a change in the agency's sphere of influence boundary?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

#### Discussion:

- 1a) The City of Santa Cruz has been experiencing population growth at an average of about 1% per year over the past 20 years and anticipates this pattern to continue.
- 1b) Population growth over time will require an expansion of services, but this expansion has been accounted for in the City's service planning.
- 1c) The City has an urban growth boundary that roughly corresponds with the Sphere of Influence. Growth within the City will be addressed through increased density within downtown and along major transportation corridors.

The current AMBAG Regional Population projections are as shown in the following table:

Public Agency	2010	2020	2025	2030	2035	Compound Annual Growth Rate
City of Capitola	9,918	9,119	9,427	9,758	10,088	0.07%
<b>City of Santa Cruz</b>	<b>59,946</b>	<b>66,860</b>	<b>70,058</b>	<b>73,337</b>	<b>76,692</b>	<b>0.99%</b>
City of Scotts Valley	11,580	11,638	11,696	11,754	11,813	0.08%
City of Watsonville	51,199	59,446	61,452	63,607	65,762	1.01%
Santa Cruz County (unincorporated)	129,739	132,318	134,879	139,601	144,227	0.42%
Santa Cruz County Total	262,382	279,381	287,512	298,096	308,582	0.65%
AMBAG Region Total	732,708	800,000	827,000	856,000	885,000	0.76%

**Source:** AMBAG, 2014 [Regional Growth Forecast](#)

**Discussion:** Disadvantaged communities, as defined by the State using median household income data, are located within the City limits and adjacent to the City limits. As mapped below, all disadvantaged block groups receive a high level of public services. Those services are provided by the City within the City limits, and by the County (sheriff's patrol, roads, parks), the City (water), and special districts (fire, sanitation) outside City limits.

<b>2. DISADVANTAGED UNINCORPORATED COMMUNITIES</b>			
The location and characteristics of any disadvantaged unincorporated communities within or contiguous to your agency's sphere of influence.			
	YES	MAYBE	NO
a) Does your agency provide water or sanitary sewer service? If no, skip questions b) and c).	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b) Is your agency aware of any area(s) within or adjacent to your agency's sphere of influence that is considered "disadvantaged" (80% or less of the statewide median household income) that does not already have access to public water or sanitary sewer service?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
c) Is it feasible for your agency to extend service to the disadvantaged unincorporated community?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

## Disadvantaged Communities - Block Group 2016

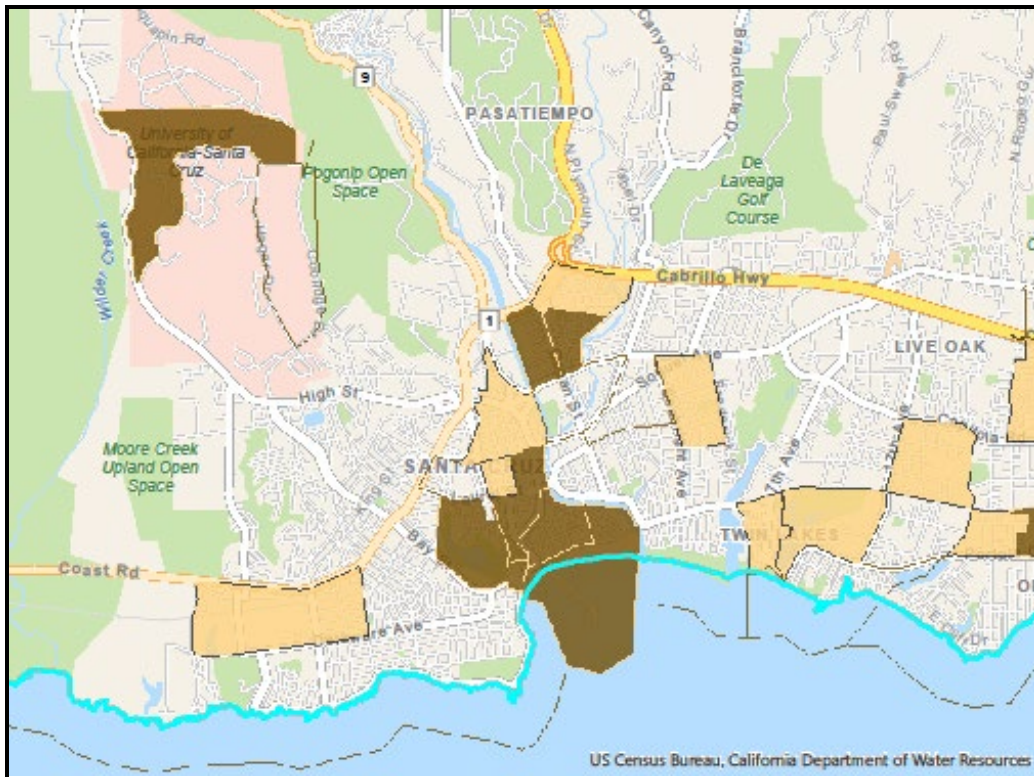
Disadvantaged Communities - Block Group 2016

Disadvantaged Communities (\$38,270 > MHI < \$51,026)

Severely Disadvantaged Communities (MHI < \$38,270)

Data Not Available

MHI = Median Household Income



**Source:** State of California Disadvantaged Communities Mapping Tool <https://gis.water.ca.gov/app/dacs/>

Severely Disadvantaged Census Block Groups within City Limits	Disadvantaged Census Block Group within City Limits	Disadvantaged Census Block Group within City's Sphere of Influence	Disadvantaged Block Group Outside and Adjacent to City's Sphere
UCSC Dorms	Far West Side	Twin Lakes West	Twin Lakes East
Nearby Lagoon	Downtown North		
Laurel Street Downtown	Chestnut/Walnut		
Beach Hill	Grant/Button		
Beach Flats	Frederick Street		
Ocean Street West			
Ocean Street East			

### 3. CAPACITY AND ADEQUACY OF PUBLIC FACILITIES AND SERVICES

Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies including needs or deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged, unincorporated communities within or contiguous to the sphere of influence.

	YES	MAYBE	NO
a) Are there any deficiencies in agency capacity to meet service needs of existing development within its existing territory?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b) Are there any issues regarding your agency's capacity to meet the service demand of reasonably foreseeable future growth?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
c) Are there any concerns regarding public services provided by the agency being considered adequate?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
d) Are there any significant infrastructure needs or deficiencies to be addressed?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
e) Are there changes in state regulations on the horizon that will require significant facility and/or infrastructure upgrades?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

#### Discussion:

3b) While the City has sufficient capacity to meet the service demand of reasonably foreseeable future growth, there are concerns that climate change, with accompanying drought, extreme fire hazards, and sea level rise may affect the City's ability to meet future service demands.

3d) Climate change impacts are of concern to the City. The City is actively working to characterize these risks and develop policy and infrastructure to address them. Like most California communities, providing water during multiple extreme drought years may be an issue. The City is working to address the need for additional water supplies during extreme drought conditions through new infrastructure and cooperative agreement to:

- Provide water exchanges with other local water districts (Soquel Creek and/or Scotts Valley).
- Provide advanced treated recycled water or desalinated water.

The City's 2015 Urban Water Master Plan, its 2018 Watershed Sanitary Survey, and other water supply planning documents are available on the City's website.<sup>4</sup>

Other infrastructure needs to address climate change impacts are less developed. The City's wastewater treatment facility is in a low-lying area that may become a problem if the sea level rises and the City is reviewing options. Climate change may increase the frequency and intensity of fires at the urban/wildland interface which may require additional infrastructure and/or equipment. The full

<sup>4</sup> <http://www.cityofsantacruz.com/government/city-departments/water/online-reports>

scope of climate change impacts the City faces and solutions under consideration are included in the City's Climate Adaption Plan Update was adopted by the City Council on October 9, 2018.<sup>5</sup>

#### 4. FINANCIAL ABILITY

Financial ability of agencies to provide services.

	YES	MAYBE	NO
a) In the last five years, has your agency failed to obtain an independent audit, or adopted its budget late?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b) Is your agency lacking adequate reserves to protect against unexpected events or upcoming significant costs?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
c) Is your agency's rate/fee schedule insufficient to fund an adequate level of service, and/or is the fee inconsistent with the schedules of similar service organizations?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
d) Is your agency unable to fund necessary infrastructure maintenance, replacement and/or any needed expansion?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
e) Is improvement needed in the organization's financial policies to ensure its continued financial accountability and stability?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
f) Is the organization's debt at an unmanageable level?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

#### Discussion:

- 4a) The City is the recipient of a Distinguished Budget Presentation Award and a Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association.
- 4b) The City Council has adopted several stabilization policies to set aside a portion of the City's General Fund Balance for unanticipated adverse financial or economic circumstances. These circumstances include providing resources for future unfunded obligations such as employee pension costs, and creating reserves in the Water Department for emergency infrastructure repairs and fluctuations in revenues due to changes in consumption.
- 4c) A comprehensive City-wide fee study was done which resulted in the implementation of phased-in rate increases that started in 2017. This will allow the City to recover the cost of providing certain services to the public.
- 4d) Declining revenues and increasing employee health and pension costs have strained the City's ability to set aside and utilize operational revenues for capital improvements. Voters approved a City-wide .25% sales tax increase (Measure S of the June 2018 election) which went into effect the last quarter of 2018 and will provide resources for infrastructure improvement.
- 4e) See 4b)
- 4f) The City and many other State government entities are facing significant increases in health and pension costs over the next five years.

<sup>5</sup> <http://www.cityofsantacruz.com/home/showdocument?id=73396>

## 5. SHARED SERVICES AND FACILITIES

Status of, and opportunities for, shared facilities.

	YES	MAYBE	NO
a) Are there any opportunities for your agency to share services or facilities with neighboring or overlapping organizations that are not currently being utilized?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b) Are there any governance options that may produce economies of scale and/or improve buying power in order to reduce costs?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
c) Are there governance options to allow appropriate facilities and/or resources to be shared, or making excess capacity available to others, and avoid construction of extra or unnecessary infrastructure or eliminate duplicative resources?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

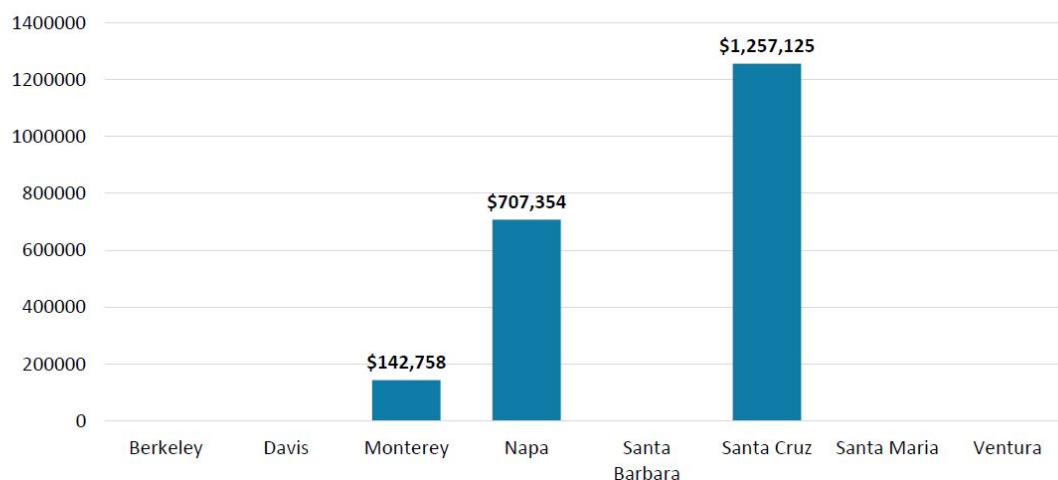
**Discussion:** 5a) While the City is working with the County to address homelessness issues, this is a prime example of an area that could be better addressed at a regional, state, and federal level. Shared facilities and shared opportunities of benefit include cross training, particularly interdisciplinary training, parks facilities, and public safety.

The 2015 Point-in-Time Homeless Census identified 1,964 homeless individuals countywide, with 831 in the City of Santa Cruz. There were 1,354 individuals unsheltered in the county and , of that, nearly 500 were unsheltered in the City. Santa Cruz County has the 4th highest homeless per capita ratio in the State.<sup>6</sup> As shown on the following table, the City of Santa Cruz makes contributes more to non-profits than any of the peer cities used in recent comparison.

---

<sup>6</sup> <http://www.cityofsantacruz.com/home/showdocument?id=59645>

## General Funds for Nonprofit Grants



### 6. ACCOUNTABILITY, STRUCTURE AND EFFICIENCIES

Accountability for community service needs, including governmental structure and operational efficiencies.

	YES	MAYBE	NO
a) Are there any issues with your agency's meetings being accessible and well publicized? Are there any issues with your agency failing to comply with financial disclosure laws and the Brown Act?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b) Are there any issues with filling board vacancies and maintaining board members?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
c) Are there any issues with staff turnover or operational efficiencies?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
d) Is your agency's budget unavailable to the public via the internet?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

e) Are there any recommended changes to your agency's structure that will increase accountability and efficiency?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
f) Are there any governance restructure options to enhance services and/or eliminate deficiencies or redundancies?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
g) Are there any opportunities to eliminate overlapping boundaries that confuse the public, cause service inefficiencies, increase the cost of infrastructure, exacerbate rate issues and/or undermine good planning practices?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

**Discussion:**

6. (a) – (f) Santa Cruz is a full-service city with extensive public participation in the meetings of the City Council and its advisory bodies.

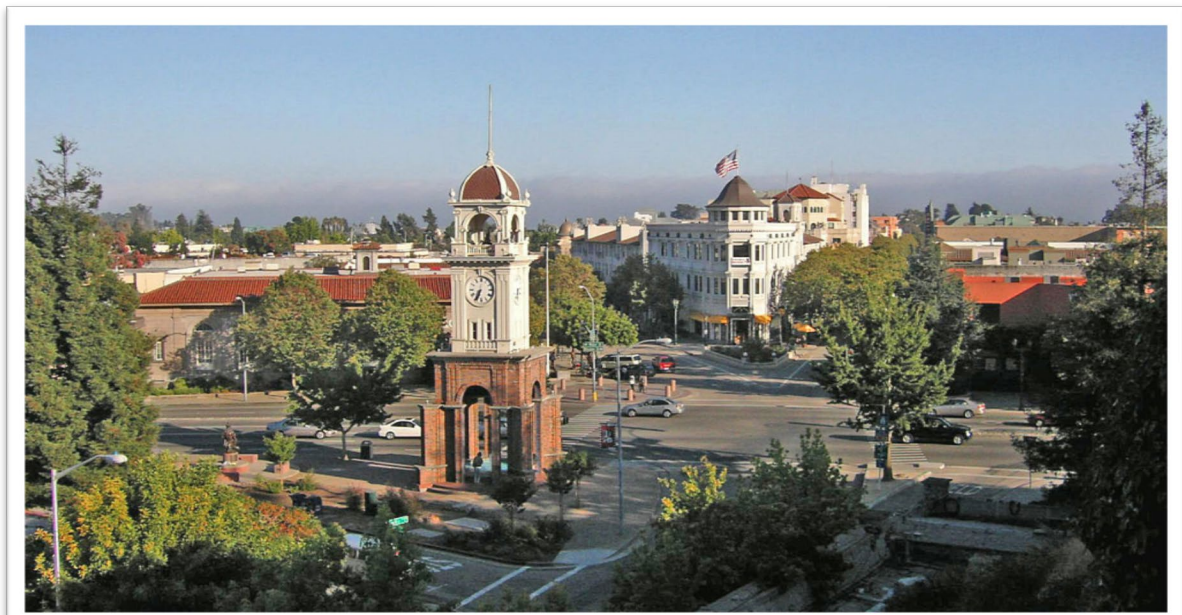
6.(g) – The City boundary in the Carbonera area is irregular (Branciforte Drive, Isbel Drive, Plymouth Street).

## 7. OTHER ISSUES

Any other matter related to effective or efficient service delivery, as required by commission policy.

	YES	MAYBE	NO
a) Are there any other service delivery issues that the agency wants addressed in the service and sphere review process?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

END OF SERVICE REVIEW

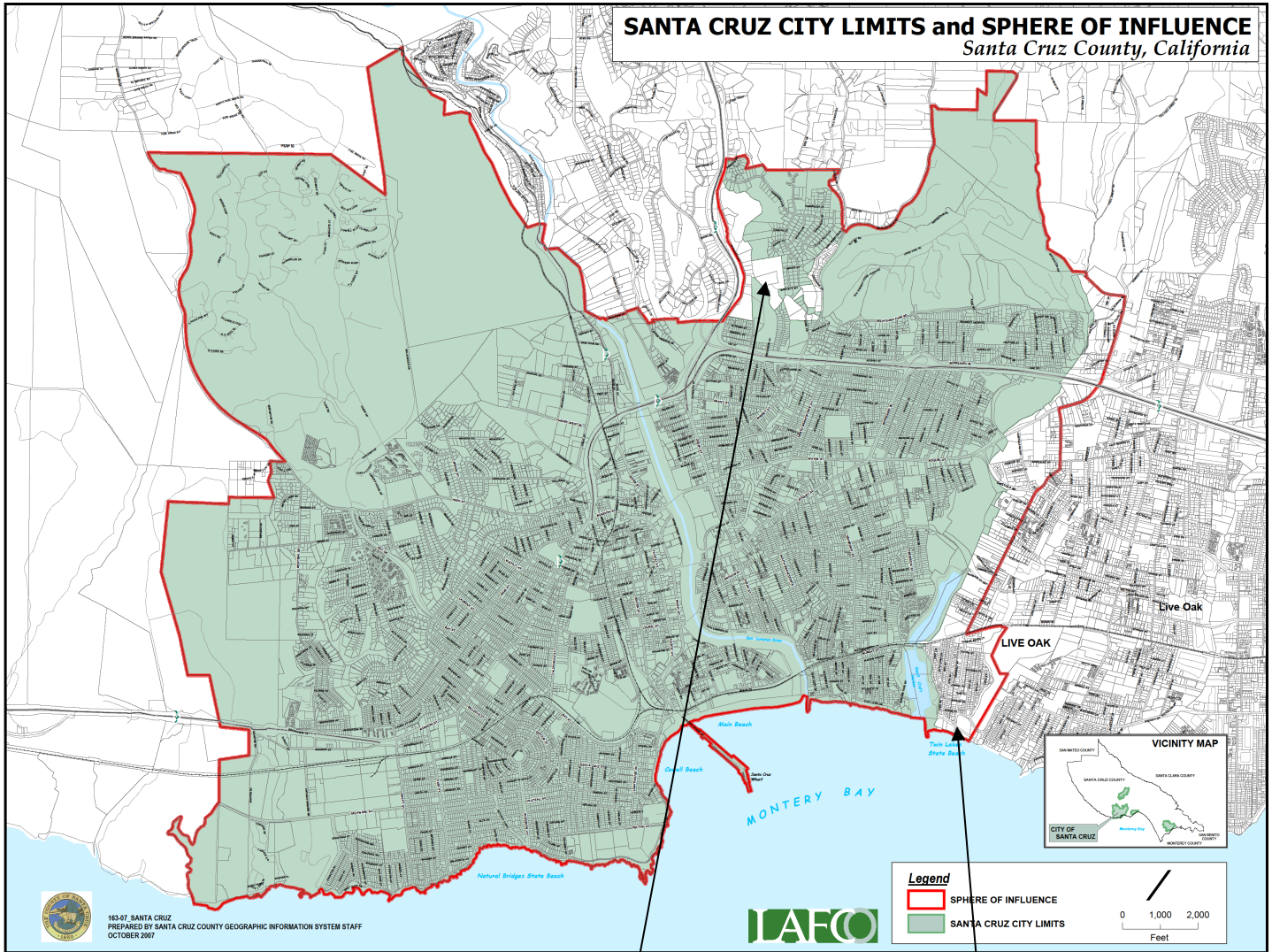


## SPHERE OF INFLUENCE STUDY FOR THE CITY OF SANTA CRUZ



The LAFCO staff is proposing an amendment in the City's Sphere of Influence to add 3 nautical miles offshore to the City's Sphere of Influence. See pages 25 and 26. No onshore amendments are recommended.

Link to [Santa Cruz City](#) map:

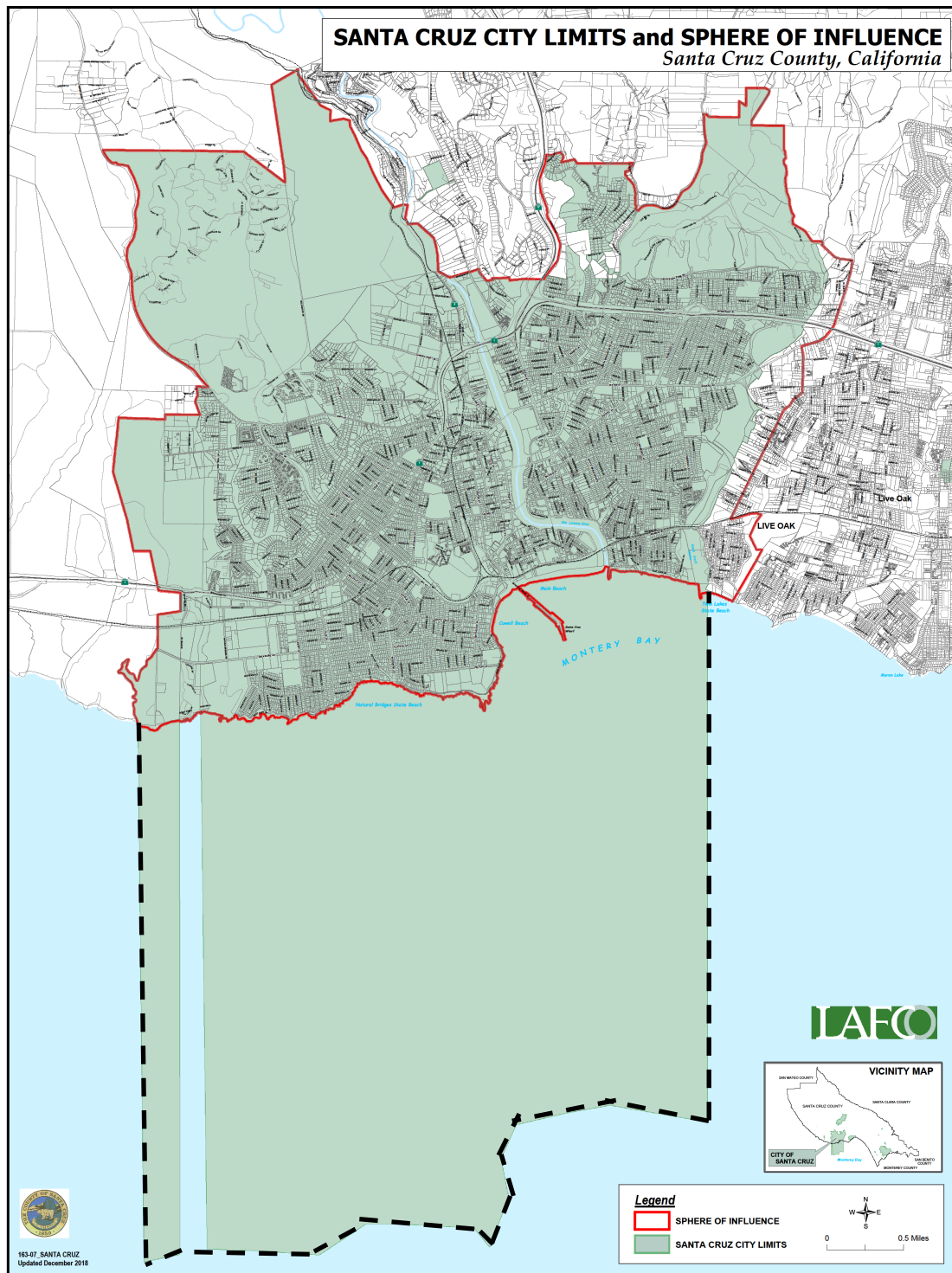


### UNINCORPORATED AREAS WITHIN THE CITY'S SPHERE OF INFLUENCE

	Carbonera Area	7 <sup>th</sup> Avenue Area
Population (2010 Census)	872	1927
Land Area	84.4 Acres	300.1 Acres
Number of Parcels	57	118

Previous and current spheres have not recognized the city limits out in the Bay of Monterey and the Pacific Ocean. As illustrated and documented on the following two pages, LAFCO staff is recommending that the City sphere be expanded seaward.

## RECOMMENDED 2019 SPHERE AMENDMENT



## DOCUMENTATION FOR THE CITY OF SANTA CRUZ BOUNDARY IN THE BAY AND OCEAN

December 21, 2018, Pat McCormick, LAFCO Executive Officer's Notes

Date	Document	What It Shows
March 31, 1866	Chapter CCCCXXXVI, Statutes of California, 1865-6	Incorporation boundary follows the rancho lines on the west and north, and on the east is a north-south township line ("dividing township 11 south range 1 west from township 11 south, range 2 west") approximately going through where the merry-go-round is. The oceanward boundary stops at the mean high tide line.
March 21, 1872	Chapter CCCXLII, Acts of the Legislature, 1872	The city limits are extended along the eastern bank of the San Lorenzo River (to include Beach Flats and the rivermouth) and "thence south to the southern boundary of the County of Santa Cruz", which is 3 marine miles out in the ocean, then west along the County boundary out in the bay to a point due south of the corporate limits of the Town of Santa Cruz (where the Rancho Refugio boundary hits the ocean along West Cliff).
March 30, 1876	Chapter CCCIV, Statutes of California, 1876, Reincorporation of the Town of Santa Cruz	The boundary is described (including running up Branciforte Creek)...from the point where Rancho Refugio hits the ocean (along West Cliff Drive) 3 marine miles south into the bay, then following the indentations of the bay easterly to a point 3 marine miles to the mouth of the San Lorenzo River ....
1905	East Santa Cruz/Seabright Annexation	The annexation description starts at the southeast corner of the City of Santa Cruz (3 miles out in the bay south of the rivermouth), hence north ...east ...and south to the middle of Woods Lagoon, hence south to the Bay of Monterey (and out 3 marine miles, then westerly along the Bay of Monterey to the point of beginning (3 marine miles south of the rivermouth).
Sometime during 1947-1960	Woods Lagoon Annexation	Unresearched in 2018. From the SBE records, this looks like it includes Harbor Beach, and looks like the boundary extends from the westerly extension of Fifth Avenue (Lake Avenue) to the mean high tide line, then 3 nautical miles south into the bay.
July 1971	LAFCO No. 285 Walti-Schilling Annexation	Legal description goes to the mean high tide. Looks like they were using the title description of the private property.
December 1981	LAFCO No. 598 Younger Lagoon Annexation	"thence due South a distance of three miles from the mean high tide line" to the Southerly prolongation of the eastern boundary of the lands conveyed by Keith Shaffer . . .

## SUMMARY OF POTENTIALLY SIGNIFICANT SPHERE DETERMINATIONS

The sphere issues below are potentially significant, as indicated by “yes” or “maybe” answers to the key policy questions in the checklist and corresponding discussion on the following pages.

- ☐ 1. Present and Planned Land Uses
- ☐ 2. Need for Public Facilities and Services
- ☐ 3. Capacity and Adequacy of Provide Services
- ☒ 4. Social or Economic Communities of Interest
- ☒ 5. Disadvantaged Unincorporated Communities

### 1. PRESENT AND PLANNED LAND USES

The present and planned land uses in the area, including agricultural and open-space lands.

	YES	MAYBE	NO
a) Are there any present or planned land uses in the area that would create the need for an expanded service area?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b) Would the amended sphere conflict with planned, orderly and efficient patterns of urban development?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
c) Would the amended sphere result in the loss of prime agricultural land or open space?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
d) Would the amended sphere impact the identity of any existing communities; e.g. would it conflict with existing postal zones, school, library, sewer, water, census, fire, parks and recreation boundaries?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
e) Are there any natural or made-made obstructions that would impact where services can reasonably be extended or should otherwise be used as a logical sphere boundary?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

**Discussion:** The City’s General Plan and sphere of influence are protective of the agricultural and open space land within and adjacent to the City. The recommended sphere amendment does not include any agricultural lands.

## 2. NEED FOR PUBLIC FACILITIES AND SERVICES

The present and probable need for public facilities and services in the area.

	YES	MAYBE	NO
a) Would the amended sphere conflict with the Commission's goal to increase efficiency and conservation of resources by providing essential services within a framework of controlled growth?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b) Would the amended sphere expand services that could be better provided by a city or another agency?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
c) Would the amended sphere represent premature inducement of growth or facilitate conversion of agriculture or open space lands?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
d) Would the amended sphere conflict with the Regional Housing Needs Allocation Plan adopted by the Association of Monterey Bay Governments (RHNA)?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
e) Are there any areas that should be removed from the sphere because existing circumstances make development unlikely, there is not sufficient demand to support it or important open space/prime agricultural land should be removed from urbanization?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
f) Have any agency commitments been predicated on expanding the agency's sphere such as roadway projects, shopping centers, educational facilities, economic development or acquisition of parks and open space?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

**Discussion:** The recommended sphere amendments only add areas in the Bay of Monterey and the Pacific Ocean.

## 3. CAPACITY AND ADEQUACY OF PROVIDED SERVICES

The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.

	YES	MAYBE	NO
a) Are there any issues regarding the agency's capacity to provide services in the proposed sphere territory?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b) Are there any issues regarding the agency's willingness and ability to extend services?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

**Discussion:** The City is addressing its service problems. The sphere amendments do not increase demands on city services.

#### 4. SOCIAL OR ECONOMIC COMMUNITIES OF INTEREST

The existence of any social or economic communities of interest in the area if the commission determines that they are relevant to the agency.

	YES	MAYBE	NO
a) Are there particular neighborhoods or areas that should be added or excluded from your agency's sphere because those areas function as part of your community or another community socially or economically?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Discussion:** The bay and ocean off the Santa Cruz shoreline function as part of the community.

#### 5. DISADVANTAGED UNINCORPORATED COMMUNITIES

For an update of an sphere of influence of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence. Additional smaller areas may be identified by LAFCO, the County, or a City in the future.

	YES	MAYBE	NO
a) Does the subject agency provide public services related to water, sanitary sewers, or structural fire protection?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b) If yes, does the proposed sphere exclude any nearby disadvantaged unincorporated community (80% or less of the statewide median household income) that does not already have access to public water or sanitary sewer service?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

**Discussion:** Disadvantaged communities, as defined by the State using median household income data, are located within the City limits and adjacent to the City limits. As mapped on page 17, all disadvantaged block groups receive a high level of public services. Those services are provided by the City within the City limits, and by the County (sheriff's patrol, roads, parks), the City (water), and special districts (fire, sanitation) outside City limits.

END OF SPHERE REVIEW

**APPENDIX 1 LAFCO APPLICATIONS CONCERNING THE CITY OF SANTA CRUZ 1963 - 2018**

<b>NO.</b>	<b>LAFCO TITLE</b>	<b>ACTION DATE</b>	<b>ACTION</b>
50	University Annexation No. 1	5/19/1965	Approved
62	Kite Hill/Carbonera Annexation	12/15/1965	Denied
63	Sky Park Airport, Parcels 2, 3 & 4, Annexation	12/15/1965	Approved
72	Italian Gardens No. 1 Annexation	4/20/1966	Incomplete
96	Carbonera Annexation No. 2	9/21/1966	Approved
192	North Coast Annexation	1/21/1970	Not completed by city
207	Pasatiempo Annexation	6/17/1970	Time expired
214	San Lorenzo River Annexation	6/17/1970	Time expired
239	Sky Park Annexation	10/21/1970	Approved
240	Disposal Site Annexation	10/21/1970	Approved
256	Beulah Park/Sims Road Annexation	1/20/1971	Denied
257	Port District Annexation	2/17/1971	Approved
264	Branciforte Creek Annexation	3/17/1971	Approved
283	Carbonera Annexation	7/21/1971	Approved
285	Walti-Schilling Annexation	7/21/1971	Approved
298	Isbel Drive Annexation	10/20/1971	Approved
314	Branciforte Annexation	3/15/1972	Approved
356	Western Annexation	4/18/1973	Denied without prejudice
396	Hinds Annexation	8/14/1974	Approved
399	Pacheco Annexation	10/9/1974	Denied without prejudice
420	Isbel Drive Annexation	5/7/1975	Approved
422	Sutphens Reorganization	5/7/1975	Time expired
424	Brookwood Reorganization	7/28/1975	Abandoned
429	Graham Hill/Carbonera Reorganization	8/6/1975	Abandoned
436	Moore Creek Annexation	9/3/1975	Abandoned
440	Santa Cruz Reorganization 1975	11/5/1975	Approved
443	Pacheco Annexation	10/6/1976	Abandoned
476	Harbor Properties Annexation	3/2/1977	Approved
490	Ocean Street Extension Annexation	5/4/1977	Approved
495	Isbel Drive Annexation	6/1/1977	Approved
503	Perry Annexation	8/17/1977	Approved
514	Carbonera et al. Reorganization	3/1/1978	Terminated by City
524	Western Drive/Meder Street Reorganization	3/1/1978	Abandoned by City
527	Hansmann Reorganization	11/1/1978	Approved
550	Hidden Bay No. 2 et al. Reorganization	4/4/1979	Approved
559	Western Drive Reorganization	8/8/1979	Approved
580	Crossing Street (Tait Street) Annexation	12/3/1980	Approved
590	Meder Street Annexation	11/5/1980	Withdrawn by City
591	Carbonera Annexation	11/5/1980	Withdrawn by City
597	Sutphen Street Reorganization	4/1/1981	Approved
598	Younger Lagoon Reorganization	12/2/1981	Approved
621	Sphere of Influence Adoption	8/3/1983	Approved
735	Bartlett Way Reorganization	6/1/1988	Approved
740	Pogonip Reorganization	9/7/1988	Approved
740-A	Pogonip Sphere of Influence Amendment	9/7/1988	Approved
785-A	Meder Street/Van Deren Reorganization	12/9/1992	Approved
785-B	Meder Street/Van Deren Sphere Amendment	12/9/1992	Approved
791	Skypark Reorganization	3/10/1994	Approved
910	Arana Gulch Reorganization	4/4/2007	Approved
911	Areawide Water Service Area	11/1/2006	Approved
928	North UCSC Campus Sphere Amendment	8/7/2013	EIR invalidated by court
929	Extraterritorial Water and Sewer to North Campus	8/7/2013	EIR invalidated by court
2017-6	Areawide Water Service Area	6/7/2017	Approved