



**LOCAL AGENCY FORMATION COMMISSION  
OF SANTA CRUZ COUNTY**

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**REGULAR MEETING AGENDA**

**Wednesday, October 2, 2019  
10:00 a.m.**

**Board of Supervisors Chambers  
701 Ocean Street, Fifth Floor (Room 525)  
Santa Cruz, California**

**1. ROLL CALL**

**2. ADOPTION OF MINUTES**

The Commission will consider approving the minutes from the August 7th LAFCO meeting.

Recommended Action: Approve the minutes as presented with any desired changes.

**3. ORAL COMMUNICATIONS**

This is an opportunity for members of the public to address the Commission on items not on the agenda, provided that the subject matter is within the jurisdiction of the Commission and that no action may be taken on an off-agenda item(s) unless authorized by law.

**4. PUBLIC HEARING**

Public hearing items require expanded public notification per provisions in State law, directives of the Commission, or voluntarily placed by the Executive Officer to facilitate broader discussion.

**a. Comprehensive Sanitation Service and Sphere Review**

The Commission will consider the adoption of a service and sphere of influence review for 10 sanitation districts: Bear Creek Estates Wastewater System, County Service Area 2 (Place de Mer), County Service Area 5 (Sand Dollar/Canon del Sol), County Service Area 7 (Boulder Creek), County Service Area 10 (Rolling Woods/Graham Hill), County Service Area 20 (Trestle Beach), Davenport County Sanitation District, Freedom County Sanitation District, Salsipuedes Sanitary District, and Santa Cruz County Sanitation District.

Recommended Actions:

- 1) Find that pursuant to Section 15061(b)(3) of the State CEQA Guidelines, LAFCO determined that the service and sphere of influence review is not subject to the environmental impact evaluation process because it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment and the activity is not subject to CEQA;
- 2) Determine, pursuant to Government Code Section 56425, the Local Agency Formation Commission of Santa Cruz County is required to develop and determine a sphere of influence for the 10 sanitation districts, and review and update, as necessary;
- 3) Determine, pursuant to Government Code Section 56430, the Local Agency Formation Commission of Santa Cruz County is required to conduct a service review before, or in conjunction with an action to establish or update a sphere of influence; and
- 4) Adopt a Resolution (LAFCO No. 2019-19) approving the 2019 Comprehensive Sanitation Service and Sphere Review, with the following terms and conditions:
  - a. Reaffirm the sphere of influence boundary for the Davenport County Sanitation District, Freedom County Sanitation District, Santa Cruz County Sanitation District, Salsipuedes Sanitary District, and County Service Areas 2, 5, 7, and 10;
  - b. Adopt a zero sphere of influence for Bear Creek Estates Wastewater System;
  - c. Adopt a coterminous sphere of influence for County Service Area 20 (Trestle Beach); and
  - d. Direct the LAFCO Executive Officer to meet with the County Public Works Department to discuss how the Urban Services Line relates to the Santa Cruz County Sanitation District's jurisdictional and sphere boundaries and explore opportunities to address any irregularities.

**5. OTHER BUSINESS**

Other business items involve administrative, budgetary, legislative, or personnel matters and may or may not be subject to public hearings.

**a. CALAFCO's Proposed New Membership Dues Structure**

The Commission will consider the upcoming CALAFCO election to determine whether a proposed new membership dues structure will replace the current model.

Recommended Actions:

- 1) Discuss the proposed dues structure;
- 2) Adopt a voting position regarding the proposed dues structure; and
- 3) Direct the Voting Delegate (Chair Jim Anderson) to cast a vote at the upcoming CALAFCO Annual Business Meeting based on the Commission's adopted position.

**b. Meeting Rules Policy Update**

The Commission will review the proposed modifications to LAFCO's meeting rules policy.

Recommended Action: Adopt a Resolution (LAFCO No. 2019-20) approving the changes to the LAFCO Meeting Rules Policy.

**c. Regular and Alternate City Member Rotation Procedure**

The Commission will receive an update on the current rotation procedure when selecting a city representative on LAFCO.

Recommended Action: No action required; Informational item only.

**d. Comprehensive Quarterly Report – First Quarter (FY 2019-20)**

The Commission will receive an update on active proposals, the Commission's work program and adopted budget, recent and upcoming meetings, and other staff activities.

Recommended Action: No action required; Informational item only.

**e. Legislative Update**

The Commission will receive a status update on LAFCO-related legislation.

Recommended Action: No action required; Informational item only.

**6. WRITTEN CORRESPONDENCE**

LAFCO staff receives written correspondence and other materials on occasion that may or may not be related to a specific agenda item. Any correspondence presented to the Commission will also be made available to the general public. Any written correspondence distributed to the Commission less than 72 hours prior to the meeting will be made available for inspection at the hearing and posted on LAFCO's website.

**a. CALAFCO Annual Conference Program Update**

The Commission will receive an update on the upcoming CALAFCO Annual Conference.

Recommended Action: No action required; Informational item only.

**7. PRESS ARTICLES**

LAFCO staff monitors newspapers, publications, and other media outlets for any news affecting local cities, districts, and communities in Santa Cruz County. Articles are presented to the Commission on a periodic basis.

**a. Press Articles during the Month of September**

The Commission will receive an update on recent LAFCO-related news occurring around the county and throughout California.

Recommended Action: No action required; Informational item only.

## 8. COMMISSIONERS' BUSINESS

This is an opportunity for Commissioners to comment briefly on issues not listed on the agenda, provided that the subject matter is within the jurisdiction of the Commission. No discussion or action may occur or be taken, except to place the item on a future agency if approved by Commission majority. The public may address the Commission on these informational matters.

## 9. ADJOURNMENT

LAFCO's next regular meeting is scheduled for Wednesday, November 6, 2019 at 10:00 a.m.

### ADDITIONAL NOTICES:

#### Campaign Contributions

State law (Government Code Section 84308) requires that a LAFCO Commissioner disqualify herself or himself from voting on an application involving an "entitlement for use" (such as an annexation or sphere amendment) if, within the last twelve months, the Commissioner has received \$250 or more in campaign contributions from an applicant, any financially interested person who actively supports or opposes an application, or an agency (such as an attorney, engineer, or planning consultant) representing an applicant or interested participant. The law also requires any applicant or other participant in a LAFCO proceeding to disclose the amount and name of the recipient Commissioner on the official record of the proceeding.

The Commission prefers that the disclosure be made on a standard form that is filed with the Commission's Secretary-Clerk at least 24 hours before the LAFCO hearing begins. If this is not possible, a written or oral disclosure can be made at the beginning of the hearing. The law also prohibits an applicant or other participant from making a contribution of \$250 or more to a LAFCO Commissioner while a proceeding is pending or for 3 months afterward. Disclosure forms and further information can be obtained from the LAFCO office at Room 318-D, 701 Ocean Street, Santa Cruz CA 95060 (phone 831-454-2055).

#### Contributions and Expenditures Supporting and Opposing Proposals

Pursuant to Government Code Sections §56100.1, §56300(b), §56700.1, §59009, and §81000 et seq., and Santa Cruz LAFCO's Policies and Procedures for the Disclosures of Contributions and Expenditures in Support of and Opposition to proposals, any person or combination of persons who directly or indirectly contributes a total of \$1,000 or more or expends a total of \$1,000 or more in support of or opposition to a LAFCO Proposal must comply with the disclosure requirements of the Political Reform Act (Section 84250). These requirements contain provisions for making disclosures of contributions and expenditures at specified intervals. Additional information may be obtained at the Santa Cruz County Elections Department, 701 Ocean Street, Room 210, Santa Cruz CA 95060 (phone 831-454-2060).

More information on the scope of the required disclosures is available at the web site of the Fair Political Practices Commission: [www.fppc.ca.gov](http://www.fppc.ca.gov). Questions regarding FPPC material, including FPPC forms, should be directed to the FPPC's advice line at 1-866-ASK-FPPC (1-866-275-3772).

#### Accommodating People with Disabilities

The Santa Cruz Local Agency Formation Commission does not discriminate on the basis of disability, and no person shall, by reason of a disability, be denied the benefits of its services, programs or activities. The Commission meetings are held in an accessible facility. If you wish to attend this meeting and you will require special assistance in order to participate, please contact the LAFCO office at 831-454-2055 at least 72 hours in advance of the meeting to make arrangements. For TDD service the California State Relay Service 1-800-735-2929 will provide a link between the caller and the LAFCO staff.

#### Late Agenda Materials

Pursuant to Government Code Section 54957.5 public records that relate to open session agenda items that are distributed to a majority of the Commission less than seventy-two (72) hours prior to the meeting will be available to the public at Santa Cruz LAFCO offices at 701 Ocean Street, #318D Santa Cruz CA 95060 during regular business hours. These records when possible will also be made available on the LAFCO website at [www.santacruzlafo.org](http://www.santacruzlafo.org). To review written materials submitted after the agenda packet is published, contact the LAFCO Secretary-Clerk at the LAFCO office or in the meeting room before or after the meeting.





PROCEEDINGS OF THE  
LOCAL AGENCY FORMATION COMMISSION  
OF SANTA CRUZ COUNTY

Wednesday  
August 7, 2019  
10:00 a.m.

Supervisors Chambers, Room 525  
701 Ocean Street  
Santa Cruz CA 95060

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The August 7, 2019 Santa Cruz Local Agency Formation Commission meeting is called to order by declaration of Chairperson Jim Anderson.

ROLL CALL

|                     |  |
|---------------------|--|
| Present and Voting: | Commissioners R. Anderson, Banks, Cummings, Estrada, Friend, Leopold, and Chairperson Jim Anderson     |
| Absent:             | Lather   |
| Alternates Present: | Brooks, Hunt   |
| Alternates Absent:  | Coonerty   |
| Staff:              | Joe A. Serrano, Executive Officer<br>Jason Heath, Acting LAFCO Counsel<br>Debra Means, Secretary-Clerk |

OATH OF OFFICE

MOTION

|                                   |  |
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| Motion: Leopold<br>Second: Friend | To approve Resolution 2019-17, declaring the results of the election to select a new Special District Alternate Member.<br>Motion carries with a unanimous voice vote. |
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Clerk Means administers oath of office for Ed Banks, the new alternate special district member.

MINUTES

MOTION

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|--|---|
| Motion: Leopold<br>Second: R. Anderson | To approve June 5 <sup>th</sup> minutes.<br>Motion carries with a unanimous voice vote. |
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ORAL COMMUNICATIONS

None

## PUBLIC HEARING

### SERVICE AND SPHERE REVIEW FOR SANTA CRUZ PORT DISTRICT

Mr. Serrano reports that the Santa Cruz Port District was established in 1951 and they have been providing harbor-related services and operations year-round since then. The Port District covers approximately 30 square miles and includes the City of Santa Cruz. Its sphere of influence is coterminous with the district and has remained unchanged since its original adoption in 1988.

The draft service review analyzes various determinations outlined in the Cortese-Knox-Hertzberg Act. Staff's analysis identified five key findings. The Port District is providing services to residents outside its borders. State law requires the district to provide equal opportunities for any resident in the State to utilize their services, so they have a high demand each year.

The Port District continues to be fiscally responsible, as it has been for the past five years. Their revenues have exceeded their expenditures, and as a result, they are in a positive net position each year. Staff projects that this trend will continue.

The Port District receives its municipal services through a joint agreement. For the past 30 years, they have been collaborating with the County and the City of Santa Cruz to receive municipal services including police and fire. These services are funded by the redistribution of the District's property taxes to the County and City based on the calculation ratio identified in their agreement. Staff understands that the nexus between the services and the funds being redistributed have remained the same.

The Port District maintains transparency and accountability. State law now requires all independent special districts to maintain a website by January 1, 2020. The District has a detailed website that goes well beyond the law's minimum requirements.

The Port District addresses long and short-term capital improvement needs. They adopt multi-year capital improvement projects (CIP). The current CIP plan identifies about 40 different projects.

Staff took additional steps after completing the draft service review. An advance copy of the review was forwarded to District staff to ensure its findings' accuracy and analysis. A Notice of Exemption was recorded after the service review was determined exempt from the California Environmental Quality Act (CEQA). A notice of public hearing for the review's consideration was advertised in the Sentinel newspaper.

After the initial publication of the review, some minor corrections and non-substantial changes were identified and corrected. The final review has been re-published and posted on the LAFCO website.

Commissioner Leopold appreciates the Port District's effective operation. This year, the County stepped up to request the Port Directors to increase funding.

The State Legislature stepped up to help with needed equipment. They also required the Port District to figure out how to deal with the rise in sea level by July 1, 2019. There was a recent article in the paper about a statewide database regarding sea level rise. One of the areas impacted in Santa Cruz County is the harbor. He wonders what the harbor is planning for sea level rise and how it impacts the operation.

Marian Olin is the District's Port Director. She thanks LAFCO staff for the excellent work on their review. The Port District's last review before this one was done in 1992, 27 years ago. The Port District supports staff's recommendation.

She is impressed by the progress the Port District has made over the past 20 plus years and how it has evolved as a modern public agency. This is all attributable to the Port Commission and management staff who have helped to improve budgeting practices, refinance and restructure debt, build their CIP and fund it, work towards transparency and accountability through policy development, website improvement, and social media outreach.

State Lands require they address sea level rise. They hired an engineering firm do an in-depth analysis. It appears most of the flooding would be localized in the parking lots. They will have a west side sea wall assessment that is funded in the CIP next year. They are looking at ways to reconstruct the sea wall to withstand sea level rise. The issue of sea level rise will be folded into their future planning as they develop their CIP.

Commissioner Roger Anderson notes that the harbor is mostly an enterprise district. He wonders what income the harbor gets from operations such as fuel, restaurants, and boatyard versus expenditures.

Ms. Olin answers that the Port District's annual audit is available online. The most recent audit shows the operating revenues to be about \$9 million and it is all user fee based, such as rent from leases, restaurants, visitor berthing, and fuel revenue. All of this funding is broken down in the audit. In 2018, about \$1.8 million of their operating revenues was from concessions and leases and about \$1 million was from restaurants. In 2017, they had \$8.4 million in operating revenues and \$1.7 million of that was from concessions and leases, and about \$1 million was from restaurants.

Commissioner Roger Anderson is wondering what the breakdown is from each program.

Mr. Serrano adds that the review breaks down the other revenue streams that the district has. The operating revenue is condensed as a whole for the charges and services in the breakdown of the financial analysis.

Ms. Olin says the audit of 2018 shows related income sources. Berthing and launch fees, parking and RV income is approximately \$1.1 million. Parking and visitor parking revenue increased from FY 2017. The increase is due in part to parking management and enforcement efforts. The increase in operating revenues from FY 2018 to FY 2019 is mostly due to parking, visitor berthing, fuel sales, and seeking reimbursement from tenants for sewer and utility charges, such as garbage. She can supply a more detailed breakdown if the Commission would like it, but it is available online.

Commissioner Cummings asks if something happened back in 2013 that allowed costs to be lower than revenue.

Ms. Olin answers that changing their budgeting practices and setting up their Capital Improvement Program probably helped, which allowed them to set aside funding for projects and build their reserves. There was an effort by management and the Port Commission to restructure the district's budgeting practices. They adopted a reserve policy and other policies to help build these programs.

There was a tsunami in 2011 which resulted in disaster recovery grant assistance and that helped rebuild much of the harbor's infrastructure.

Commissioner Estrada asks if the assessment on the rise in sea levels that they are required to do is on their website.

Ms. Olin replies yes. It is also available on the State Lands website.

Commissioner Leopold asks how to find the audit online.

Ms. Olin answers that it is found under the Transparency Reports where all of the past audits, budgets, and staff compensation are.

Mr. Serrano adds that the Transparency Reports page covers adopted budgets and audits from 2013, and these are the financial documents that were used for LAFCO's analysis.

#### MOTION AND ACTION

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| Motion: Leopold<br>Second: Cummings | To approve 2019-18 approving the 2019 Service and Sphere Review for the Santa Cruz Port District with minor corrections, as recommended by staff.<br>Motion carries by a unanimous vote. |
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#### OTHER BUSINESS

#### CALAFCO 2019 ANNUAL CONFERENCE

Mr. Serrano reports that the Conference will be held at the end of October in Sacramento. It is a great opportunity to network and learn from other LAFCOs. There will also be an election to appoint new representatives on the CALAFCO Board of Directors.

#### MOTION AND ACTION

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| Motion: Leopold<br>Second: R. Anderson | To appoint Jim Anderson as the voting delegate for the CALAFCO board election.<br>Motion carries by a unanimous vote. |
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## LEGISLATIVE UPDATE

Mr. Serrano reports that AB 1253 would provide grant funds to LAFCOs. That bill did not receive the requested funds in the State budget. The author of that bill will be converting AB 1253 into a two-year bill to continue CALAFCO's efforts. He appreciates Commissioner Leopold's efforts on this bill and he hopes they will be more successful next year.

## COMPREHENSIVE QUARTERLY REPORT

Mr. Serrano reports that this fiscal year will be the first introduction of a comprehensive update report to the Commission which will focus on four primary areas: active proposals, the work program, LAFCO's budget, and any staff level meetings.

There are currently four active proposals. The East Zayante annexation to the San Lorenzo Valley Water District (SLVWD) has been withdrawn because the applicant is selling the property. The Cumbre Lane Reorganization involving the City of Scotts Valley and Scotts Valley Water is still pending because the map and legal description has not yet been submitted. The Roaring Camp Annexation to SLVWD is also pending since several documents are still needed. The Heritage Parks Annexation to Scotts Valley Water District was recorded on July 1<sup>st</sup>.

The Commission has identified five service reviews to be completed in their work program, including today's Port District review. Staff's goal is to have a service review for the sanitation districts presented to the Commission in October, and a service review for Mid-Peninsula Regional Open Space District (Mid-Pen) presented to the Commission in November.

For Fiscal Year (FY) 2018-19, the Commission ended that fiscal year with a surplus of about \$330,000. Those funds were carried over to help balance FY 2019-20's budget.

LAFCO staff had several meetings with local agencies. The LAFCO Executive Officer conducted a presentation with the Chair during a recent Pajaro Valley Fire Protection District board meeting. The goal of these outreach efforts is to be as helpful as possible to the local agencies and clarify any discrepancies agencies may have about LAFCO and its role in the County.

LAFCO just received an invitation from the Grand Jury to present a "LAFCO 101" to their new members on August 14<sup>th</sup>.

Chairperson Jim Anderson adds that Mr. Serrano put on a great presentation for Pajaro Valley Fire. Even though this agency has been governed by LAFCO for quite some time, they are not fully aware of what LAFCO's role is.

Alternate Hunt asks if upcoming meetings are posted on the LAFCO website so they get advance notice if Commissioners are interested in attending.

Mr. Serrano replies that upcoming meetings are mostly kept at staff level. If there are upcoming presentations to any agency boards or city councils, he can email Commissioners the details.

Counsel Heath adds that Commissioners can attend as long as there is no more than a quorum attending due to Brown Act issues.

Commissioner Leopold says Commissioner Jim Anderson has an extra interest in fire-related issues. Knowing individual Commissioners interests may help figure out who would like to attend future meetings.

Mr. Serrano adds that LAFCO staff was invited to be a guest keynote speaker to a group of mutual water companies and small water systems in the County. It was hosted by Public Works and it had a great turnout. They received a LAFCO 101 course about what a special district is, and if LAFCO has jurisdiction over mutual water companies, which they do under AB 54. He explained what AB 54's requirements are, and some people attending found out they needed to accomplish certain requirements.

#### APPROVED EXTRATERRITORIAL AGREEMENTS STATUS UPDATE

Mr. Serrano reports that this is an updated list of the Commission's approved extraterritorial agreements. No Commission action is required.

#### WRITTEN CORRESPONDENCE

Mr. Serrano says the Commission received an invitation from California Special Districts Association (CSDA) for a free tour in Monterey County.

The County Water Resources Director, John Ricker, wrote a kind letter acknowledging and thanking Mr. Serrano for his well-received presentation at the small water systems forum.

#### COMMISSIONERS' BUSINESS

Chairperson Jim Anderson says he and Commissioner Roger Anderson are part of an ad-hoc committee regarding the upcoming service review for the Mid-Peninsula Regional Open Space District (Mid-Pen). He wonders if there is any recent news about meeting with them.

Mr. Serrano plans to complete the review for Mid-Pen this year. The ad-hoc committee was created to help with the review process. He has been trying to coordinate a meeting with their General Manager, but there is no definite date yet.

Commissioner Roger Anderson asks if the meeting will be this fall.

Mr. Serrano is hoping to set up a meeting this month.

Commissioner Cummings says UC Santa Cruz has been working on their Long Range Development Plan (LRDP). He wonders if LAFCO will be involved as it relates to the City's sphere of influence or City limits.

Mr. Serrano says LAFCO has not been notified of any upcoming issues with the City and the University.

The next LAFCO meeting is scheduled for 10:00 a.m. on Wednesday, September 4, 2019.

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CHAIRPERSON JAMES W. ANDERSON

Attest:

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Joe A. Serrano, Executive Officer



**Santa Cruz Local Agency Formation Commission**

Date: October 2, 2019  
To: LAFCO Commissioners  
From: Joe Serrano, Executive Officer  
Subject: **Comprehensive Sanitation Service and Sphere Review**

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**SUMMARY OF RECOMMENDATION**

LAFCO periodically performs municipal service reviews and sphere of influence updates for each agency subject to LAFCO's boundary regulation. As part of the Commission's work program, LAFCO staff has scheduled a public hearing and drafted a service and sphere review for 10 sanitation districts.

It is recommended that the Commission take the following actions:

1. Find that pursuant to Section 15061(b)(3) of the State CEQA Guidelines, LAFCO determined that the service and sphere of influence review is not subject to the environmental impact evaluation process because it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment and the activity is not subject to CEQA;
2. Determine, pursuant to Government Code Section 56425, the Local Agency Formation Commission of Santa Cruz County is required to develop and determine a sphere of influence for the 10 sanitation districts, and review and update, as necessary;
3. Determine, pursuant to Government Code Section 56430, the Local Agency Formation Commission of Santa Cruz County is required to conduct a service review before, or in conjunction with an action to establish or update a sphere of influence; and
4. Adopt a Resolution (LAFCO No. 2019-19) approving the 2019 Comprehensive Sanitation Service and Sphere Review, with the following terms and conditions:
  - a. Reaffirm the sphere of influence boundary for the Davenport County Sanitation District, Freedom County Sanitation District, Santa Cruz County Sanitation District, Salsipuedes Sanitary District, and County Service Areas 2, 5, 7, and 10;
  - b. Adopt a zero sphere of influence for Bear Creek Estates Wastewater System;
  - c. Adopt a coterminous sphere of influence for County Service Area 20 (Trestle Beach); and
  - d. Direct the LAFCO Executive Officer to meet with the County Public Works Department to discuss how the Urban Services Line relates to the Santa Cruz County Sanitation District's jurisdictional and sphere boundaries, and explore opportunities to address any irregularities.



## **EXECUTIVE OFFICER'S REPORT:**

State law requires LAFCO to periodically review and update the services and spheres of influence for all cities and special districts, including County Services Areas (CSAs). In accordance with the Commission's adopted work program, LAFCO staff has prepared a service and sphere review for 10 sanitation districts (refer to **Attachment 1**). The subject agencies include the following: Bear Creek Estates Wastewater System, County Service Area 2 (Place de Mer), County Service Area 5 (Sand Dollar/Canon del Sol), County Service Area 7 (Boulder Creek), County Service Area 10 (Rolling Woods/Graham Hill), County Service Area 20 (Trestle Beach), Davenport County Sanitation District, Freedom County Sanitation District, Salsipuedes Sanitary District, and Santa Cruz County Sanitation District.

The report contains individual profiles for each of the 10 sanitation districts - highlighting specific characteristics, ongoing operations, current fiscal health, existing governance structure, ability to provide services, and its importance within its jurisdictional area. The profiles conclude with statutory determinations required for all service and sphere of influence reviews pursuant to the Cortese-Knox-Hertzberg Act.

### **Main Conclusions**

Key findings and recommendations are presented in the Executive Summary. The main conclusions of the report are summarized below:

#### Regulatory Requirements

All federal and state agencies, municipalities, counties, districts, and other public entities that own or operate sanitary sewer systems greater than one mile in length, that collect and/or convey untreated or partially treated wastewater to a publicly owned treatment facility in the State of California, are required to comply with the terms of the State Water Resources Control Board's Statewide Sanitary Sewer Systems General Order.

Based on staff's research, there may be possible updates to the statewide regulatory requirements. It is unknown when, or if any, revisions will be implemented. If any changes do occur, it may affect how sanitation districts in Santa Cruz County operate, maintain, and repair their aging infrastructure. Changes may also increase the financial constraints already being faced by several agencies analyzed in this report.

#### Growth and Population

The Association of Monterey Bay Area Governments (AMBAG) indicates that the unincorporated areas within Santa Cruz County will grow at the rate of 1% every five years for the next fifteen years. LAFCO staff projects that the total population served by the 10 sanitation districts will be over 81,000 residents in 2020. Population growth will continue to affect the agencies providing wastewater services as they upgrade their systems to comply with regulatory changes and maintain service levels.

In general, CSAs, small package treatment plants, and their wastewater disposal systems may not be an efficient method of providing wastewater service for the rural areas of the County due to three primary factors: (1) the rising costs of addressing aging infrastructure, (2) the lack of revenue streams to cover current and long-term liabilities, and (3) the reliability of larger agencies with established treatment plants. Based on the findings discussed in this service review, all future dense developments should consider connecting to existing wastewater facilities rather than establishing small, limited sewer collection systems.

### Disadvantaged Unincorporated Communities

State law requires the identification and description of all “disadvantaged unincorporated communities” (DUCs) located within or contiguous to the existing spheres of influence of cities and special districts which provide fire protection, sewer, and/or water services (Government Code Section 56046). DUCs are defined as inhabited unincorporated areas with an annual median household income that is 80% or less than the statewide annual median household income.

In 2017, the California statewide annual median household income was \$67,169, and 80% of that was \$53,735. LAFCO staff utilized the ArcGIS mapping program to locate potential DUCs in Santa Cruz County. Staff’s analysis initially found four areas that may be considered DUCs. Based on the legal criteria, in conjunction with further evaluation of these areas, staff determined that there is only one official DUC located within the Freedom County Sanitation District, located outside the city limits of Watsonville. LAFCO staff should evaluate this community in more detail if a proposed reorganization or future boundary adjustment is considered within or adjacent to this disadvantaged unincorporated community.

### Infrastructure Components

Wastewater infrastructure includes septic systems, collection and sewer main lines, lift stations, treatment plants and recycled water treatment systems. The geography of the local area, water quality conditions, accessibility of treatment facilities, and funding are factors in determining the type of system used and infrastructure needs. Parcels that are not in proximity to a public sewer system and meet certain requirements may use individual septic systems; some geographically isolated communities share a community septic system or use an onsite package treatment plant. Developed areas are served by collection systems with treatment provided at local or regional facilities. One treatment plant, operated by the Davenport County Sanitation District, is currently producing recycled water.

Aging infrastructure and the need for repair, replacement, or upgrades are a growing concern for most of the 10 sanitation districts. In some cases, a lack of funding has postponed certain capital improvement projects. Not all sanitation districts have an adopted capital improvement plan in place. The need for long-term maintenance planning should be established by all sanitation districts to identify adequate funding in order to address current and future maintenance, replacement, and/or upgrades to an aging infrastructure.

### Funding Source

Wastewater services are primarily funded through sewer charges. Wastewater service rates include flat residential rates with commercial and institutional accounts being charged a base rate plus quantity charge. A full review of all wastewater rates for each sanitation district is discussed in the District Profile Chapters within the service review.

In summary, most sanitation districts are financially stable. However, Bear Creek Estates Wastewater System, CSA 20 (Trestle Beach), Davenport County Sanitation District, and Freedom County Sanitation District have experienced financial deficits during the last five fiscal years. LAFCO staff projects that this negative shortfall will continue unless the agencies’ increase their overall revenue stream or decrease their annual expenses.

### Potential Countywide Coordination

Out of the 10 sanitation districts being analyzed in this report, it is noteworthy to highlight that the County manages and operates 8 of these agencies. More importantly, there is an overall coordination between the 10 sanitation districts and other regional treatment plant operators, including the Cities of Santa Cruz and Watsonville. These partnerships are based on separate contracts and agreements. It may be beneficial to explore opportunities to combine or establish a regional agreement through a Countywide Memorandum of Understanding (MOU) or the creation of a Joint Powers Authority (JPA).

Several sanitation districts analyzed in this report have expressed interest in transferring sewer responsibilities to another agency due to funding issues, limited long-term planning, or lack of economies of scale. The establishment of a Countywide MOU or a JPA may unify the already-established collaboration set by the sanitation providers in the County. Such agreements may also lay the foundation for future changes of organization, including but not limited to annexations, consolidations, or mergers.

### Sphere of Influence

City and special district spheres of influence define the probable physical boundaries and service area of a local agency, as determined by the Commission (Government Code Section 56076). The law requires that spheres be updated at least once every five years, either concurrently or subsequently to the preparation of Municipal Service Reviews.

Reaffirmation of all sphere boundaries is being recommended except for CSA 20 and the Bear Creek Estates Wastewater System. Based on staff's analysis, these two service providers do not have an adopted sphere of influence. LAFCO staff is recommending a zero sphere for the Bear Creek Estates Wastewater System and a coterminous sphere for CSA 20. A "zero" sphere of influence indicates that the district should be dissolved, and sewer responsibilities should be transferred to another local agency. A "coterminous" sphere of influence is identical to the agency's jurisdictional boundary.

### **Environmental Review**

LAFCO staff conducted an environmental review for the proposed Comprehensive Sanitation Service and Sphere Review pursuant to the California Environmental Quality Act (CEQA). Staff determined that this service and sphere review is exempt because it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, and therefore, the activity is not subject to CEQA (Section 15061[b][3]). A notice of exemption, as shown in **Attachment 3**, was recorded on September 5, 2019.

### **Agency Coordination and Public Notice**

Representatives from each agency received an advanced copy of the draft report in early September in order to review and provide comments. Beatriz Barranco (Senior Engineer, County Public Works), Delia Brambila (Secretary/Manager, Salsipuedes Sanitary District), Rick Rogers (General Manager, San Lorenzo Valley Water District), and Ashleigh Trujillo (Senior Engineer, County Public Works) were very instrumental in helping ensure the accuracy and completeness of the report. LAFCO staff appreciates their time, effort, and dedication throughout the LAFCO process.

A hearing notice for this draft review was also published in the September 11th issue of the Santa Cruz Sentinel (refer to **Attachment 4**).

### **Service & Sphere Review - Administrative Draft**

The draft service and sphere review and resolution are attached to this staff report (refer to **Attachments 1 and 2**). Due to the size of the service review, the appendices are not included. The complete service and sphere review, with all appendices, is available on LAFCO's website: <https://www.santacruzlafco.org/reviews/>

Respectfully Submitted,



Joe A. Serrano  
Executive Officer

#### **Attachments:**

1. Service and Sphere Review – Administrative Draft (without appendices)
2. Draft Resolution No. 2019-19 (recorded September 5, 2019)
3. Environmental Determination – Categorical Exemption
4. Public Hearing Notice (dated September 11, 2019)

#### **cc: County Public Works**

San Lorenzo Valley Water District (Bear Creek Estates Wastewater System)  
Salsipuedes Sanitary District  
CSA 2, Community Liaison  
CSA 5, Community Liaison  
CSA 7, Community Liaison  
CSA 10, Community Liaison  
CSA 20, Community Liaison  
Davenport County Sanitation District, Community Liaison  
Freedom County Sanitation District, Community Liaison  
Santa Cruz County Sanitation District, Community Liaison

**Local Agency Formation Commission  
of Santa Cruz County**



# **Comprehensive Sanitation Service and Sphere Review:**

- BEAR CREEK ESTATES WASTEWATER SYSTEM
- COUNTY SERVICE AREAS – 2, 5, 7, 10, AND 20
- DAVENPORT COUNTY SANITATION DISTRICT
- FREEDOM COUNTY SANITATION DISTRICT
- SALSIPUEDES SANITARY DISTRICT
- SANTA CRUZ COUNTY SANITATION DISTRICT

*Administrative Draft – October 2, 2019*

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## EXECUTIVE SUMMARY

### Introduction

This Service and Sphere of Influence Review provides information about the services and boundaries of 10 sanitation districts located throughout Santa Cruz County. The report is for the Local Agency Formation Commission to conduct a statutorily required review and update process. The Cortese-Knox-Hertzberg Act requires that the Commission conduct periodic reviews and updates of Spheres of Influence for all cities and special districts, including County Service Areas (CSAs), in Santa Cruz County (Government Code section 56425). It also requires LAFCO to conduct a review of municipal services before adopting Sphere updates (Government Code section 56430).

The municipal service review process does not require LAFCO to initiate changes of organization based on service review conclusions or findings; it only requires that LAFCO make determinations regarding the delivery of public services in accordance to the provisions of Government Code Section 56430. However, LAFCO, local agencies, and the public may subsequently use the determinations and related analysis to consider whether to pursue changes to service delivery, government organization, or spheres of influence.

Service reviews are informational documents which are generally exempt from environmental review. LAFCO staff has conducted an environmental evaluation for this report pursuant to the California Environmental Quality Act (CEQA) and determined that this report is exempt from CEQA. Such exemption is due to the fact that it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment (Section 15061[b][3]).

### Structure of Report

This **Executive Summary** presents a brief overview of the service review, key findings, and recommended actions. The **District Profile** chapters contain individual evaluations for each of the 10 sanitation districts - highlighting specific characteristics, ongoing operations, current fiscal health, existing governance structure, ability to provide services, and its importance within its jurisdictional area. The profiles conclude with statutory determinations required for all service and sphere of influence reviews pursuant to the Cortese-Knox-Hertzberg Act. These chapters are followed by **Appendices** with sources used to conduct the service review.

### Service Provision

Wastewater services within Santa Cruz County are provided by three cities, five special districts, and six CSAs. Facilities range from individual or small community septic systems to local wastewater collection systems and regional treatment plants. Wastewater systems are closely regulated both for health and environmental concerns. The Regional Water Quality Control Board regulates operations and discharges from sewage systems.

In accordance to the Commission's 2019 Work Program, the following 10 sanitation districts will be analyzed in this report. **Figure 9** on page 26 provides an overview map depicting the 10 subject agencies.

#### List of Subject Agencies:

1. Bear Creek Estates Wastewater System
2. County Service Area 2 (Place de Mer)
3. County Service Area 5 (Sand Dollar/Canon del Sol)
4. County Service Area 7 (Boulder Creek Country Club)
5. County Service Area 10 (Rolling Woods)
6. County Service Area 20 (Trestle Beach)
7. Davenport County Sanitation District
8. Freedom County Sanitation District
9. Salsipuedes Sanitary District
10. Santa Cruz County Sanitation District

CSA 12 (Wastewater Management) and the Cities of Santa Cruz, Scotts Valley, and Watsonville were analyzed in the previous service review cycle and are excluded in this 2019 report. LAFCO's website contains the service reviews for these four additional wastewater providers: <https://www.santacruzlafco.org/reviews/>.

#### Regulatory Requirements

All federal and state agencies, municipalities, counties, districts, and other public entities that own or operate sanitary sewer systems greater than one mile in length, that collect and/or convey untreated or partially treated wastewater to a publicly owned treatment facility in the State of California, are required to comply with the terms of the State Water Resources Control Board's Statewide Sanitary Sewer Systems General Order.

In 2006, the State Water Resources Control Board (State Water Board) adopted the existing Statewide Sanitary Sewer System Order. Through this General Order, the State Water Board began regulating the management of publicly owned sanitary sewer systems over one mile in length. The existing Order sets forth requirements for: (1) monitoring and reporting of spills, (2) preparation and implementation of system-specific Sanitary Sewer System Management Plans, and (3) local internal audits. As of December 2018, approximately 100,000 miles of sewer system pipelines from 1,099 public systems are regulated under the Order.

In 2019, State Water Board staff conducted several workshops to discuss possible updates to the statewide regulatory requirements based on analysis of the past 13 years of reported data and corresponding enforcement activity. The purpose of the workshops were to obtain public input regarding proposed revisions to the existing Sanitary Sewer Systems Order. Topics of proposed revisions included:

- Regulation of larger private collection systems;
- System-specific requirements to address climate change, and system resiliency;
- Regulatory incentives for good compliance record; and
- A clarified enforcement process.

It is unknown when, or if any, revisions will be implemented. If any changes do occur, it may affect how sanitation districts in Santa Cruz County operate, maintain, and repair their aging infrastructure. Changes may also increase the financial constraints already being faced by several agencies analyzed in this report.

### Growth and Population

The Association of Monterey Bay Area Governments (AMBAG) indicates that the unincorporated areas within Santa Cruz County will experience a slow growth over the next fifteen years. The 2018 AMBAG Regional Growth Forecast Report states that the population in unincorporated territory will grow at a rate of approximately 1% every five years. Based on this anticipated growth rate, LAFCO staff calculated the estimated population for each subject agency from 2020 to 2035, as shown below:

**Table 1: Population Estimates**

| <b>Sanitation District</b>            | <b>2020</b>   | <b>2025</b>   | <b>2030</b>   | <b>2035</b>   |
|---------------------------------------|---------------|---------------|---------------|---------------|
| Bear Creek Estates Wastewater System  | 185           | 186           | 188           | 189           |
| CSA 2 (Place de Mer)                  | 170           | 171           | 173           | 175           |
| CSA 5 (Sand Dollar/Canon del Sol)     | 220           | 222           | 225           | 227           |
| CSA 7 (Boulder Creek Country Club)    | 657           | 663           | 670           | 676           |
| CSA 10 (Rolling Woods)                | 888           | 896           | 903           | 911           |
| CSA 20 (Trestle Beach)                | 42            | 43            | 43            | 44            |
| Davenport County Sanitation District  | 217           | 219           | 222           | 224           |
| Freedom County Sanitation District    | 4,158         | 4,200         | 4,284         | 4,327         |
| Salsipuedes Sanitary District         | 2,153         | 2,171         | 2,189         | 2,207         |
| Santa Cruz County Sanitation District | 72,922        | 73,651        | 74,388        | 75,132        |
| <b>Total</b>                          | <b>81,612</b> | <b>82,422</b> | <b>83,285</b> | <b>84,112</b> |

Population growth will continue to affect the agencies providing wastewater services as they upgrade their systems to comply with regulatory changes and maintain service levels. In general, CSAs, small package treatment plants, and their wastewater disposal systems may not be an efficient method of providing wastewater service for the rural areas of the County due to three primary factors: (1) the rising costs of addressing aging infrastructure, (2) the lack of revenue streams to cover current and long-term liabilities, and (3) the reliability of larger agencies with established treatment plants. Based on the findings discussed in this report, all future dense developments should consider connecting to existing wastewater facilities rather than establishing small, limited sewer collection systems.

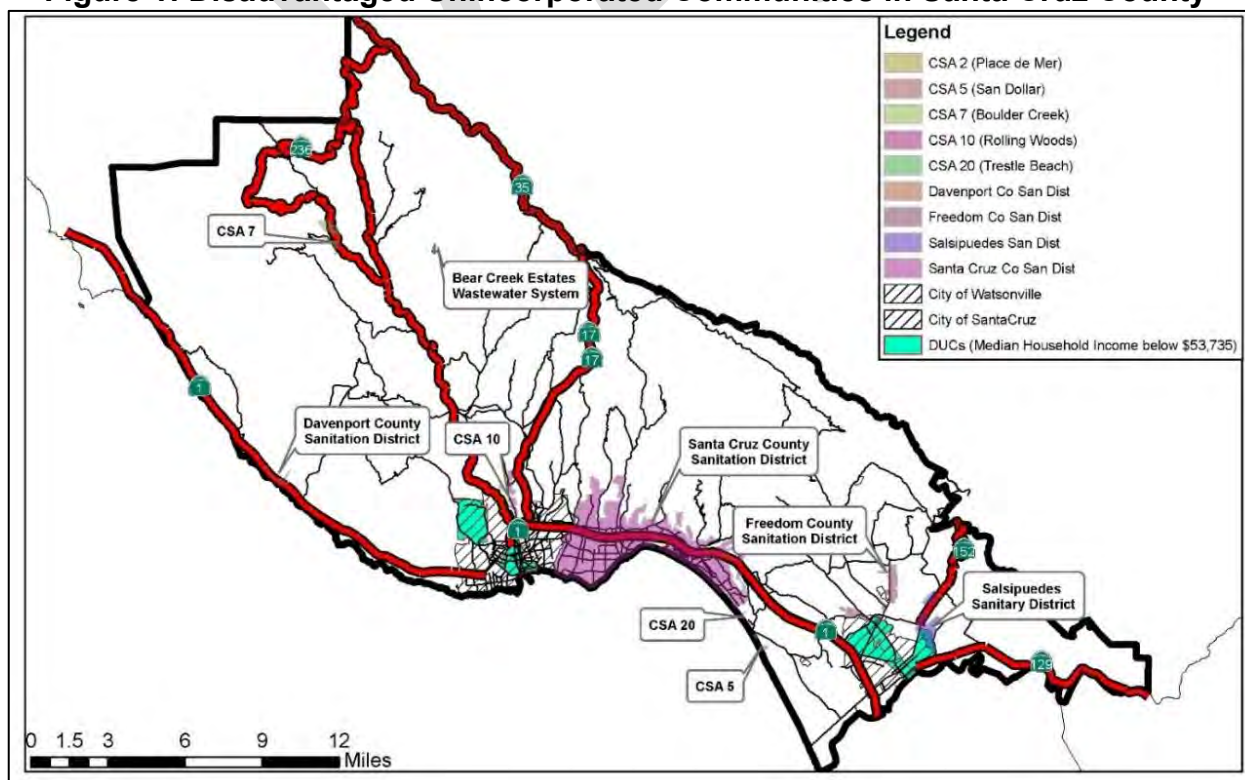
## Disadvantaged Unincorporated Communities

In accordance to Senate Bill 244, which became effective on January 1, 2012, state law requires the identification and description of all “disadvantaged unincorporated communities” (DUCs) located within or contiguous to the existing spheres of influence of cities and special districts which provide fire protection, sewer, and/or water services (Government Code Section 56046). DUCs are defined as inhabited unincorporated areas with an annual median household income that is 80% or less than the statewide annual median household income. The identified disadvantaged unincorporated communities must be addressed by LAFCO when:

- Considering a city annexation proposal involving 10 or more acres with an existing disadvantaged unincorporated community located contiguous to the proposal area; and
- Approving sphere of influence and municipal service review determinations associated with the update or establishment of spheres of influence for local agencies subject to SB 244 requirements.

In 2017, the California statewide annual median household income was \$67,169<sup>1</sup>, and 80% of that was \$53,735. LAFCO staff utilized the ArcGIS mapping program to locate potential DUCs in Santa Cruz County. Staff’s analysis initially found four areas that may be considered DUCs, as shown in **Figure 1**. Based on the criteria set forth by SB 244, in conjunction with further evaluation of these areas, staff determined that there is only one official DUC located within the Freedom County Sanitation District. An overview of the four areas are discussed in the following pages and later in the report.

**Figure 1: Disadvantaged Unincorporated Communities in Santa Cruz County**



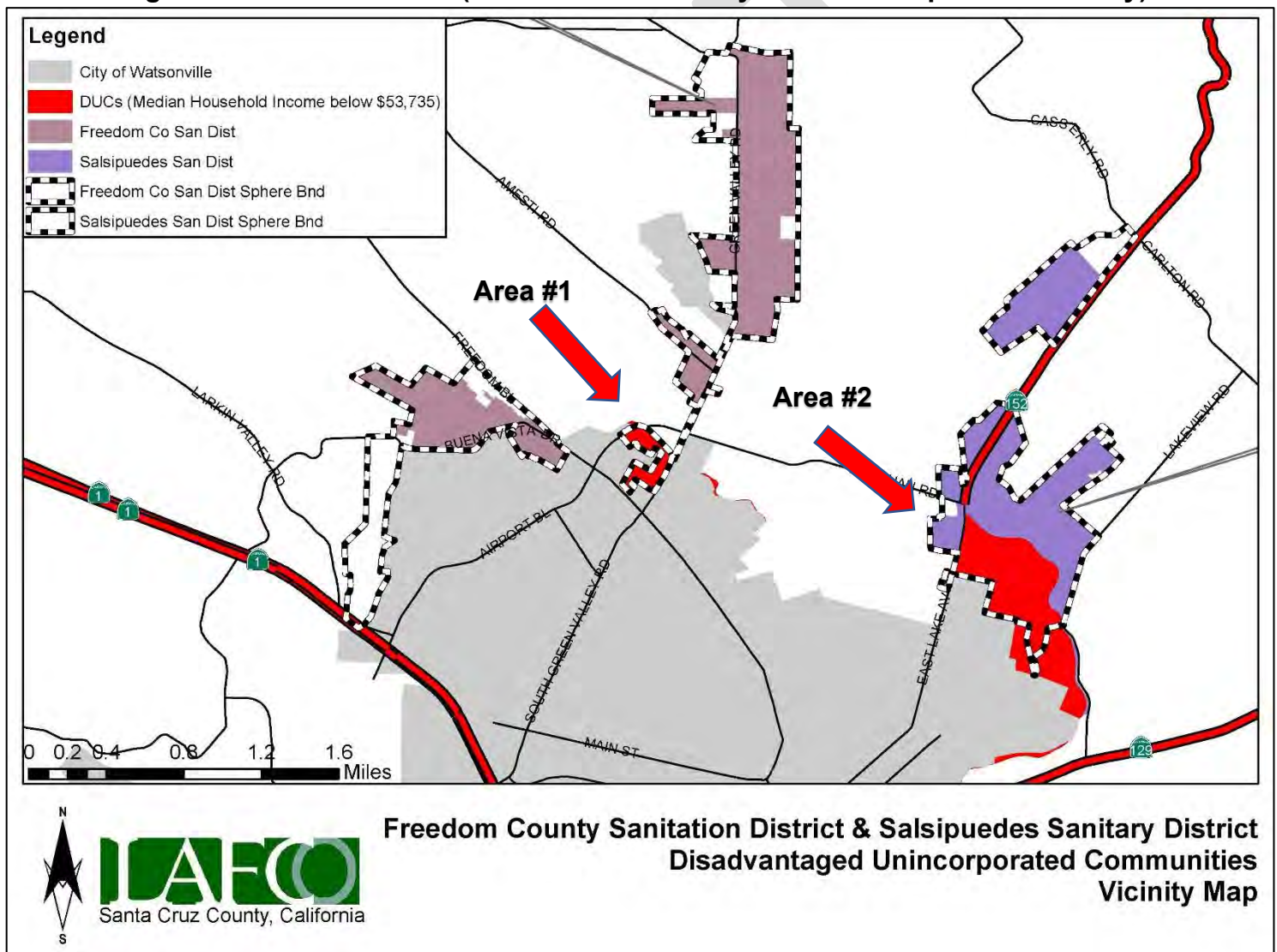
<sup>1</sup> 2013-2017 American Community Survey 5-year Estimates



Areas #1 and #2 (near Freedom Co. Sanitation District & Salsipuedes Sanitary District)

Based on the criteria set forth by SB 244, staff's initial analysis located one DUC within the Freedom County Sanitation District's service and sphere boundaries (Area #1) and one DUC within and outside Salsipuedes Sanitary District's service and sphere boundaries (Area #2). Area #1, located near Airport Boulevard, is built-out with single-family homes. This area is an unincorporated community immediately outside Watsonville's city limits. Since Area #1 meets the criteria under SB 244, LAFCO staff should evaluate this community in more detail if a proposed reorganization or future boundary adjustment is considered within or adjacent to this DUC. Area #2, located south of Holohan Road, is uninhabited and designated as Commercial Agriculture<sup>2</sup> in the County's General Plan. Since Area #2 is undeveloped and uninhabited, the Commission should not consider this area as a DUC in future boundary changes.

**Figure 2: Areas #1 and #2 (near Freedom County SD and Salsipuedes Sanitary)**

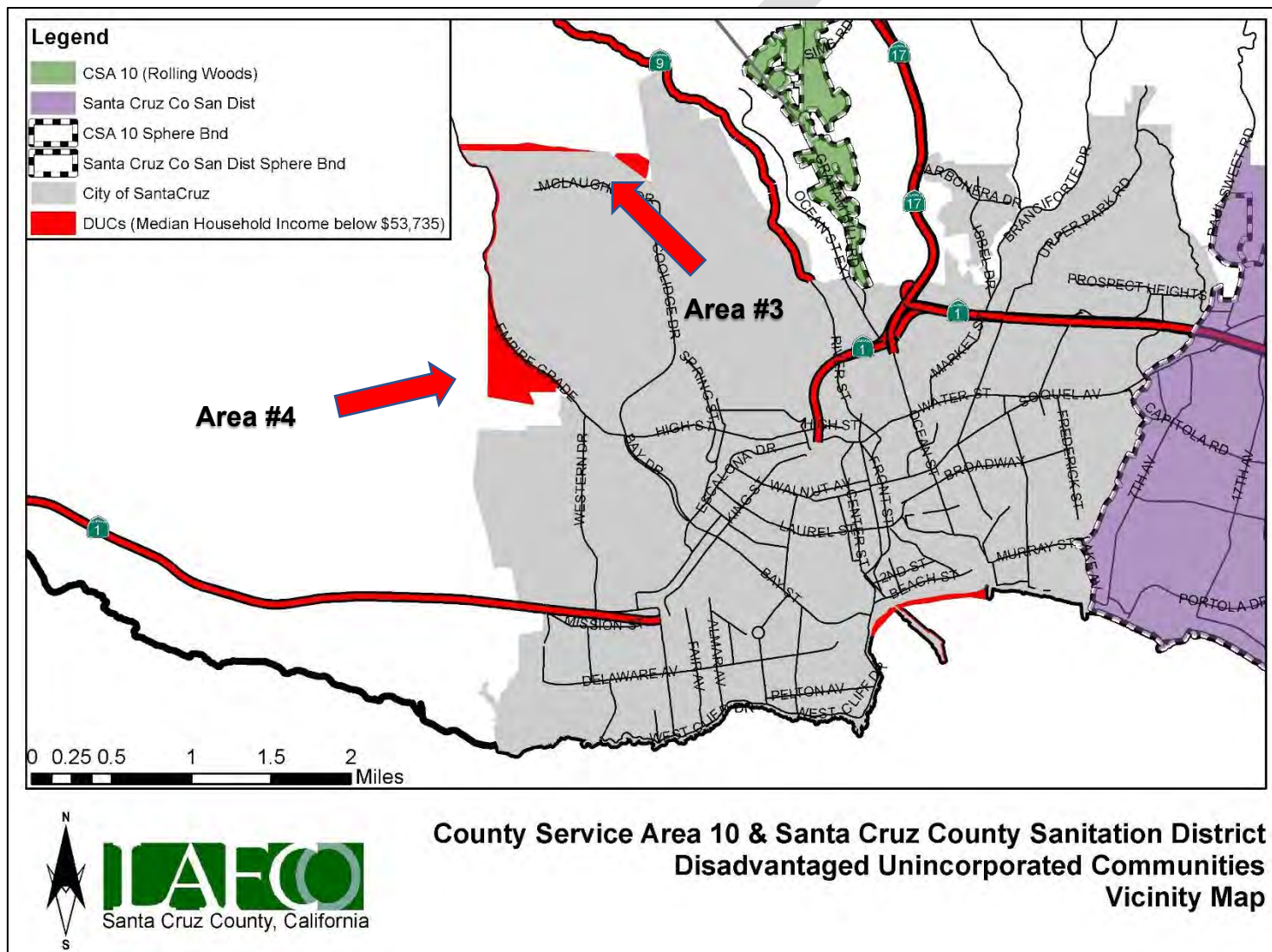


<sup>2</sup> Commercial agriculture, farm buildings, livestock raising, greenhouses, farm worker camps. One single-family dwelling.

### Areas #3 and #4 (near CSA 10 and Santa Cruz County Sanitation District)

Based on the criteria set forth by SB 244, staff's initial analysis located two DUCs near CSA 10 and the Santa Cruz County Sanitation District (Areas #3 and #4). However, these two areas are not within or adjacent to a sanitation districts' service or sphere boundary, as shown in the figure below. Additionally, these two areas are within vacant parcels outside the University of California, Santa Cruz. The County's General Plan designates Area #3, located north of McLaughlin Drive, as Special Use<sup>3</sup>. Area #4, located south of Empire Grade, is designated as Commercial Agriculture. Based on the two identified sites being undeveloped and uninhabited, the Commission should not consider these areas as a disadvantaged unincorporated community in future boundary changes.

**Figure 3: Areas #3 and #4 (near CSA 10 and Santa Cruz County Sanitation District)**



<sup>3</sup> Special Use - All uses allowed in the "RA" or "R-1" zone district provided the use is consistent with the General Plan. All other permitted or conditionally permitted uses provided they are consistent with the General Plan and a Level 5 use approval is obtained.

### Infrastructure Components

Wastewater infrastructure includes septic systems, collection and sewer main lines, lift stations, treatment plants and recycled water treatment systems. The geography of the local area, water quality conditions, accessibility of treatment facilities, and funding are factors in determining the type of system used and infrastructure needs. Parcels that are not in proximity to a public sewer system and meet certain requirements may use individual septic systems; some geographically isolated communities share a community septic system or use an onsite package treatment plant. Developed areas are served by collection systems with treatment provided at local or regional facilities. One treatment plant, operated by the Davenport County Sanitation District, is currently producing recycled water.

The following table summarizes the wastewater infrastructure for the 10 sanitation districts:

**Table 2: Wastewater Infrastructure Summary**

| Sanitation District | Agency Formation | Type of System                            | Treatment Level | No. of Connections | No. of Lift Stations | Miles of Sewer Line |
|---------------------|------------------|---|-----------------|--------------------|----------------------|---------------------|
| Bear Creek Estates  | 1985             | Septic and Collection System              | N/A             | 56                 | 2                    | 1.2                 |
| CSA 2               | 1968             | Septic                                    | N/A             | 97                 | 2                    | 0.4                 |
| CSA 5               | 1972             | Package Treatment                         | Secondary       | 184                | 2                    | 1.15                |
| CSA 7               | 1968             | Collection and Treatment                  | Secondary       | 263                | 5                    | 3.0                 |
| CSA 10              | 1970             | Collection                                | N/A             | 104                | 1                    | 3.5                 |
| CSA 20              | 1980             | Collection, and Treatment                 | Secondary       | 21                 | 1                    | 0.3                 |
| Davenport Co        | 1979             | Collection, Treatment, and Recycled Water | Tertiary        | 108                | 3                    | 3.0                 |
| Freedom Co          | 1965             | Collection                                | N/A             | 1,859              | 9                    | 15.3                |
| Salsipuedes         | 1965             | Collection                                | N/A             | 512                | 2                    | 7.0                 |
| Santa Cruz Co       | 1973             | Collection                                | N/A             | 36,000             | 35                   | 220.0               |

*Footnote: Data from the County's 2017 Sewer System Management Plan and input from the subject agencies.*

Aging infrastructure and the need for repair, replacement, or upgrades are a growing concern for most of the 10 sanitation districts. In some cases, a lack of funding has postponed certain capital improvement projects. Not all sanitation districts have an adopted capital improvement plan in place. The need for long-term maintenance planning should be established by all sanitation districts to identify adequate funding in order to address current and future maintenance, replacement, and/or upgrades to an aging infrastructure.



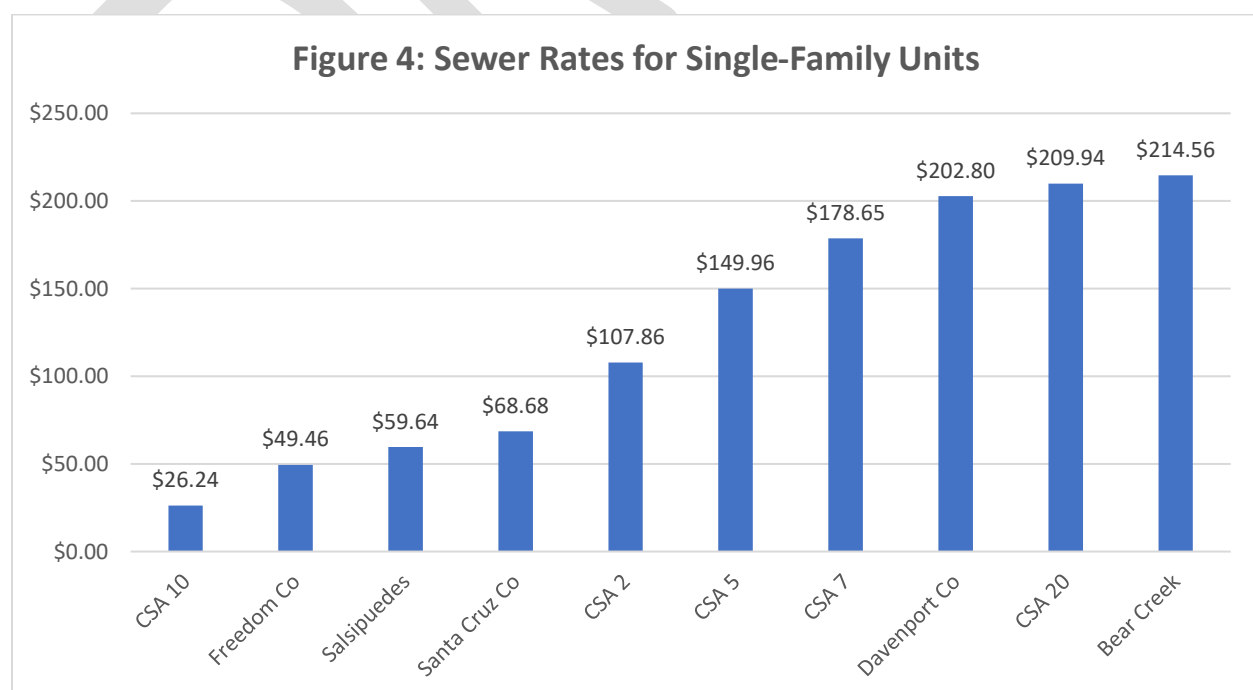
### Funding Source

Wastewater services are primarily funded through sewer charges. Wastewater service rates include flat residential rates with commercial and institutional accounts being charged a base rate plus quantity charge. The following table summarizes the current annual wastewater rates. A full review of all wastewater rates for each sanitation district is discussed in the District Profile Chapters within the report.

**Table 3: Annual Sewer Rates (FY 19-20 data)**

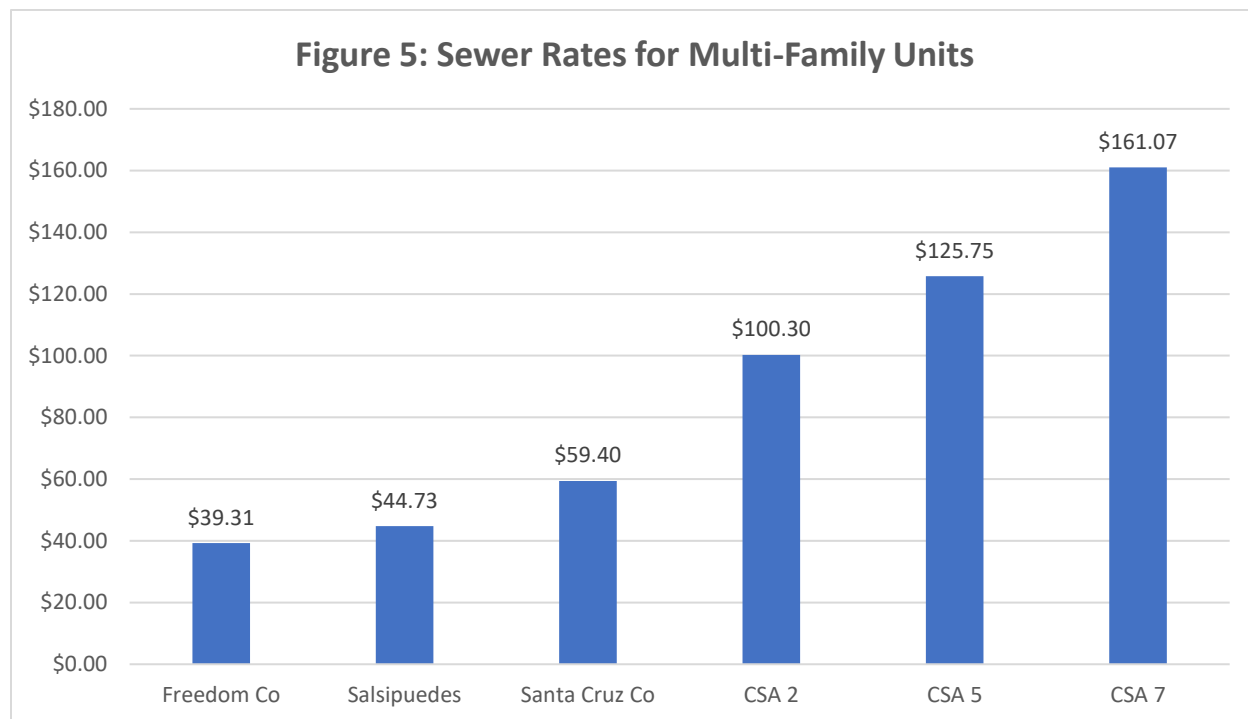
|               | Single Family | Multi Family | Mobile Home | Commercial Use | School Sites |
|---------------|---------------|--------------|-------------|----------------|--------------|
| Bear Creek    | \$2,574.72    | -            | -           | -              | -            |
| CSA 2         | \$1,294.36    | \$1,203.57   | -           | -              | \$803.26     |
| CSA 5         | \$1,799.49    | \$1,509.00   | -           | -              | -            |
| CSA 7         | \$2,143.82    | \$1,509.00   | -           | -              | -            |
| CSA 10        | \$314.92      | -            | -           | -              | -            |
| CSA 20        | \$2,519.29    | -            | -           | \$1,479.15     | -            |
| Davenport Co  | \$2,433.56    | -            | -           | \$368.40       | \$368.40     |
| Freedom Co    | \$593.54      | \$471.70     | \$546.64    | \$146.26       | \$146.26     |
| Salsipuedes   | \$715.68      | \$536.76     | -           | \$122.40       | -            |
| Santa Cruz Co | \$824.16      | \$712.80     | \$612.48    | \$6,096.68     | -            |

For comparison purposes, the following figures depict the sewer rates by category and monthly costs. All 10 sanitation districts have single family-units within their jurisdiction. The lowest rate for single-family units is offered by CSA 10 (\$26.24/month) and the highest is from Bear Creek Estates Wastewater System (\$214.56/month), as shown in **Figure 4**.

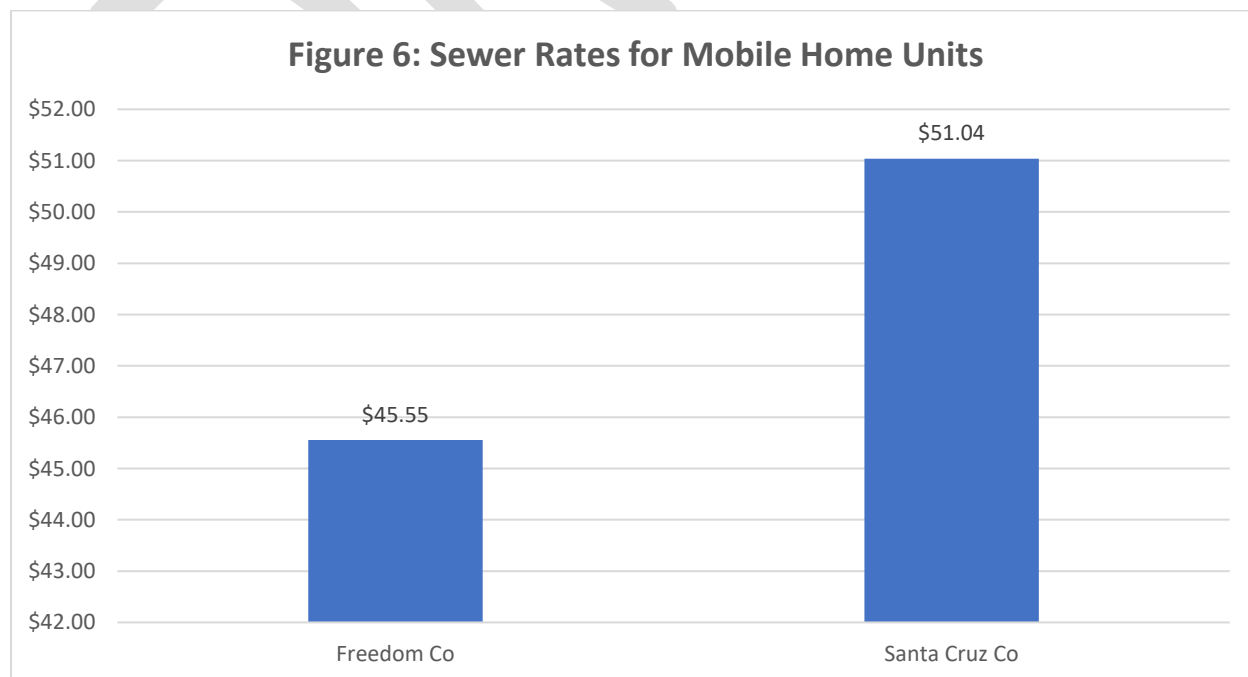




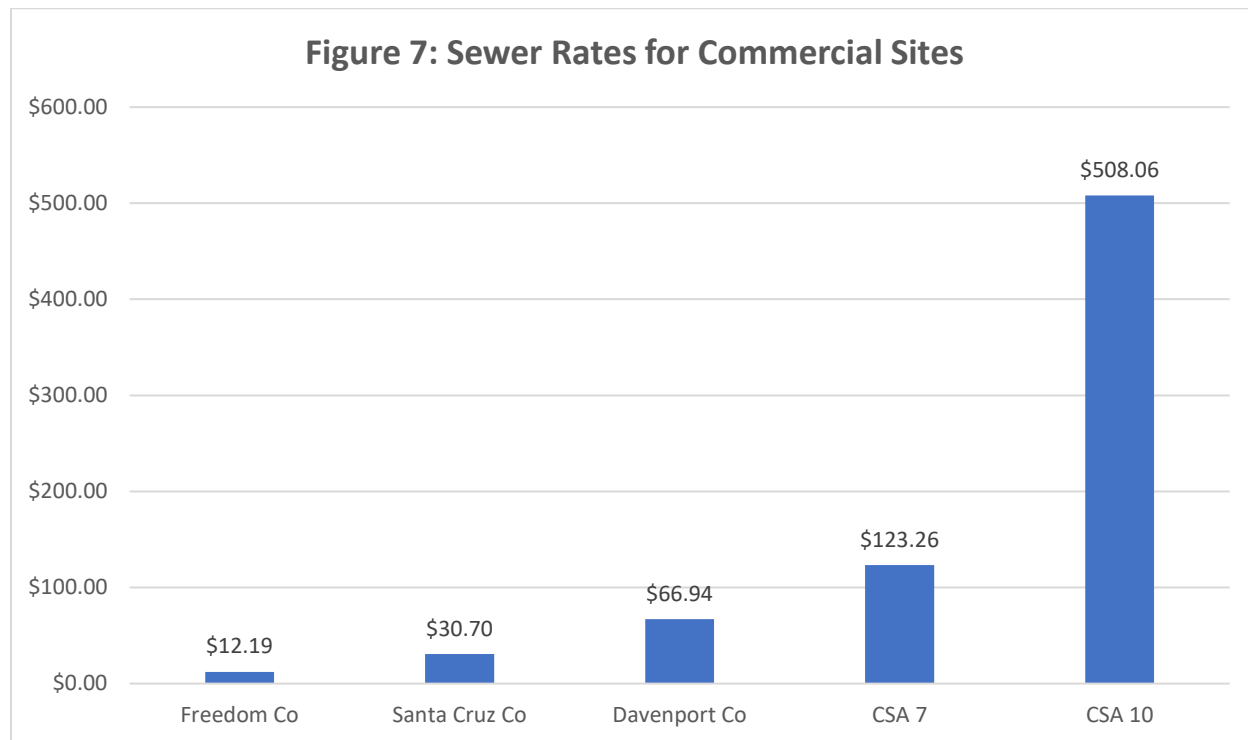
More than half of the 10 sanitation districts provide sewer service to multi-family residential units. The lowest rate for multi-family units is offered by Freedom County Sanitation District (\$39.31/month) and the highest is from CSA 7 (\$161.07/month), as shown in **Figure 5**.



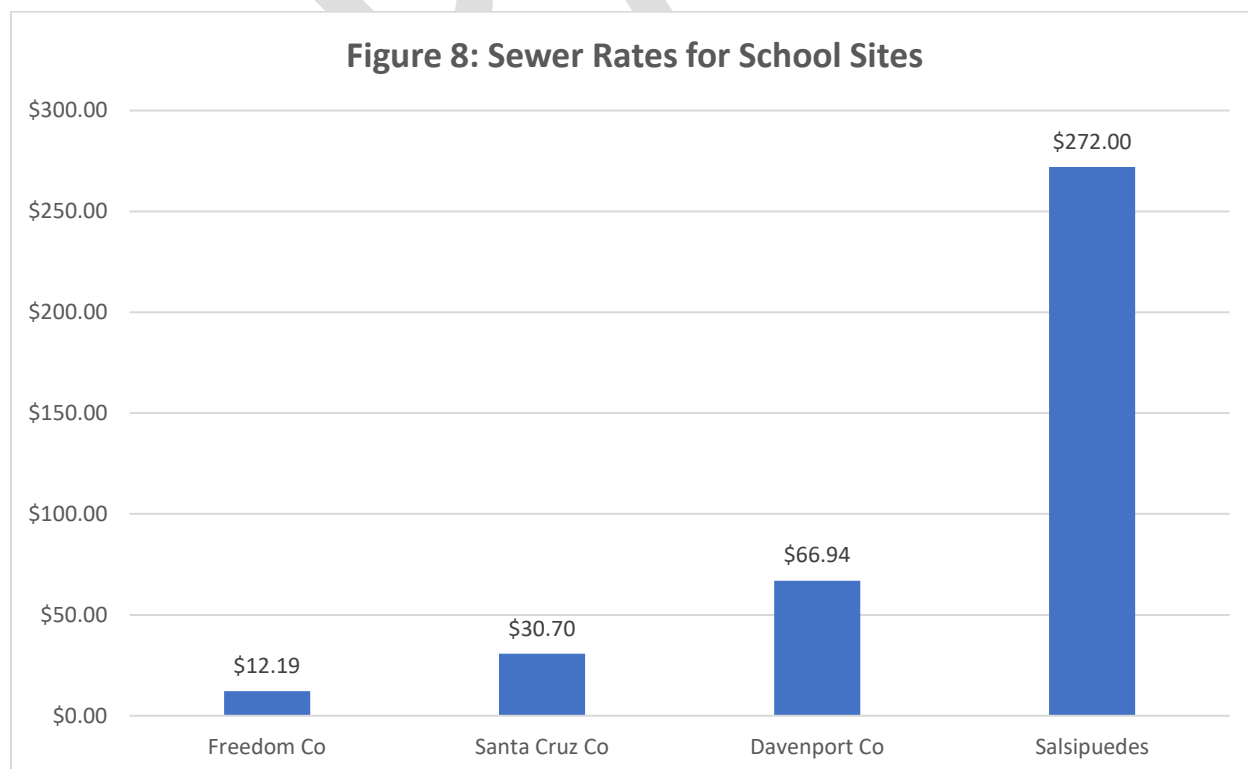
Only 2 of the 10 sanitation districts provide sewer service to mobile home units. Freedom County Sanitation District currently offers the lowest sewer rate (\$45.55/month) when compared to Santa Cruz County Sanitation District's sewer rates for mobile home units (\$51.04/month), as shown in **Figure 6**.



Half of the 10 sanitation districts provide sewer service to commercial sites. The lowest rate for commercial areas is offered by Freedom County Sanitation District (\$12.19/month) and the highest is from CSA 10 (\$508.06/month), as shown in **Figure 7**.



Only 4 of the 10 sanitation districts provide sewer service to school sites. Freedom County Sanitation District currently offers the lowest sewer rate (\$12.19/month) and the highest rate is from Salsipuedes Sanitary District (\$272/month), as shown in **Figure 8**.



### Potential Countywide Coordination

Out of the 10 sanitation districts being analyzed in this report, it is noteworthy to highlight that the County manages and operates 8 of these agencies. More importantly, there is an overall coordination between the 10 sanitation districts and other regional treatment plant operators, including the Cities of Santa Cruz and Watsonville.

- **City of Santa Cruz** operates and maintains a regional wastewater treatment and disposal facility. Wastewater treatment and ocean outfall disposal are provided for the City of Santa Cruz, CSA 10, and the Santa Cruz County Sanitation District, which include Live Oak, Capitola, Soquel and Aptos. Ocean outfall disposal is provided for the City of Scotts Valley.
- **City of Watsonville** operates as a regional treatment plant service for the City, the Freedom County Sanitation District, Pajaro Dunes, the Salsipuedes Sanitary District, and the Pajaro County Sanitation District in Monterey County. Additionally, the City of Watsonville has partnered with Pajaro Valley Water Management Agency in treating municipal wastewater through the Water Recycle Plant. The treated water is mixed with well water, delivered through the PVWMA's coastal distribution system, and used for crop irrigation.

These partnerships are based on separate contracts and agreements. It may be beneficial to explore opportunities to combine or establish a regional agreement through a Countywide Memorandum of Understanding or the creation of a Joint Powers Authority.

- **Memorandum of Understanding (MOU)** – A Memorandum of Understanding describes an agreement between two or more parties: in this case, the local agencies that provide sewer services in Santa Cruz County. The MOU expresses a convergence of will between the parties, specifying an intended common line of action or goal. The purpose of a MOU is to formally agree on the objectives, roles and ground rules of the partnership between the local governments that holds the mandate for service provision and the implementing organization. Establishing a clear agreement can help prevent conflict and reputational harm because expectations discussed, agreed and documented at an early stage leaves less room for misinterpretation. It also increases transparency in the relationship with the public authority and allows holding either party accountable to their commitments<sup>4</sup>.
- **Joint Powers Authority (JPA)** – defined by the California State Legislature Senate Local Government Committee is a formal, legal agreement between two or more public agencies that share a common power and want to jointly implement programs, build facilities, or deliver services. Officials from those public agencies formally approve a cooperative arrangement. JPAs offer another way for governments to deliver services. With a joint powers agreement, a member agency agrees to be responsible for delivering a service on behalf of the other member agencies. For example, the County of Marin, the City of Larkspur, and other special districts recently formed a joint powers authority to plan, acquire, construct,

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<sup>4</sup> Definition and purpose provided by the Water Integrity Network: <https://www.waterintegritynetwork.net/2018/03/23/11124/>

maintain and operate facilities, for either joint or sole use, for the collection, treatment, reclamation and disposal of sewage and other wastewater for the benefit of lands and inhabitants within the collective boundaries of the “Members<sup>5</sup>.”

Several sanitation districts analyzed in this report have expressed interest in transferring sewer responsibilities to another agency due to funding issues, limited long-term planning, or lack of economies of scale. The establishment of a countywide memorandum of understanding or a joint powers authority may unify the already-established collaboration set by the sanitation providers in the County. Such agreements may also lay the foundation for future changes of organization, including but not limited to annexations, consolidations, or mergers.

## **Sphere of Influence**

City and special district spheres of influence define the probable physical boundaries and service area of a local agency, as determined by the Commission (Government Code Section 56076). The law requires that spheres be updated at least once every five years, either concurrently or subsequently to the preparation of Municipal Service Reviews. Spheres are determined and amended solely at the discretion of the Commission. In determining the sphere of influence for each local agency, the Commission is required by Government Code Section 56425(e) to consider certain factors, including:

- ❖ The present and planned uses in the area, including agricultural and open-space lands;
- ❖ The present and probable need for public facilities and services in the area;
- ❖ The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide;
- ❖ The existence of any social or economic communities of interest in the area if the commission determines that they are relevant to the agency; and
- ❖ An update on a sphere of influence for a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, that occurs pursuant to subdivision (g) on or after July 1, 2012, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.

Reaffirmation of all sphere boundaries is being recommended except for CSA 20 and the Bear Creek Estates Wastewater System. Based on staff’s analysis, these two service providers do not have an adopted sphere of influence. LAFCO staff is recommending a zero sphere for the Bear Creek Estates Wastewater System and a coterminous sphere for CSA 20. A “zero” sphere of influence indicates that the district should be dissolved, and sewer responsibilities should be transferred to another local agency. A “coterminous” sphere of influence is identical to the agency’s jurisdictional boundary.

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<sup>5</sup> Information based on June 2018 Joint Exercise of Powers Agreement:  
<https://www.cmsa.us/assets/documents/administrative/2018%20CMSA%20JPA%20with%20Exhibits.pdf>

## Key Findings

The following are key findings of the 2019 Comprehensive Sanitation Service and Sphere of Influence Review:

### Bear Creek Estates Wastewater System

#### 1. The System is a small component of the San Lorenzo Valley Water District.

The San Lorenzo Valley Water District (SLVWD) was formed back in 1941 and provides water service to approximately 7,900 connections throughout the communities of Boulder Creek, Brookdale, Ben Lomond, Felton, Zayante, and southern Scotts Valley. Since the development of the Bear Creek Estates subdivision back in 1985, SLVWD has also been providing sewer service to 56 connections under the governance of the Bear Creek Estates Wastewater System. This residential subdivision has approximately 183 residents and represents approximately 2% of the total population within the San Lorenzo Valley Water District. The District has expressed interest in transferring sewer service responsibilities to another local agency.

#### 2. The System is facing financial constraints.

The Bear Creek Estates Wastewater System has experienced an annual deficit over the past six years. Audited financial statements from Fiscal Years 2013 to 2018 indicate that the annual shortage has ranged from \$2,200 to \$60,000. As of June 30, 2018, the System is operating with a net position of approximately \$339,000 with no current assets or cash available. LAFCO staff projects that this negative trend will continue unless the System increases its overall revenue stream or decreases annual expenses.

#### 3. The System does not have a sphere of influence boundary.

LAFCO has established a sphere of influence for the San Lorenzo Valley Water District. However, based on staff's analysis and research, it was determined that there is no sphere of influence for the Bear Creek Estates Wastewater System. Due to the ongoing financial constraints, in conjunction with SLVWD's interest in transferring sewer responsibilities to another local agency, LAFCO staff recommends adopting a "zero" sphere of influence for the Bear Creek Estates Wastewater System.

The Commission may adopt a "zero" sphere of influence (encompassing no territory) for an agency when the Commission has determined that the public service functions of the agency are either: nonexistent, no longer needed, or should be reallocated to some other agency of government. The adoption of a "zero" sphere indicates that the Bear Creek Estates Wastewater System should ultimately be dissolved, and sewer responsibilities transferred to another local agency.

### County Service Area 2

#### 1. CSA 2 provides sewer service to the Place de Mer subdivision with a community septic system.

County Service Area 2 has been collecting and disposing wastewater from the ocean-front residential development in La Selva Beach, known as Place de Mer, since the construction of the septic system back in 1972. The current two-pump station community septic tank system has 97 connections and serves about 168 residents.

## **2. CSA 2 is financially stable.**

County Service Area 2's financial ability to provide services is well-established. The CSA has successfully kept costs below its revenue stream since 2013. Audited financial statements from Fiscal Years 2013 to 2017 indicate that total revenue for CSA 2 exceeded total expenditures. As of June 30, 2018, CSA 2 is operating with a net position of approximately \$579,000, of which \$493,000 is in cash and investments.

## **3. CSA 2 does not have a long-term maintenance or capital improvement plan.**

The County currently has a countywide capital improvement plan and a specific capital improvement plan for the Santa Cruz County Sanitation District. Additionally, the County has adopted a Sewer System Management Plan (SSMP). However, CSA 2 does not have any current or proposed sewer-related capital improvement projects scheduled at this time, and is not part of the County's SSMP.

The County has indicated that the existing community septic tank system is undersized and requires new larger tanks and new leach pits. Estimated costs for these upgrades are expected to be around \$1-2 million. CSA 2 does not have the reserves to pay for the required septic system upgrade. The County should consider developing a specific capital improvement plan and/or long-term maintenance plan that covers the sanitation districts managed and operated by the Public Works Department – Davenport, Freedom, Santa Cruz County Sanitation Districts, and CSAs 2, 5, 7, 10, and 20.

## **4. CSA 2's sphere of influence is coterminous with its jurisdictional boundary.**

LAFCO originally adopted a coterminous sphere of influence for CSA 2 in 1988. A coterminous sphere of influence is identical to the agency's jurisdictional boundary. For the past 30 years, the sphere boundary has remained unchanged. LAFCO staff, along with representatives of CSA 2, do not recommend any changes to the sphere of influence at this time.

## **County Service Area 5**

### **1. CSA 5 provides sewer service to the Sand Dollar/ Canon del Sol community with a package treatment plant.**

County Service Area 5 operates two separate treatment plants and serves over 200 residents. The Sand Dollar treatment plant was constructed in 1967 and the Canon del Sol treatment plant was constructed in 1982. CSA 5 currently has 184 connections and approximately 1.2 miles of sewer line.

### **2. CSA 5's sewer rates are based on residential units.**

County Service Area 5's annual sewer rates derive from the single-family residential units in the Sand Dollar area and the condominiums in the Canon del Sol area. Each community has its own sewer rate. These annual rates are the primary source of revenue for the CSA. Audited financial statements from Fiscal Years 2013 to 2018 indicate that CSA 5 has experienced a fiscal shortage in two separate years (FY 14-15 and FY 17-18). As of June 30, 2018, CSA 5 is operating with a net position of approximately \$788,000, of which \$311,000 is in cash and investments.



### **3. CSA 5 does not have a long-term maintenance or capital improvement plan.**

The County currently has a countywide capital improvement plan and a specific capital improvement plan for the Santa Cruz County Sanitation District. Additionally, the County has adopted a Sewer System Management Plan. However, CSA 5 does not have any current or proposed sewer-related capital improvement projects scheduled at this time.

The County has indicated that a grating must be installed over the existing aeration tank. Estimated costs for this installation are expected to be over \$100,000. CSA 5 currently has enough reserves to pay for the installation at this time. However, if there is a system failure that occurs and must be fixed on an emergency basis, CSA 5 may require additional funds. The County should consider developing a specific capital improvement plan and/or long-term maintenance plan that covers the sanitation districts managed and operated by the Public Works Department – Davenport, Freedom, Santa Cruz County Sanitation Districts, and CSAs 2, 5, 7, 10, and 20.

### **4. CSA 5's sphere of influence is coterminous with its jurisdictional boundary.**

LAFCO originally adopted a coterminous sphere of influence for CSA 5 in 1988. A coterminous sphere of influence is identical to the agency's jurisdictional boundary. For the past 30 years, the sphere boundary has remained unchanged. LAFCO staff, along with representatives of CSA 5, do not recommend any changes to the sphere of influence at this time.

## **County Service Area 7**

### **1. CSA 7 provides sewer service to the Boulder Creek area with a wastewater plant.**

County Service Area 7 has a wastewater collection and treatment plant that treats the domestic wastewater from the Boulder Creek Country Club and surrounding houses. The all-in-one wastewater treatment plant consists of an equalization tank, aeration tank, and a clarifier to remove solids, and the treated effluent is discharged to leach fields. CSA 7 has 263 connections and serves over 600 residents.

### **2. CSA 7 is financially sound.**

County Service Area 7's financial ability to provide services is well-established. The CSA has successfully kept costs below its revenue stream since 2013. Audited financial statements from Fiscal Years 2013 to 2018 indicate that the increase in net position has ranged from \$95,000 to \$143,000. As of June 30, 2018, CSA 7 is operating with a net position of approximately \$1.8 million, of which \$1 million is in cash and investments.

### **3. CSA 7 does not have a long-term maintenance or capital improvement plan.**

The County currently has a countywide capital improvement plan and a specific capital improvement plan for the Santa Cruz County Sanitation District. Additionally, the County has adopted a Sewer System Management Plan. However, CSA 7 does not have any current or proposed sewer-related capital improvement projects scheduled at this time.

The County has indicated that the wastewater treatment plant is deteriorating and in need of repair. Estimated costs for the necessary repairs are expected to be approximately \$500,000. Replacement and rehabilitation are also needed at some of the CSA's sewer

pump stations and sewer mains, which will require additional funding. CSA 7 currently has enough reserves to pay for the repairs at this time. However, if there is a system failure that occurs and must be fixed on an emergency basis, CSA 7 may require additional funds. The County should consider developing a specific capital improvement plan and/or long-term maintenance plan that covers the sanitation districts managed and operated by the Public Works Department – Davenport, Freedom, Santa Cruz County Sanitation Districts, and CSAs 2, 5, 7, 10, and 20.

#### **4. CSA 7's sphere of influence is smaller than its jurisdictional boundary.**

LAFCO originally adopted a sphere of influence for CSA 7 back in 1987. The Commission, at that time, adopted a sphere boundary that excluded 3 parcels. This area outside the sphere of influence, but within CSA 7, is approximately 32 acres, undeveloped, and mostly open terrain. The exclusion of this area from the adopted sphere of influence indicates that the subject area should be detached from CSA 7. The County General Plan designates this area as "R-1" Single Family Residential. It is unknown whether future developments are scheduled in this particular area. Therefore, LAFCO staff does not recommend detachment or a change to the sphere of influence boundary at this time.

### **County Service Area 10**

#### **1. CSA 10 provides sewer service to the Graham Hill corridor with a collection line.**

County Service Area 10 operates a sanitary sewer collection system and serves the residential areas of Rolling Woods and Woods Cove, as well as the Pasatiempo Golf Club. The County currently has a contractual agreement with the City of Santa Cruz to transfer collected wastewater to the City of Santa Cruz's treatment system. The City treats the sewage at its Neary Lagoon Wastewater Treatment Facility and disposes the treated wastewater into the Pacific Ocean off West Cliff Drive. CSA 10 has 104 connections and serves almost 900 residents.

#### **2. CSA 10 is financially stable.**

County Service Area 10's financial ability to provide services is well-established. The CSA has successfully kept costs below its revenue stream since 2013. Audited financial statements from Fiscal Years 2013 to 2018 indicate that the increase in net position has ranged from \$2,700 to \$95,000. As of June 30, 2018, CSA 10 is operating with a net position of approximately \$797,000, of which \$687,000 is in cash and investments.

#### **3. CSA 10 does not have a long-term maintenance or capital improvement plan.**

The County currently has a countywide capital improvement plan and a specific capital improvement plan for the Santa Cruz County Sanitation District. Additionally, the County has adopted a Sewer System Management Plan. However, CSA 10 does not have any current or proposed sewer-related capital improvement projects scheduled.

The County has not identified any infrastructure needs at this time. However, repairs, installations, and other infrastructure issues are being faced by other CSAs. CSA 10 currently has approximately \$680,000 in cash on hand. If there is a major infrastructure repair or a system failure that requires immediate restoration, CSA 10 may require additional funds. The County should consider developing a specific capital improvement plan and/or long-term maintenance plan that covers the sanitation districts managed and



operated by the Public Works Department – Davenport, Freedom, Santa Cruz County Sanitation Districts, and CSAs 2, 5, 7, 10, and 20.

#### **4. CSA 10's sphere of influence is coterminous with its jurisdictional boundary.**

LAFCO originally adopted a sphere of influence for the District in 1984. In 2014, the Commission approved a reorganization that transferred sewer services from CSA 57 to CSA 10. In total, 299 parcels were annexed into CSA 10 under this reorganization. As part of the reorganization, CSA 10's sphere of influence was amended to reflect the annexation. Today, CSA 10's sphere is coterminous with its service area. A coterminous sphere of influence is identical to the agency's jurisdictional boundary. LAFCO staff, along with representatives of CSA 10, do not recommend any changes to the sphere of influence at this time.

### **County Service Area 20**

#### **1. CSA 20 provides sewer service to the Trestle Beach community with a collection and treatment plant.**

County Service Area 20 operates a collection and treatment plant located in the Trestle Beach subdivision near La Selva Beach. The wastewater system provides on-site treatment to a secondary level and serves a small community of around 40 residents. The Public Works Department has indicated that the current infrastructure is aging, deteriorating, and in need of repair.

#### **2. CSA 20 is facing financial constraints.**

County Service Area 20 has experienced an annual deficit over the past six years. Audited financial statements from Fiscal Years 2013 to 2018 indicate that the annual shortage has ranged from \$400 to \$16,000. As of June 30, 2018, CSA 20 is operating with a net position of approximately \$33,000. LAFCO staff projects that this negative trend will continue unless the CSA increases its overall revenue stream or decreases annual expenses.

#### **3. CSA 20 does not have a long-term maintenance or capital improvement plan.**

The County currently has a countywide capital improvement plan and a specific capital improvement plan for the Santa Cruz County Sanitation District. Additionally, the County has adopted a Sewer System Management Plan (SSMP). However, CSA 20 does not have any current or proposed sewer-related capital improvement projects scheduled at this time, and is not part of the County's SSMP.

The County has indicated that the existing treatment plant requires approximately \$95,000 in repairs. CSA 20 does not have the reserves to pay for the required repairs. The County should consider developing a specific capital improvement plan and/or long-term maintenance plan that covers the sanitation districts managed and operated by the Public Works Department – Davenport, Freedom, Santa Cruz County Sanitation Districts, and CSAs 2, 5, 7, 10, and 20.

#### **4. CSA 20 does not have a sphere of influence boundary.**

LAFCO originally adopted spheres of influence for a number of CSAs back in the 1980s. However, based on staff's analysis and research, it was determined that there is no

sphere of influence for CSA 20. In accordance to Government Code Section 56425, the Commission shall adopt a sphere of influence for cities, special districts, and county service areas.

During the months of August and September, LAFCO staff met with representatives of CSA 20 to discuss the sphere designation. While the CSA is currently experiencing a financial shortage, the County will be working to make CSA 20 economically sustainable. As a result of our ongoing discussions, LAFCO staff, in conjunction with CSA 20 representatives, recommend that the Commission adopt a coterminous sphere of influence. If the financial shortage continues, the Commission should consider a zero sphere during the next service review cycle.

### **Davenport County Sanitation District**

#### **1. The District collects, treats, and provides recycled water to the Davenport community with a wastewater plant.**

The Davenport County Sanitation District owns and operates a wastewater treatment facility serving the community of Davenport, which includes a domestic wastewater collection system, influent headworks, aerated lagoon, sand filter, and a chlorine contact tank. The District currently has 108 connections and serves over 200 residents.

#### **2. The District has experienced financial deficits.**

The Davenport County Sanitation District has recently experienced annual deficits. Audited financial statements from Fiscal Years 2013 to 2017 indicate that the annual shortage has ranged from \$18,000 to \$120,000. As of June 30, 2018, the District is operating with a net position of approximately \$6.8 million. However, cash and investments, on average, represent only 1% of total net position. LAFCO staff projects that this negative trend will continue unless the CSA increases its overall revenue stream or decreases annual expenses.

#### **3. The District may experience a higher demand from the former CEMEX property.**

The CEMEX plant closed in 2008. The County has indicated that if the CEMEX plant is sold and developed, it could add a significant population to the Davenport County Sanitation District's service area. Any added commercial or residential use would be beneficial to the District, as the revenue generated from the sewer and water rates could fund necessary infrastructure improvements that are too expensive for the current Davenport population to fund. If the CEMEX site were to be developed, the water treatment plant and recycled water plant would need to be expanded to meet the new demands. There would also be a need for new transmission lines and possibly pump stations to serve the new development.

#### **4. The District's sphere of influence is coterminous with its jurisdictional boundary.**

LAFCO originally adopted a coterminous sphere of influence for the District in 1991. A coterminous sphere of influence is identical to the agency's jurisdictional boundary. For the past 28 years, the sphere boundary has remained unchanged. Although the CEMEX site is and has been served by the District, the sphere of influence boundary does not include the CEMEX property. It is yet to be determined how or when the CEMEX site will

be developed. At this time, LAFCO staff, along with representatives of the District, do not recommend any changes to the sphere of influence.

### **Freedom County Sanitation District**

#### **1. The District provides sewer service to a large community.**

The Freedom County Sanitation District provides wastewater collection service for the Buena Vista/Calabasas area of Freedom and the Green Valley Road corridor outside Watsonville's city limits. The District also serves three connections outside its boundaries, including one duplex, one single family dwelling, and the Pinto Lake County Park ranger's residence. The District currently has over 1,800 connections and serves approximately 4,000 residents.

#### **2. The District has a disadvantaged unincorporated community.**

State law requires LAFCO to identify and describe all "disadvantaged unincorporated communities" (DUCs) located within or contiguous to the existing spheres of influence for cities and special districts that provide fire protection, sewer, and/or water services. DUCs are defined as inhabited unincorporated areas with an annual median household income that is 80% or less than the statewide annual median household income.

LAFCO staff utilized the ArcGIS mapping program to locate potential DUCs in the County. Based on the criteria set forth by SB 244, staff's analysis located one DUC within the Freedom County Sanitation District's service and sphere boundaries. The DUC, located near Airport Boulevard, is built-out with single-family homes. LAFCO staff should evaluate this DUC in more detail if a proposed reorganization or future boundary adjustment is considered within or adjacent to this disadvantaged community.

#### **3. The District has experienced financial deficits.**

The Freedom County Sanitation District has recently experienced annual shortfalls. Audited financial statements from Fiscal Years 2013 to 2018 indicate that the District has experienced a fiscal shortage in three separate years (FYs 14-15, 16-17, and 17-18). As of June 30, 2018, the District is operating with a net position of approximately \$6.2 million, of which \$2 million is in cash and investments.

#### **4. The District's sphere of influence is larger than its jurisdictional boundary.**

LAFCO adopted the first sphere of influence for the District in 1975, and performed a major review of the District's sphere boundary in 1990. Since then, the City of Watsonville has annexed over 300 acres of the District involving thousands of residents at the time of annexation. The last sphere update for the Freedom County Sanitation District was in March 2011. LAFCO staff, along with District representatives, do not recommend any changes to the sphere of influence at this time.

### **Salsipuedes Sanitary District**

#### **1. The District provides sewer service to an unincorporated community adjacent to the city limits of Watsonville.**

Salsipuedes Sanitary District has provided wastewater collection services to the unincorporated area northeast of Watsonville since 1965. Treatment of collected

wastewater is provided by the Watsonville Wastewater Treatment Plant as part of a 1985 contractual agreement. The District currently has over 500 connections and serves about 2,100 residents.

## **2. The District is financially sound.**

Salsipuedes Sanitary District's financial ability to provide services is well-established. The District has successfully kept costs below its revenue stream since 2013. Audited financial statements from Fiscal Years 2013 to 2018 indicate that the increase in net position has ranged from \$62,000 to \$174,000. As of June 30, 2018, the District is operating with a net position of approximately \$1.8 million, of which \$1.4 million is in cash and investments.

## **3. The District's sphere of influence includes areas beyond its jurisdictional boundary and areas that should be considered for detachment.**

LAFCO originally adopted a sphere of influence for the District back in 1987. At that time, the Commission adopted a sphere boundary that goes beyond the District's jurisdictional boundary in the north but also excluded areas from being part of the sphere boundary adjacent to Watsonville's city limits.

The area outside the sphere of influence but within the District is approximately 60 acres, undeveloped, and primarily used for agriculture. The exclusion of this area from the adopted sphere of influence indicates that this area should be detached from the Salsipuedes Sanitary District. The County General Plan designates this area as "CA" Commercial Agriculture. It is unknown whether future developments are scheduled in this area. Therefore, LAFCO staff does not recommend changing the sphere of influence boundary at this time.

## **Santa Cruz County Sanitation District**

### **1. The District provides sewer service to a large area, including one city.**

The Santa Cruz County Sanitation District provides wastewater collection service for the City of Capitola and the unincorporated communities of Aptos, Soquel and Live Oak. The District also serves Harbor High School, a satellite medical center and the Port District which are within the City of Santa Cruz and outside the District's boundary.

The County currently has a contractual agreement with the City of Santa Cruz to transfer collected wastewater to the City of Santa Cruz's treatment system. The City treats the sewage at its Neary Lagoon Wastewater Treatment Facility and disposes the treated wastewater into the Pacific Ocean off West Cliff Drive. The District currently has 36,000 connections and serves over 72,000 residents.

### **2. The District has a large budget and net position balance.**

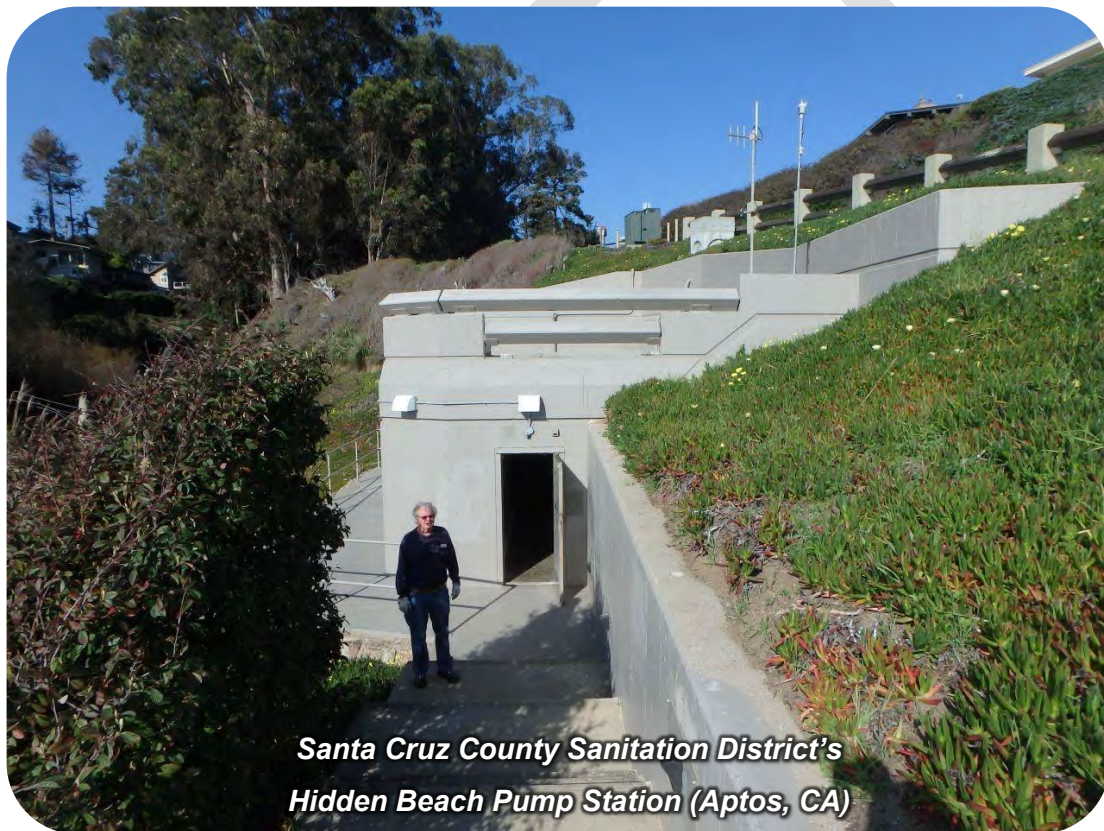
For FY 19-20, the County adopted a budget of \$42 million in anticipated revenue. The District has successfully kept costs below its revenue stream since 2014. Audited financial statements from Fiscal Years 2014 to 2018 indicate that the increase in net position has ranged from \$2.6 million to \$3.9 million. As of June 30, 2018, the District is operating with a net position of approximately \$134 million, of which \$14 million is in cash and investments. However, the two most recently adopted budgets (FY 18-19 and FY 19-20) indicate potential revenue shortage ranging between \$8-10 million.



### **3. The District's sphere of influence and jurisdictional boundaries are inconsistent with the County's Urban Services Line.**

LAFCO originally adopted a sphere of influence for the Santa Cruz County Sanitation District back in 1983. The main theme of that sphere boundary was to utilize the County's Urban Services Line as the primary tool to locate the sphere line. The adopted sphere of influence boundary included the areas of the District in Live Oak, Capitola, Soquel, and Aptos, and many developed and undeveloped areas of Live Oak (Santa Cruz Gardens), Soquel, and Aptos that were inside the Urban Services Line, but not yet annexed or connected for sewer service. That said, there are still inconsistencies between the District's jurisdictional and sphere boundaries and the Urban Services Line.

LAFCO staff, along with District representatives, do not recommend any changes to the sphere of influence at this time. However, the County and LAFCO should meet to discuss how the Urban Services Line relates to the District's jurisdiction and sphere of influence, and explore opportunities to address irregular boundaries currently in place.



*Santa Cruz County Sanitation District's  
Hidden Beach Pump Station (Aptos, CA)*

## **Recommended Actions**

Based on the analysis and findings in the 2019 Comprehensive Sanitation Service and Sphere of Influence Review, the Executive Officer recommends that the Commission:

1. Find that pursuant to Section 15061(b)(3) of the State CEQA Guidelines, LAFCO determined that the service and sphere of influence review is not subject to the environmental impact evaluation process because it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment and the activity is not subject to CEQA;
2. Determine, pursuant to Government Code Section 56425, the Local Agency Formation Commission of Santa Cruz County is required to develop and determine a sphere of influence for the 10 sanitation districts, and review and update, as necessary;
3. Determine, pursuant to Government Code Section 56430, the Local Agency Formation Commission of Santa Cruz County is required to conduct a service review before, or in conjunction with an action to establish or update a sphere of influence; and
4. Adopt a Resolution (LAFCO No. 2019-19) approving the 2019 Comprehensive Sanitation Service and Sphere Review, with the following terms and conditions:
  - a. Reaffirm the sphere of influence boundary for the Davenport County Sanitation District, Freedom County Sanitation District, Santa Cruz County Sanitation District, Salsipuedes Sanitary District, and County Service Areas 2, 5, 7, and 10;
  - b. Adopt a zero sphere of influence for Bear Creek Estates Wastewater System;
  - c. Adopt a coterminous sphere of influence for County Service Area 20 (Trestle Beach); and
  - d. Direct the LAFCO Executive Officer to meet with the County Public Works Department to discuss how the Urban Services Line relates to the Santa Cruz County Sanitation District's jurisdictional and sphere boundaries, and explore opportunities to address any irregularities.

**Legend**

- CSA 2 (Place de Mer)
- CSA 5 (San Dollar)
- CSA 7 (Boulder Creek)
- CSA 10 (Rolling Woods)
- CSA 20 (Trestle Beach)
- Davenport Co San Dist
- Freedom Co San Dist
- Salsipuedes San Dist
- Santa Cruz Co San Dist

**Map Labels:**

- San Mateo
- Santa Clara
- Monterey
- San Benito
- Davenport County Sanitation District
- Santa Cruz County Sanitation District
- Freedom County Sanitation District
- Salsipuedes Sanitary District
- Bear Creek Estates Wastewater System
- CSA 7
- CSA 10
- CSA 20
- CSA 5

**Scale:** 0 1.5 3 6 9 12 Miles

**Comprehensive Sanitation Service and Sphere Review Vicinity Map**

**AFCO**  
Santa Cruz County, California



# BEAR CREEK ESTATES WASTEWATER SYSTEM

## District Overview

The Bear Creek Estates Wastewater System, operated by the San Lorenzo Valley Water District (SLVWD), provides wastewater collection and treatment for 56 parcels in a portion of Bear Creek Estates subdivision (units 3, 4, and 5). The Bear Creek Estates Wastewater Treatment plant is located at 15900 Bear Creek Road, Boulder Creek, California. It was initially constructed in 1985 as a septic tank treatment system. It was designed to treat a daily average flow of 12,000 gallons per day (GPD) and a peak wet weather flow of 32,500 gallons per day (GPD). The System consists of two (2) cast-in-place, underground concrete tanks, four (4) above ground trickling media filters, an influent pump station, an effluent pump station, and a 2.3-acre leach field. **Figure 11**, on page 31, is a vicinity map of the service area.

## Sewer Provision History

The Bear Creek Estates subdivision was first developed between 1963 and 1965 and expanded in 1975. Residential units were historically on private septic systems, and approximately half the units remained on private septic systems during the conversion to the sewer system. A private developer constructed the District's wastewater collection system and septic disposal system in 1985. The Wastewater System was acquired by SLVWD when the development requested annexation into the District's water system.

## Population & Growth

There are no growth projections available for the San Lorenzo Valley Water District or the Bear Creek Estates Wastewater System. In general, the Santa Cruz County unincorporated area is projected to have slow growth over the next fifteen years. The FY 2017-18 audit indicates that the District provides water service to approximately 7,900 customers within its service area. LAFCO staff estimates that the population within the Bear Creek Estates Wastewater System was approximately 183 in 2015. Based on the growth rate of approximately 1% for the unincorporated areas in the County, LAFCO staff projects that the System's entire population in 2020 will be around 185.

Under the assumed population growth, the projected population for the Bear Creek Estates Wastewater System are as follows:

**Table 4: Projected Population**

|   | 2020       | 2025       | 2030       | 2035       | Growth Rate |
|---|------------|------------|------------|------------|-------------|
| Santa Cruz County (unincorporated)          | 136,891    | 137,896    | 139,105    | 140,356    | 1%          |
| San Lorenzo Valley Water District           | 7,966      | 8,033      | 8,100      | 8,168      | 1%          |
| <b>Bear Creek Estates Wastewater System</b> | <b>185</b> | <b>186</b> | <b>188</b> | <b>189</b> | <b>1%</b>   |

Source: AMBAG 2018 Regional Growth Forecast



### Disadvantaged Unincorporated Communities

State law requires LAFCO to identify and describe all “disadvantaged unincorporated communities” (DUC) located within or contiguous to the existing spheres of influence of cities and special districts that provide fire protection, sewer, and/or water services. DUCs are defined as inhabited unincorporated areas with an annual median household income that is 80% or less than the statewide annual median household income.

In 2017, the California statewide median household income was \$67,169<sup>6</sup>, and 80% of that was \$53,735. LAFCO staff utilized the ArcGIS mapping program to locate potential DUCs in the County. Based on the criteria set forth by SB 244, staff’s analysis indicates that there are no areas in the Bear Creek Estates Wastewater System designated as a disadvantaged unincorporated community.

### **Services & Operations**

The San Lorenzo Valley Water District owns, operates, and maintains a wastewater system in Boulder Creek’s Bear Creek Estates. Based on staff’s analysis, the System has 56 connections with 1.2 miles of sewer lines and 2 pump stations. The System is operating on a routine or as needed basis with staff being allocated from the Operations & Distribution or Supply & Treatment Departments. An indirect allocation process is used based on number of overall customers to allocate indirect costs identified as being a shared benefit to all customers. The following are key highlights of the Bear Creek Estates Wastewater System:

- The system collects and treats domestic wastewater flow;
- The existing collection system consists of 19 manholes, 2 cleanouts, approximately 3,600 linear feet of gravity sewer, 2,600 linear feet of force mains, 2 sewer pump stations, and 56 laterals;
- From 2005 to 2013, the District completed several modifications aimed at achieving regulatory compliance and improved nitrogen removal efficiency. This resulted in the existing treatment septic system being modified to incorporate a 3-stage trickling filter system, new internal recirculation/splitter/ball valves, and new air blowers with high capacity disc diffusers in the clarifier tanks; and
- Due to high regulatory requirements, there is still significant improvements needed for the wastewater system.

### Sewer Rates

At present, the System’s annual sewer rates derive from single-family units in the Bear Creek Estates subdivision. **Table 5** shows the gradual increase in annual rates during the last several years. From 2013 to 2017, monthly sewer rates were \$149/month. In January 2019, the rates were raised to \$178/month. In January 2020, the rates are expected to increase to \$214.56/month.

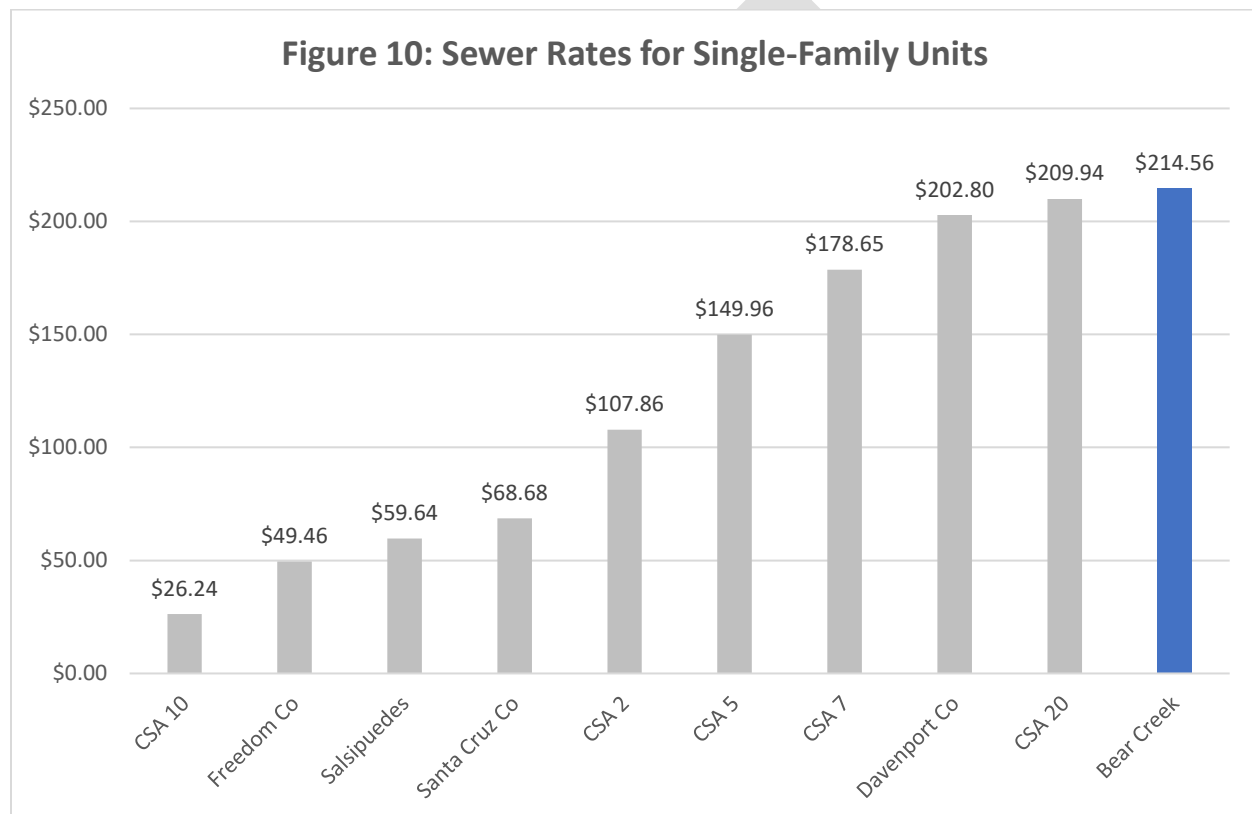
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<sup>6</sup> 2013-2017 American Community Survey 5-year Estimates

**Table 5: Annual Sewer Rates**

|                    | FY 13-14   | FY 14-15   | FY 15-16   | FY 16-17   | FY 17-18   | FY 18-19   | FY 19-20   |
|--------------------|------------|------------|------------|------------|------------|------------|------------|
| Bear Creek Estates | \$1,488.00 | \$1,488.00 | \$1,488.00 | \$1,488.00 | \$1,788.00 | \$2,174.72 | \$2,574.72 |
| Change (\$)        |            | \$0        | \$0        | \$0        | \$300.00   | \$357.60   | \$429.12   |
| Change (%)         |            | 0%         | 0%         | 0%         | 20%        | 20%        | 20%        |

When comparing the sewer rates with the other sanitation districts analyzed in this report, the Bear Creek Estates Wastewater System is ranked the highest in charges towards single-family units (\$214.56/month), as shown in the figure below.



#### California Central Coast Regional Water Quality Board Regulations

In 2005, the Central Coast Regional Water Control Board (Regional Board) issued new regulations requiring 50% reduction in total nitrogen (TN) in the wastewater discharge from the treatment plant. To comply with this new requirement, the District completed treatment upgrades in 2005, 2009, and 2013 to the existing treatment septic system by installing three new stage tricking filters, new internal recirculation/splitter/ball valves, and a new air blower with high-capacity disc diffusers in the clarifier tanks. Unfortunately, these modifications have not been successful.

In 2016, the Regional Water Board issued a Notice of Violation of the Waste Discharge Requirements to the District citing ongoing violations with insufficient total nitrogen reduction, since 2007, excess flow violations from inflow and infiltration into the District collection system during rain events, and unsatisfactory operator response for occasional

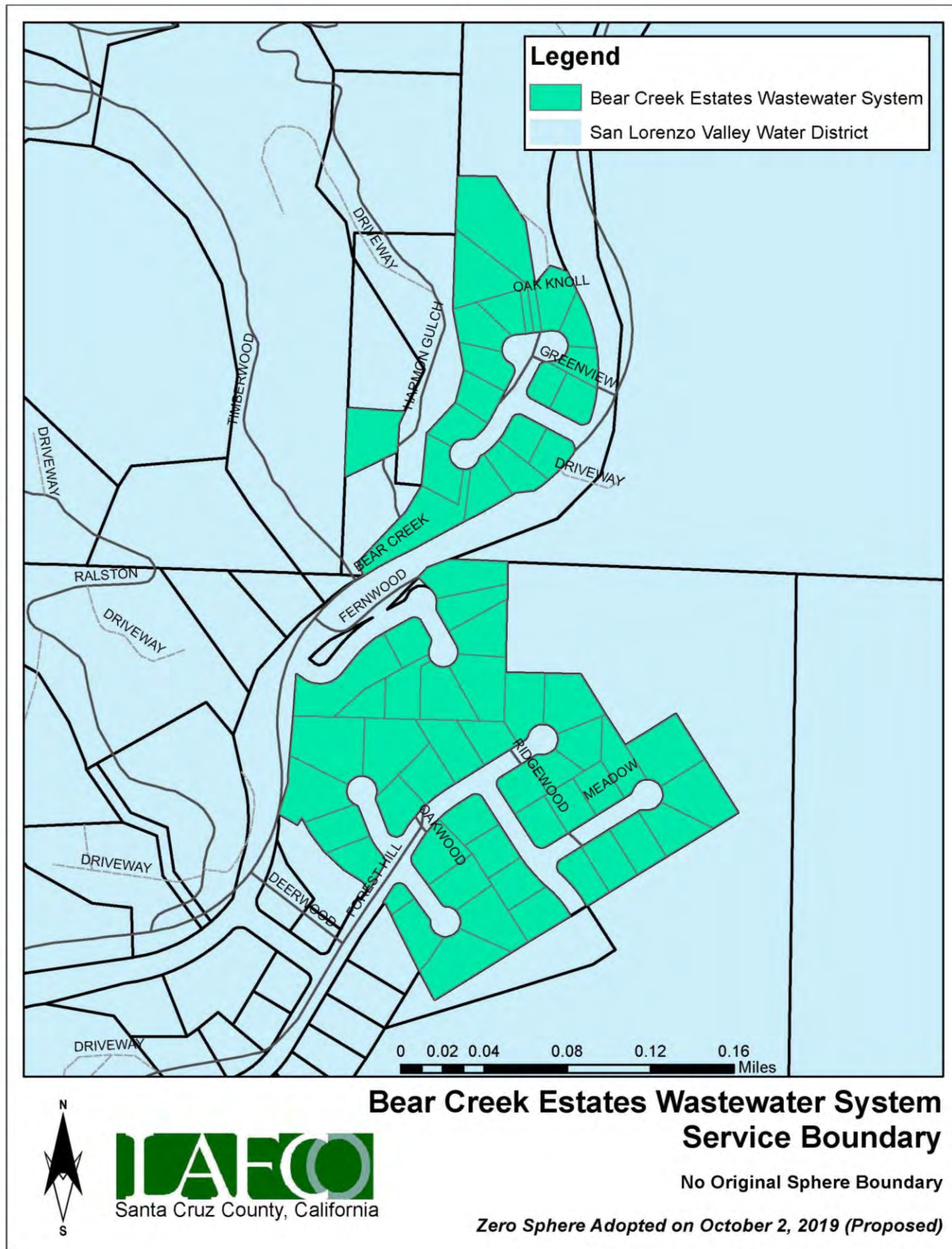
sanitary spills and runoffs from the system into Bear Creek. The Regional Board ordered the District to submit a certified engineering report by May 15, 2016, addressing the following: (1) Wastewater treatment plant modifications to ensure the denitrification process will reduce total nitrogen by 50%, and (2) Engineering controls to reduce inflow and infiltration during rain events. Evidence of Bear Creek Estates Wastewater Treatment Plant operators being properly trained in sanitary sewer and wastewater treatment plant spills.

The District prepared multiple reports investigating these items. Two technical memorandums and the 2018 Bear Creek Estates Wastewater Treatment Plant Wastewater Collection and Treatment System Improvements Report are available on the District website for review. The District's intent is to award a single contract to an engineering firm qualified to do the work. The selected firm will be expected to compile and review data, attend a kickoff meeting, evaluate three alternatives, prepare cost estimates for design and construction, and associated environmental/permitting costs.

The firm will be expected to submit a technical memorandum that includes descriptions of each of the identified alternatives, background, assumptions, and final recommendations. In response to a Request for Proposal on August 30, 2019, the District received three engineering proposals for the Bear Creek Estates Wastewater Alternate Analysis. The District has recently hired a District Engineer who will serve as Project Manager. The selected Engineering firm will be expected to coordinate with the District Engineer throughout the project. The final reports shall include assessment of alternatives and justification for final recommendations. The District anticipates that the study will be completed by Spring 2020.

Infrastructure improvements continues to be an ongoing issue for not only Bear Creek Estates Wastewater System, but rather, most of the sanitation districts throughout the County.

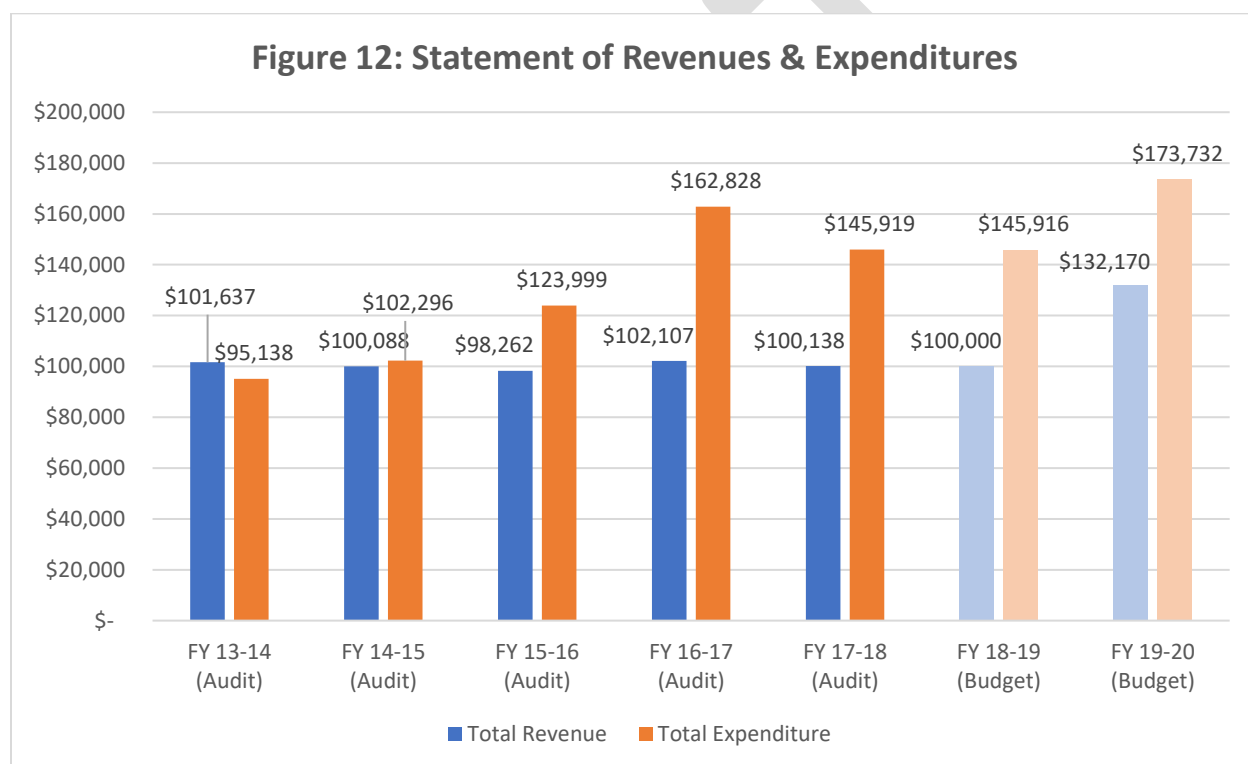
### Figure 11: Bear Creek Estates Wastewater System's Vicinity Map



## Finances

This section will highlight the System's audited financial performance during the most recent fiscal years. Fiscal Year 2017-18 is the latest audited financial statement available. A comprehensive analysis of the System's financial performance during the past 5 years is shown in **Tables 8** and **9**, on pages 35 and 36.

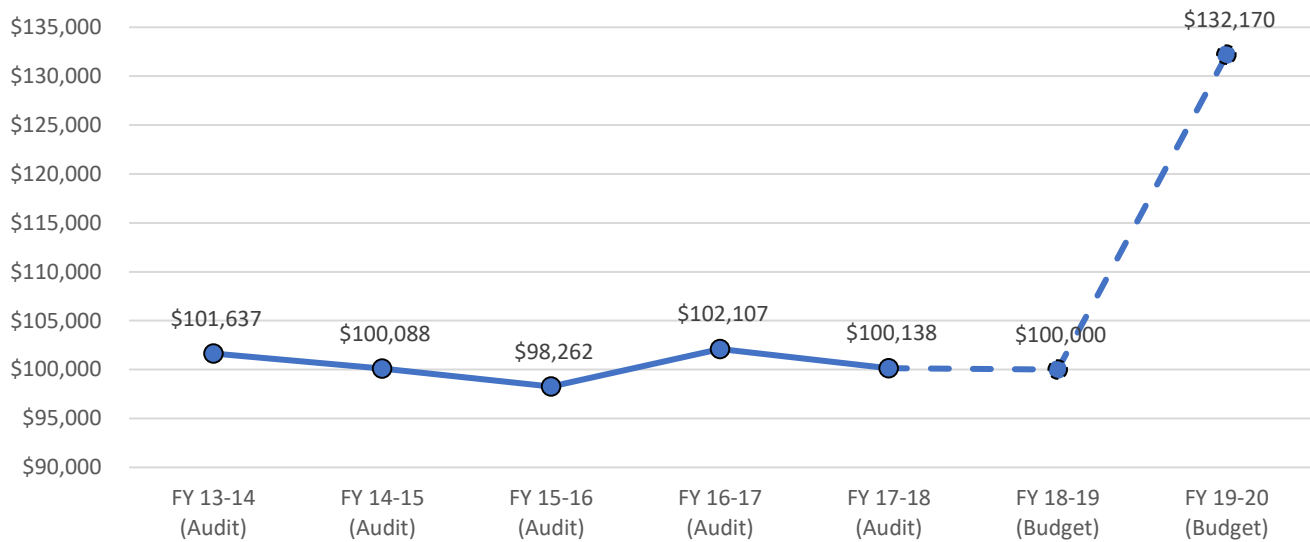
At the end of Fiscal Year 2017-18, total revenue collected was approximately \$100,000, representing a 2% decrease from the previous year (\$102,107 in FY 16-17). Total expenses for FY 17-18 were approximately \$146,000, which decreased from the previous year by approximately \$17,000 (\$162,828 in FY 16-17). As shown in **Figure 12**, the System's total revenues have been less than total expenditures each year since FY 14-15, resulting in a negative impact, ranging from \$2,200 to \$60,700, to the System's net position. Based on the two recently adopted budgets, LAFCO staff projects that this negative trend will continue.



### District Revenues

The Bear Creek Estates Wastewater System's only source of revenue is from Wastewater Service Fees. On average, the System receives approximately \$100,450 each year in service fees. **Figure 13** highlights the fluctuation of total revenue received since 2013. The table shows a downward trend in revenues received during FY 13-14 to FY 15-16, and again, during FY 16-17 to FY 18-19. However, the current budget for FY 19-20 projects that the District will earn approximately \$132,000 in service fees. While the expected revenue is scheduled to increase, LAFCO staff projections indicate that total revenues will not cover total expenditures during FY 18-19 and FY 19-20.

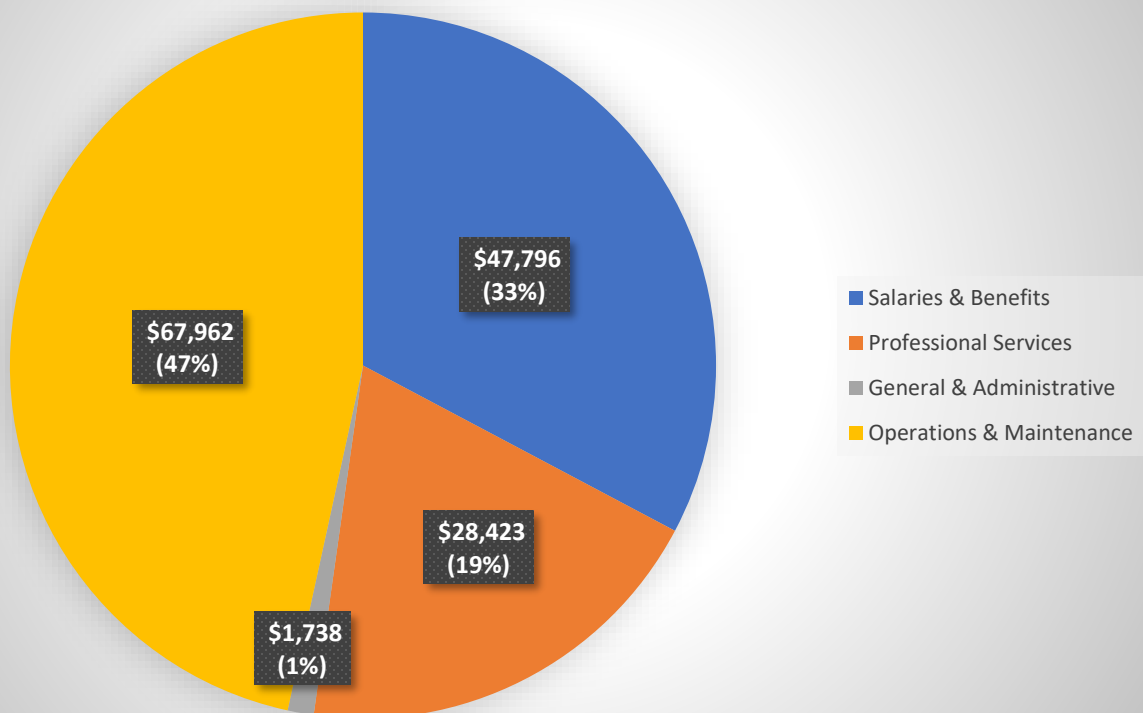
**Figure 13: Total Revenue  
(FY 13-14 to FY 19-20)**



### District Expenditures

The Bear Creek Estates Wastewater System's total expenditures can be categorized into 4 budgetary groups: Salaries & Benefits, General & Administrative, Professional Services, and Operations & Maintenance. The figure below distinguishes the cost and percentage per category. The following pages provide a summary for each budgetary group. As shown below, Operations & Maintenance is the highest expenditure during FY 17-18.

**Figure 13: FY 2017-18 Expenditure Breakdown**





**Table 6: FY-2017-18 Expenditure Review**

| <b>Expenditures:</b>      | <b>(\$)</b>      | <b>(%)</b>  |
|---------------------------|------------------|-------------|
| Operations & Maintenance  | \$67,962         | 47%         |
| Salaries & Benefits       | \$47,796         | 33%         |
| Professional Services     | \$28,423         | 19%         |
| General & Administrative  | \$1,738          | 1%          |
| <b>Total Expenditures</b> | <b>\$145,919</b> | <b>100%</b> |

**Assets & Liabilities**

The Bear Creek Estates Wastewater System, administered by the San Lorenzo Valley Water District, provides sewer services to 56 connections and has limited assets and liabilities. The following is an overview of the System's assets and liabilities:

- System Assets: As of June 30, 2018, the System has \$340,382 in total assets. The Bear Creek Estates Wastewater System has no current assets. The System's non-current assets are primarily capital assets.
- System Liabilities: As of June 30, 2018, the System has \$1,078 in total liabilities. The Bear Creek Estates Wastewater System has no long-term debt. Current liabilities are primarily Accounts Payable and Accrued Expense.

**Fund Balance/Net Position**

As of June 30, 2018, the total fund balance is approximately \$339,000. The fund balance has been declining moderately on an annual basis since 2014, as shown in the following table.

**Table 7: Fund Balance/Net Position**

|  | <b>FY 13-14<br/>(Audited)</b> | <b>FY 14-15<br/>(Audited)</b> | <b>FY 15-16<br/>(Audited)</b> | <b>FY 16-17<br/>(Audited)</b> | <b>FY 17-18<br/>(Audited)</b> |
|--|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| <b>Net Position<br/>(Ending Balance)</b> | <b>\$473,751</b>              | <b>\$471,543</b>              | <b>\$445,806</b>              | <b>\$385,085</b>              | <b>\$339,304</b>              |
| Change in (\$) from previous year        |                               | -\$2,208                      | -\$25,737                     | -\$60,721                     | -\$45,781                     |
| Change in (%) from previous year         |                               | -0.47%                        | -5.46%                        | -13.62%                       | -11.89%                       |

**Table 8: Total Revenues & Expenditures**

|                              | <b>FY 13-14<br/>(Audit)</b> | <b>FY 14-15<br/>(Audit)</b> | <b>FY 15-16<br/>(Audit)</b> | <b>FY 16-17<br/>(Audit)</b> | <b>FY 17-18<br/>(Audit)</b> | <b>FY 18-19<br/>(Budget)</b> | <b>FY 19-20<br/>(Budget)</b> |
|------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|------------------------------|------------------------------|
| <b>REVENUE</b>               |                             |                             |                             |                             |                             |                              |                              |
| Wastewater Service           | \$101,637                   | \$100,088                   | \$ 98,262                   | \$102,107                   | \$100,138                   | \$ 100,000                   | \$132,170                    |
| <b>Total Revenue</b>         | <b>\$101,637</b>            | <b>\$100,088</b>            | <b>\$ 98,262</b>            | <b>\$102,107</b>            | <b>\$100,138</b>            | <b>\$ 100,000</b>            | <b>\$132,170</b>             |
| <b>EXPENDITURE</b>           |                             |                             |                             |                             |                             |                              |                              |
| Salaries and Benefits        | \$ 12,954                   | \$ 7,213                    | \$ -                        | \$ -                        | \$ 47,796                   | \$ 43,020                    | \$ 56,667                    |
| Professional Services        | \$ 5,406                    | \$ 21,500                   | \$ 33,791                   | \$ 66,751                   | \$ 28,423                   | \$ 64,747                    | \$ 75,772                    |
| Operational                  | \$ 10,620                   | \$ 2,453                    | \$ 12,285                   | \$ 18,319                   | \$ 16,116                   | \$ 23,014                    | \$ 25,026                    |
| Maintenance                  | \$ 280                      | \$ -                        | \$ -                        | \$ -                        | \$ 1,106                    | \$ 2,222                     | \$ 2,472                     |
| Facilities                   | \$ 8,769                    | \$ 8,608                    | \$ 15,486                   | \$ 8,403                    | \$ 8,384                    | \$ 11,128                    | \$ 12,248                    |
| General and Administrative   | \$ 15,336                   | \$ 20,749                   | \$ -                        | \$ -                        | \$ 1,738                    | \$ 1,785                     | \$ 1,547                     |
| Overhead Adsorption          | \$ -                        | \$ -                        | \$ 22,987                   | \$ 26,998                   | \$ -                        | \$ -                         | \$ -                         |
| Depreciation                 | \$ 41,773                   | \$ 41,773                   | \$ 39,450                   | \$ 42,357                   | \$ 42,356                   | \$ -                         | \$ -                         |
| <b>Total Expenditure</b>     | <b>\$ 95,138</b>            | <b>\$102,296</b>            | <b>\$123,999</b>            | <b>\$162,828</b>            | <b>\$145,919</b>            | <b>\$ 145,916</b>            | <b>\$173,732</b>             |
| <b>Surplus/(Deficit)</b>     | <b>\$ 6,499</b>             | <b>\$ (2,208)</b>           | <b>\$ (25,737)</b>          | <b>\$ (60,721)</b>          | <b>\$ (45,781)</b>          | <b>\$ (45,916)</b>           | <b>\$ (41,562)</b>           |
| Net Position - Beginning     | \$467,252                   | \$473,751                   | \$471,543                   | \$445,806                   | \$385,085                   | \$ 339,304                   | \$293,388                    |
| <b>Net Position - Ending</b> | <b>\$473,751</b>            | <b>\$471,543</b>            | <b>\$445,806</b>            | <b>\$385,085</b>            | <b>\$339,304</b>            | <b>\$ 293,388</b>            | <b>\$251,826</b>             |

*Footnote: The District anticipates Depreciation to be approximately \$24,000/year for Fiscal Year 2018-19 and 2019-20.*



**Table 9: Total Assets & Liabilities**

|  | <b>FY 13-14<br/>(Audit)</b> | <b>FY 14-15<br/>(Audit)</b> | <b>FY 15-16<br/>(Audit)</b> | <b>FY 16-17<br/>(Audit)</b> | <b>FY 17-18<br/>(Audit)</b> |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| <b>ASSETS</b>                          |                             |                             |                             |                             |                             |
| <u>Current Assets</u>                  |                             |                             |                             |                             |                             |
| Internal Balances                      | \$ (94,772)                 | \$ (55,207)                 | \$ (52,791)                 | \$ (115,762)                | \$ (124,678)                |
| <u>Non-Current Assets</u>              |                             |                             |                             |                             |                             |
| Investments                            | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ -                        |
| Capital Assets - not being depreciated | \$ 28,213                   | \$ 28,213                   | \$ 46,956                   | \$ 88,814                   | \$ 90,685                   |
| Capital Assets - being depreciated     | <u>\$540,310</u>            | <u>\$498,537</u>            | <u>\$459,087</u>            | <u>\$ 416,731</u>           | <u>\$ 374,375</u>           |
| <b>Total Assets</b>                    | <b>\$473,751</b>            | <b>\$471,543</b>            | <b>\$453,252</b>            | <b>\$ 389,783</b>           | <b>\$ 340,382</b>           |
| <b>LIABILITIES</b>                     |                             |                             |                             |                             |                             |
| Current Liabilities                    | \$ -                        | \$ -                        | \$ 7,446                    | \$ 4,698                    | \$ 1,078                    |
| Non-Current Liabilities                | <u>\$ -</u>                 | <u>\$ -</u>                 | <u>\$ -</u>                 | <u>\$ -</u>                 | <u>\$ -</u>                 |
| <b>Total Liabilities</b>               | <b>\$ -</b>                 | <b>\$ -</b>                 | <b>\$ 7,446</b>             | <b>\$ 4,698</b>             | <b>\$ 1,078</b>             |
| <b>NET POSITION</b>                    |                             |                             |                             |                             |                             |
| Net Investment in Capital Assets       | \$568,523                   | \$526,750                   | \$506,043                   | \$ 505,545                  | \$ 465,060                  |
| Restricted for Debt Service            | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ -                        |
| Unrestricted                           | <u>\$ (94,772)</u>          | <u>\$ (55,207)</u>          | <u>\$ (60,237)</u>          | <u>\$ (120,460)</u>         | <u>\$ (125,756)</u>         |
| <b>Total Net Position</b>              | <b>\$473,751</b>            | <b>\$471,543</b>            | <b>\$445,806</b>            | <b>\$ 385,085</b>           | <b>\$ 339,304</b>           |

## Governance

The San Lorenzo Valley Water District currently owns and operates the Bear Creek Estates Wastewater System. The San Lorenzo Valley Water District is an independent special district governed by a five-member Board of Directors elected at-large by the voters within the District. When candidates run unopposed, they are appointed by the County Board of Supervisors in lieu of conducting the election. The current Board is as follows:

**Table 10: Board of Directors**

| Board Member | Title        | Term of Office Expiration |
|--------------|--------------|---------------------------|
| Lois Henry   | Board Chair  | 2022                      |
| Robert Fultz | Vice Chair   | 2022                      |
| Stephen Swan | Board Member | 2022                      |
| Lew Farris   | Board Member | 2020                      |
| Rick Moran   | Board Member | 2020                      |

The Board of Directors meet on the first and third Thursday of each month at 6:30 PM. Meetings are held at various locations throughout the San Lorenzo Valley. Public notice is provided through posting. The District contracts for independent audits.

### Website Requirements

Senate Bill 929 was signed into law in September 2018 and requires all independent special districts to have and maintain a website by January 1, 2020. It outlines minimum website data requirements, including contact information, financial reports, and meeting agendas/minutes. The San Lorenzo Valley Water District has a website which consists of webpages for all operations, including the Bear Creek Estates Wastewater System. The website is currently in contract to be replaced with a new website with additional features, including ADA compliance.

In 2016, the District received the District Transparency Certificate of Excellence by the Special District Leadership Foundation (SDLF) of California in recognition of its outstanding efforts to promote transparency and good governance. In order to receive the award, a special district must demonstrate the completion of eight essential governance transparency requirements. The requirements include conducting ethics training for all board members, properly conducting open and public meetings, and filing financial transactions and compensation reports to the State Controller in a timely manner. The San Lorenzo Valley Water District also fulfilled 15 website requirements including providing readily available information to the public such as board agendas, past minutes, current district budget and the most recent financial audit.

LAFCO staff believes that the Bear Creek Estates Wastewater System webpage provides useful information. However, it may be beneficial if the System's webpage is updated to identify past and future meeting dates and agenda materials (ex. staff reports, meeting minutes, etc.). Currently, it is difficult to determine when the next meeting date will occur.

***LAFCO Staff Recommendation:*** *The District should consider updating how meeting dates and materials are displayed on the existing System webpage. The District should also include past and future LAFCO service reviews as additional resource materials.*

#### Capital Improvement Plan

The San Lorenzo Valley Water District has adopted a District-wide capital improvement plan. Based on staff's research, there are no capital improvement projects scheduled for the Bear Creek Estates Wastewater System. The District should consider adopting a long-term maintenance plan to ensure scheduled and unforeseen repairs, replacements, and installations are adequately funded.

#### Sewer System Management Plan

The State Water Resources Control Board regulates wastewater discharges to surface water (rivers, ocean, etc.) and to groundwater (via land). The State Water Board requires sanitation districts to follow the Statewide General Waste Discharge Requirements for Sanitary Sewer Systems. These requirements include the following:

- Sanitary Sewer Overflows are prohibited, and
- All Sanitary Sewer Overflow (SSOs), with the exception of Private Sewer Lateral Discharge (PLSDs), irrespective of size, must be reported to the State Water Board electronically using the California Integrated Water Quality System, and the Districts/CSAs must prepare and implement a Sewer System Management Plan (SSMP).

The San Lorenzo Valley Water District has adopted an Urban Water Management Plan, which includes a description of the existing location and capacity of the Wastewater System. It is LAFCO staff's understanding that the District does not have an adopted SSMP.

#### **Awards and Acknowledgments**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting, to the San Lorenzo Valley Water District for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2017. This was the first year that the District has achieved this prestigious award.

In order to be awarded a Certificate of Achievement for Excellence in Financial Reporting, a government unit must publish an easily readable and efficiently organized CAFR. This report must satisfy both Generally Accepted Accounting Principles (GAAP) and all applicable legal requirements. A Certificate of Achievement for Excellence in Financial Reporting is valid for a period of one year only.

## **Opportunities & Challenges**

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The Bear Creek Estates Wastewater System is significantly affected by aging infrastructure, escalating operational costs, and changes to state laws and regulations that may introduce new requirements without additional funding. These issues are common with other sanitation districts in Santa Cruz County. The following section discusses these challenges and identifies possible opportunities to ensure the delivery of wastewater services in an efficient and effective manner.

### **Governance Structure Options**

The San Lorenzo Valley Water District desires to transfer ownership and operation of the wastewater system to another agency, such as the County of Santa Cruz, which may be able to operate the system more efficiently. The District's 2016 Strategic Plan identifies specific steps to potentially transfer service provisions to another local agency. These steps include:

- Development of a rate-study that will establish operational and capital needs of the wastewater system;
- Implement a Proposition 218 rate increase process that will set rates appropriate to the operational and capital needs of the system; and
- Coordination with Bear Creek Estates residents, meeting with County representatives on a regular basis to discuss and move this idea forward, and collaboratively establishing a plan with a schedule and key milestones.

LAFCO staff sees value in local agencies collaborating and exploring opportunities to improve delivery of municipal services. It is still unknown whether it is feasible for the County or another local service provider to assume responsibilities within this area. Therefore, LAFCO staff recommends that the District continue to discuss possible partnerships with the County and other neighboring agencies. If an agreement is made, in which all affected parties agree in the transfer of responsibilities, a change of organization may be considered at that point.

### **Regional Collaboration**

Several sanitation districts, including the Bear Creek Estates Wastewater System, have expressed interest in transferring sewer responsibilities to another agency due to funding issues, limited long-term planning, or lack of economies of scale. Establishment of a countywide memorandum of understanding or a joint powers authority may unify the already-established collaboration set by the sanitation providers in the county. Such agreements may also lay the foundation for future changes of organization, including but not limited to annexations, consolidations, or mergers.

### **Sphere of Influence**

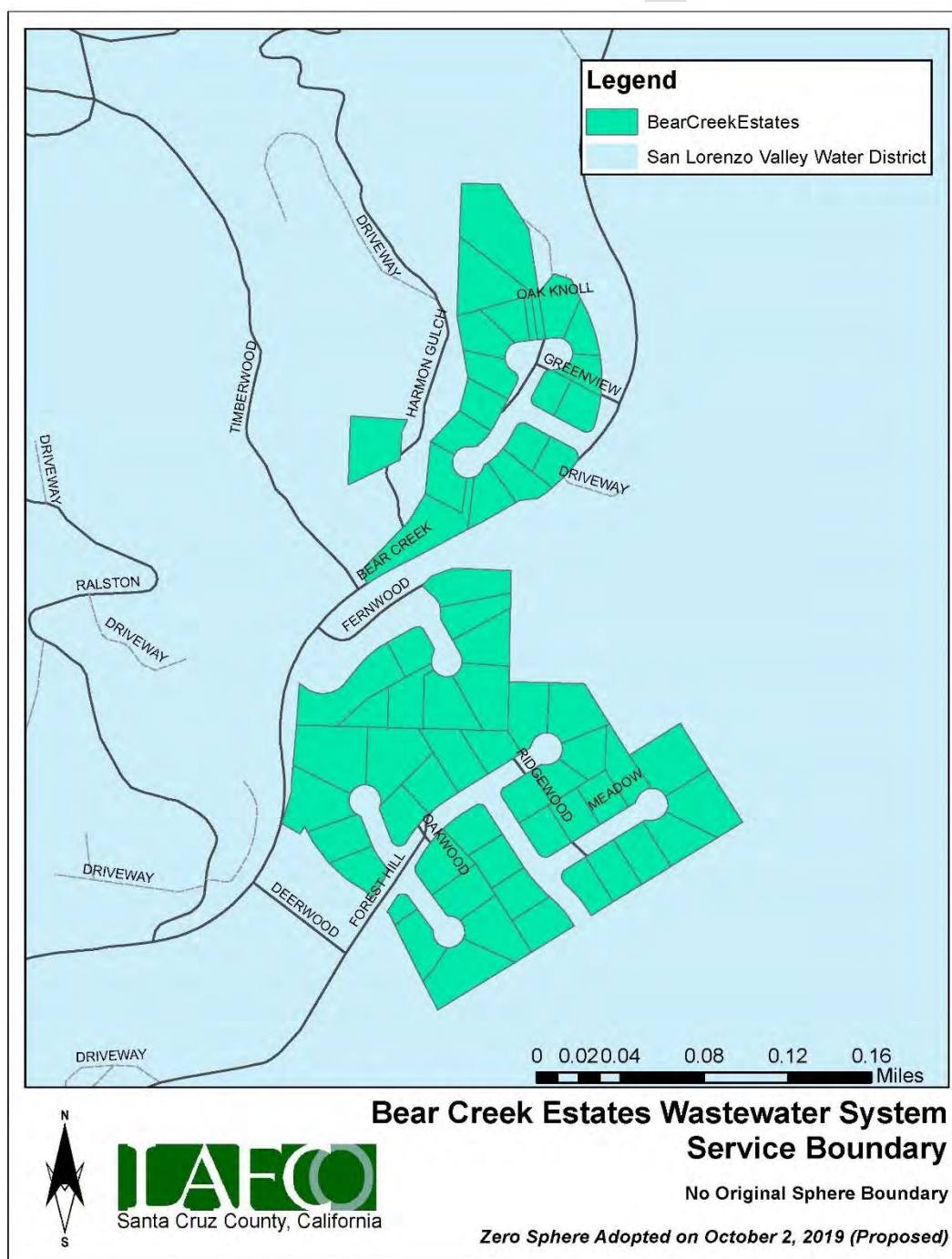
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LAFCO has established a sphere of influence for the San Lorenzo Valley Water District. Based on staff's analysis and research, it was determined that there is no sphere of influence for the Bear Creek Estates Wastewater System. Due to the ongoing financial constraints, in conjunction with SLVWD's interest in transferring sewer responsibilities to

another local agency, LAFCO staff recommends adopting a zero sphere of influence for the Bear Creek Estates Wastewater System, as shown below.

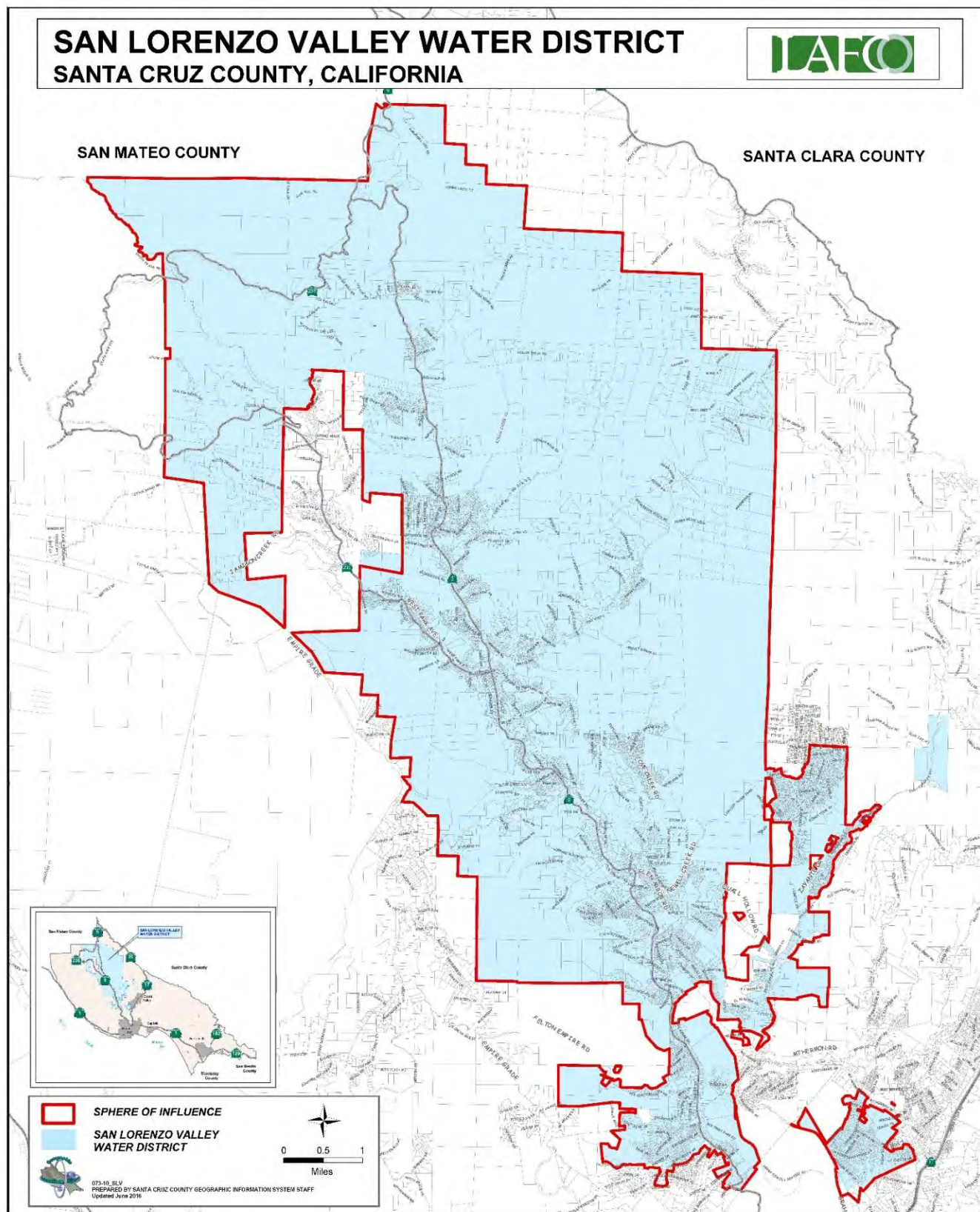
The Commission may adopt a “zero” sphere of influence (encompassing no territory) for an agency when the Commission has determined that the public service functions of the agency are either: nonexistent, no longer needed, or should be reallocated to some other agency of government. The adoption of a “zero” sphere indicates the agency should ultimately be dissolved and sewer responsibilities transferred to another local agency. Figure 16, on page 41, shows the adopted sphere of influence boundary for the entire San Lorenzo Valley Water District.

**Figure 15: Proposed “Zero” Sphere of Influence**





**Figure 16: San Lorenzo Valley Water District's Current Sphere Map**  
*(No Sphere of Influence has been adopted for the Bear Creek Estates Wastewater System)*



## District Summary

| Bear Creek Estates Wastewater System (San Lorenzo Valley Water District) |   |
|--|---|
| <b>Formation</b>   | California Water Code, section 30,000 et seq.   |
| <b>Board of Directors</b>  | Five members, elected at-large to four-year terms   |
| <b>Contact Person</b>  | Rick Rogers, General Manager  |
| <b>Employees</b>   | 34 Full-Time Employees (entire SLVWD)   |
| <b>Facilities</b>  | 19 manholes, 2 cleanouts, approximately 3,600 linear feet of gravity sewer, 2,600 linear feet of force mains, 2 sewer pump stations, and 56 laterals  |
| <b>District Area</b>   | 18.44 acres (0.029 square miles)  |
| <b>Sphere of Influence</b>   | <b><i>Proposed Designation:</i></b> Zero Sphere of Influence<br><br>The San Lorenzo Valley Water District's sphere is Slightly Larger than the District (i.e. sphere goes beyond existing jurisdictional boundary)  |
| <b>FY 2019-20 Budget</b>   | Total Revenue = \$132,170<br><br>Total Expenditure = \$173,732<br><br>Projected Net Position (Beginning Balance) = \$251,826  |
| <b>Contact Information</b>   | Mailing Address: 13060 Highway 9 Boulder Creek CA 95006<br><br>Phone Number: (831) 430-4636<br><br>Email Address: <a href="mailto:bod@slvwd.com">bod@slvwd.com</a><br><br>Website: <a href="http://www.slvwd.com/BearCreek.htm">http://www.slvwd.com/BearCreek.htm</a>  |
| <b>Public Meetings</b>   | Meetings are typically held on the first and third Thursday of each month at 6:30 p.m.  |
| <b>Mission Statement</b>   | "Our mission is to provide our customers and all future generations with reliable, safe and high quality water at an equitable price; to create and maintain outstanding customer service; to manage and protect the environmental health of the aquifers and watersheds; and, to ensure the fiscal vitality of the San Lorenzo Valley Water District." |



## **Service and Sphere Review Determinations**

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The following service and sphere review determinations fulfill the requirements outlined in the Cortese-Knox-Hertzberg Act. The District was instrumental in addressing the determinations by responding to a survey sent by LAFCO in June 2019. **Appendix A** provides a copy of the District's survey response.

### **Service Provision Determinations**

Government Code Section 56430 requires LAFCO to conduct a municipal service review before, or in conjunction with, an action to establish or update a sphere of influence. Written statements of determination must be prepared with respect to each of the following:

**1. Growth and population projections for the affected area.**

There are no growth projections available for the San Lorenzo Valley Water District or the Bear Creek Estates Wastewater System. In general, the Santa Cruz County unincorporated area is projected to have slow growth over the next fifteen years. The FY 2017-18 audit indicates that the District provides water service to approximately 7,900 customers within its service area. LAFCO staff estimates that the population within the Bear Creek Estates Wastewater System was approximately 183 in 2015. Based on the growth rate of approximately 1% for the unincorporated areas in the County, LAFCO staff projects that the System's entire population in 2020 will be around 185.

**2. The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence.**

In 2017, the California statewide median household income was \$67,169<sup>7</sup>, and 80% of that was \$53,735. LAFCO staff utilized the ArcGIS mapping program to locate potential DUCs in the County. Based on the criteria set forth by SB 244, staff's analysis indicates that there are no areas in the Bear Creek Estates Wastewater System designated as a disadvantaged unincorporated community.

**3. 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.**

The San Lorenzo Valley Water District (SLVWD) was formed back in 1941 and provides water service to approximately 7,900 connections throughout the communities of Boulder Creek, Brookdale, Ben Lomond, Felton, Zayante, and southern Scotts Valley. Since the development of the Bear Creek Estates subdivision back in 1985, SLVWD has been providing sewer service to 56 connections under the governance of the Bear Creek Estates Wastewater System. This residential subdivision has approximately 183 residents and represents approximately 2% of the total population within the San Lorenzo Valley Water District. The District has expressed interest in transferring sewer service responsibilities to another local agency.

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<sup>7</sup> 2013-2017 American Community Survey 5-year Estimates

**4. Financial ability of agencies to provide services.**

The Bear Creek Estates Wastewater System has experienced an annual deficit over the past six years. Audited financial statements from Fiscal Years 2013 to 2018 indicate that the annual shortage has ranged from \$2,200 to \$60,000. As of June 30, 2018, the System is operating with a net position of approximately \$339,000 with no current assets or cash available. LAFCO staff projects that this negative trend will continue unless the System increases its overall revenue stream or decreases annual expenses.

**5. Status of, and opportunities for, shared facilities.**

Several sanitation districts, including the Bear Creek Estates Wastewater System, have expressed interest in transferring sewer responsibilities to another agency due to funding issues, limited long-term planning, or lack of economies of scale. Establishment of a countywide memorandum of understanding or a joint powers authority may unify the already-established collaboration set by the sanitation providers in the county. Such agreements may also lay the foundation for future changes of organization, including but not limited to annexations, consolidations, or mergers.

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

The San Lorenzo Valley Water District has adopted a District-wide capital improvement plan. Based on staff's research, there are no capital improvement projects scheduled involving the Bear Creek Estates Wastewater System. The District should consider adopting a long-term maintenance plan to ensure scheduled and unforeseen repairs, replacements, and installations are adequately funded.

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

No additional local LAFCO policies are specifically relevant to this service and sphere review.

## **Sphere of Influence Determinations**

Government Code Section 56425 requires LAFCO to periodically review and update spheres of influence in concert with conducting municipal service reviews. Spheres are used as regional planning tools to discourage urban sprawl and encourage orderly growth. Written statements of determination must be prepared with respect to each of the following:

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

The Bear Creek Estates Wastewater System's service area is built out with residential homes. There are no agricultural or open-space lands within the service area.

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

Due to the System's ongoing financial constraints, in conjunction with SLVWD's interest in transferring sewer responsibilities to another local agency, LAFCO staff recommends adopting a zero sphere of influence for the Bear Creek Estates Wastewater System.

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

The San Lorenzo Valley Water District owns, operates, and maintains a wastewater system in Boulder Creek's Bear Creek Estates. Based on staff's analysis, the System has 56 connections with 1.2 miles of sewer lines and 2 pump stations. The System is operating on a routine or as needed basis with staff being allocated from the Operations & Distribution or Supply & Treatment Departments. The San Lorenzo Valley Water District desires to transfer ownership and operation of the wastewater system to another agency, such as the County of Santa Cruz, which may be able to operate the system more efficiently. The District's 2016 Strategic Plan identifies specific steps to potentially transfer service provisions to another local agency.

**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.**

LAFCO staff is not aware of any social or economic communities of interest in the area. The Bear Creek Estates Wastewater System's service area is primarily single-family homes.

**5. For an update of a 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, that occurs pursuant to subdivision (g) on or after July 1, 2012, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.**

Neither the County nor LAFCO has identified any sub-area within or contiguous to the District's service or sphere boundaries that meet the definition of a disadvantaged unincorporated community. That said, the District has adequate transmission and treatment capacity for the present and planned facilities within the sphere of influence. The District's principal needs are repair and replacement of aging infrastructure.

## COUNTY SERVICE AREA 2 (PLACE DE MER)

### District Overview

County Service Area 2 serves the Place de Mer subdivision which encompasses 12.8 acres (0.02 square miles). The wastewater facility is a community septic tank system with 97 connections. The existing septic system was constructed back in 1972. **Figure 19**, on page 50, is a vicinity map of the service area.

### Population & Growth

The Place de Mer subdivision is an ocean-front residential development in La Selva Beach that is substantially built-out. There are no growth projections available for CSA 2. In general, the Santa Cruz County unincorporated area is projected to have slow growth over the next fifteen years. The County Public Works Department estimates that the population within CSA 2 is approximately 168. Based on the growth rate of approximately 1% for the unincorporated areas in the County, LAFCO staff projects that CSA 2's entire population in 2020 will be around 170. The projected population for CSA 2 are as follows:

**Table 11: Projected Population**

|                                    | 2020       | 2025       | 2030       | 2035       | Growth Rate |
|------------------------------------|------------|------------|------------|------------|-------------|
| Santa Cruz County (unincorporated) | 136,891    | 137,896    | 139,105    | 140,356    | 1%          |
| <b>CSA 2</b>                       | <b>170</b> | <b>171</b> | <b>173</b> | <b>175</b> | <b>1%</b>   |

*Source: AMBAG 2018 Regional Growth Forecast*

### Disadvantaged Unincorporated Communities

State law requires LAFCO to identify and describe all “disadvantaged unincorporated communities” (DUC) located within or contiguous to the existing spheres of influence of cities and special districts that provide fire protection, sewer, and/or water services. DUCs are defined as inhabited unincorporated areas with an annual median household income that is 80% or less than the statewide annual median household income.

In 2017, the California statewide median household income was \$67,169<sup>8</sup>, and 80% of that was \$53,735. LAFCO staff utilized the ArcGIS mapping program to locate potential DUCs in the County. Based on the criteria set forth by SB 244, staff's analysis indicates that there are no areas in CSA 2 designated as a disadvantaged unincorporated community.

### Services & Operations

CSA 2 Place De Mer has an aging septic system that services the privately-owned residential properties. The system is maintained by the County of Santa Cruz. Based on staff's analysis, CSA 2 has 97 connections with 0.4 miles of sewer lines and 2 pump stations. Annual sewer charges are the District's primary source of revenue.

<sup>8</sup> 2013-2017 American Community Survey 5-year Estimates

## Sewer Rates

At present, CSA 2's annual sewer rates are based on four zones: Apartment (Zone A), Hill (Zone H), Park (Zone P), and Townhouse (Zone T). Each zone has its own sewer rate. **Table 12** shows the gradual increase in annual rates during the last seven years.

**Table 12: Annual Sewer Rates**

|        | FY 13-14   | FY 14-15   | FY 15-16   | FY 16-17   | FY 17-18   | FY 18-19   | FY 19-20   |
|--------|------------|------------|------------|------------|------------|------------|------------|
| Zone A | \$1,003.28 | \$1,025.34 | \$1,054.04 | \$1,081.44 | \$1,119.29 | \$1,151.75 | \$1,203.57 |
| Zone H | \$86.82    | \$88.72    | \$89.14    | \$91.44    | \$94.64    | \$97.38    | \$101.76   |
| Zone P | \$1,003.28 | \$1,025.34 | \$1,054.04 | \$1,081.44 | \$1,119.29 | \$1,151.75 | \$1,203.57 |
| Zone T | \$1,078.96 | \$1,102.68 | \$1,133.54 | \$1,163.00 | \$1,203.71 | \$1,238.62 | \$1,294.36 |

Pursuant to Santa Cruz County Code Section 4.26, the Director of Public Works must annually compute the benefit assessment/service charge rates for CSAs and submit a report to the Board of Supervisors describing each parcel of real property receiving the special benefit and the amount of the charge per CSA for each parcel for the upcoming fiscal year.

CSA fees are considered benefit assessments, and any rate increase (except for preapproved annual Consumer Price Index (CPI) increases) must comply with Proposition 218 procedures. These procedures require that an increase is approved by at least half of the votes cast by the property owners, with the votes weighted according to the amount of the proposed assessment of each parcel. Furthermore, a public hearing must be held to consider any protests to the proposed increase. The following tables (**Tables 13 to 16**) depict the change in dollar amount and percentage for each specific zone.

**Table 13: Zone A (Apartments)'s Annual Sewer Rates Review**

|               | FY 13-14          | FY 14-15          | FY 15-16          | FY 16-17          | FY 17-18          | FY 18-19          | FY 19-20          | Average Change |
|---------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|----------------|
| <b>Zone A</b> | <b>\$1,003.28</b> | <b>\$1,025.34</b> | <b>\$1,054.04</b> | <b>\$1,081.44</b> | <b>\$1,119.29</b> | <b>\$1,151.75</b> | <b>\$1,203.57</b> |                |
| Change (\$)   |                   | \$22.06           | \$28.70           | \$27.40           | \$37.85           | \$32.46           | \$51.82           | \$33.38        |
| Change (%)    |                   | 2%                | 3%                | 3%                | 3%                | 3%                | 4%                | 3%             |

**Table 14: Zone H (Hill)'s Annual Sewer Rates Review**

|               | FY 13-14       | FY 14-15       | FY 15-16       | FY 16-17       | FY 17-18       | FY 18-19       | FY 19-20        | Average Change |
|---------------|----------------|----------------|----------------|----------------|----------------|----------------|-----------------|----------------|
| <b>Zone H</b> | <b>\$86.82</b> | <b>\$88.72</b> | <b>\$89.14</b> | <b>\$91.44</b> | <b>\$94.64</b> | <b>\$97.38</b> | <b>\$101.76</b> |                |
| Change (\$)   |                | \$1.90         | \$0.42         | \$2.30         | \$3.20         | \$2.74         | \$4.38          | \$2.49         |
| Change (%)    |                | 2%             | 0.5%           | 3%             | 3%             | 3%             | 4%              | 3%             |

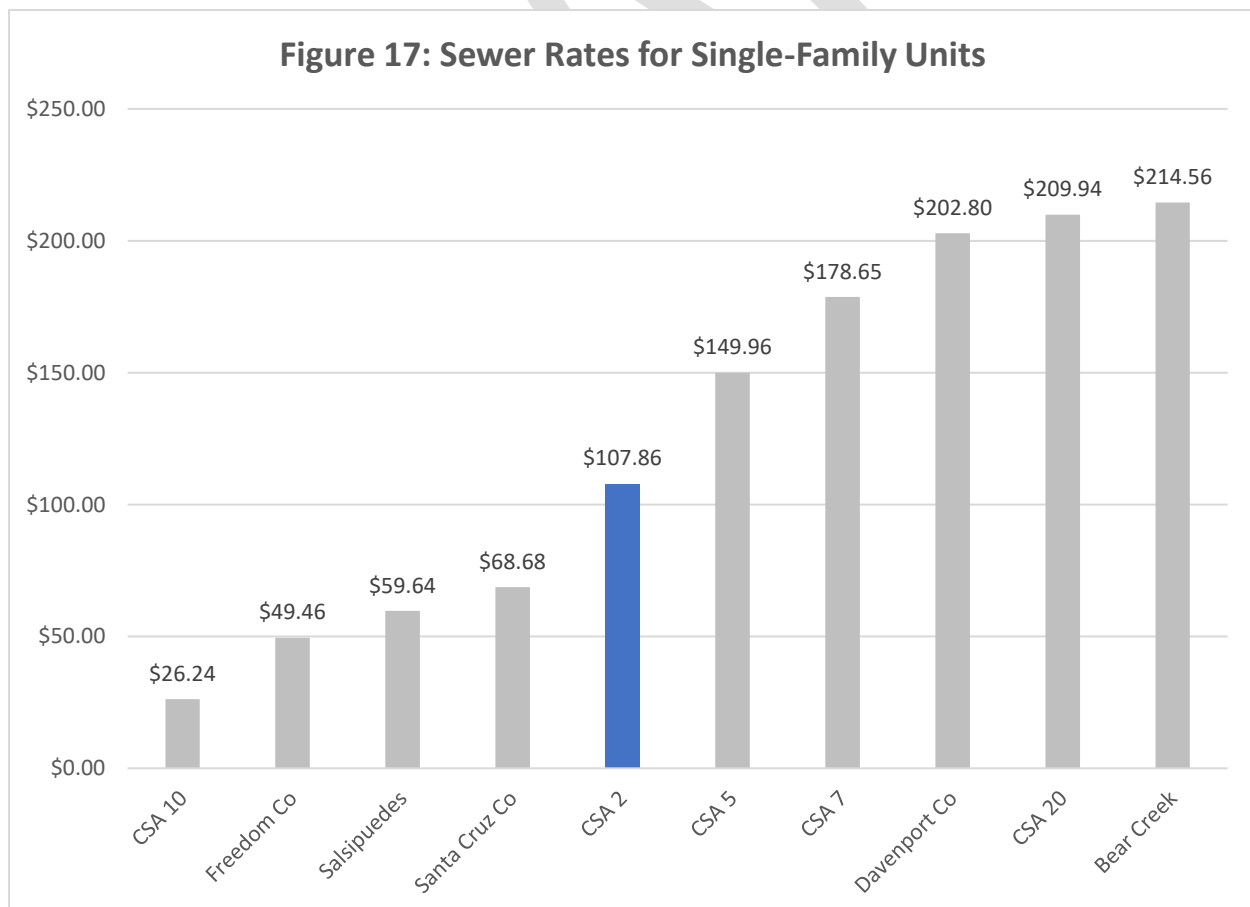
**Table 15: Zone P (Park)'s Annual Sewer Rates Review**

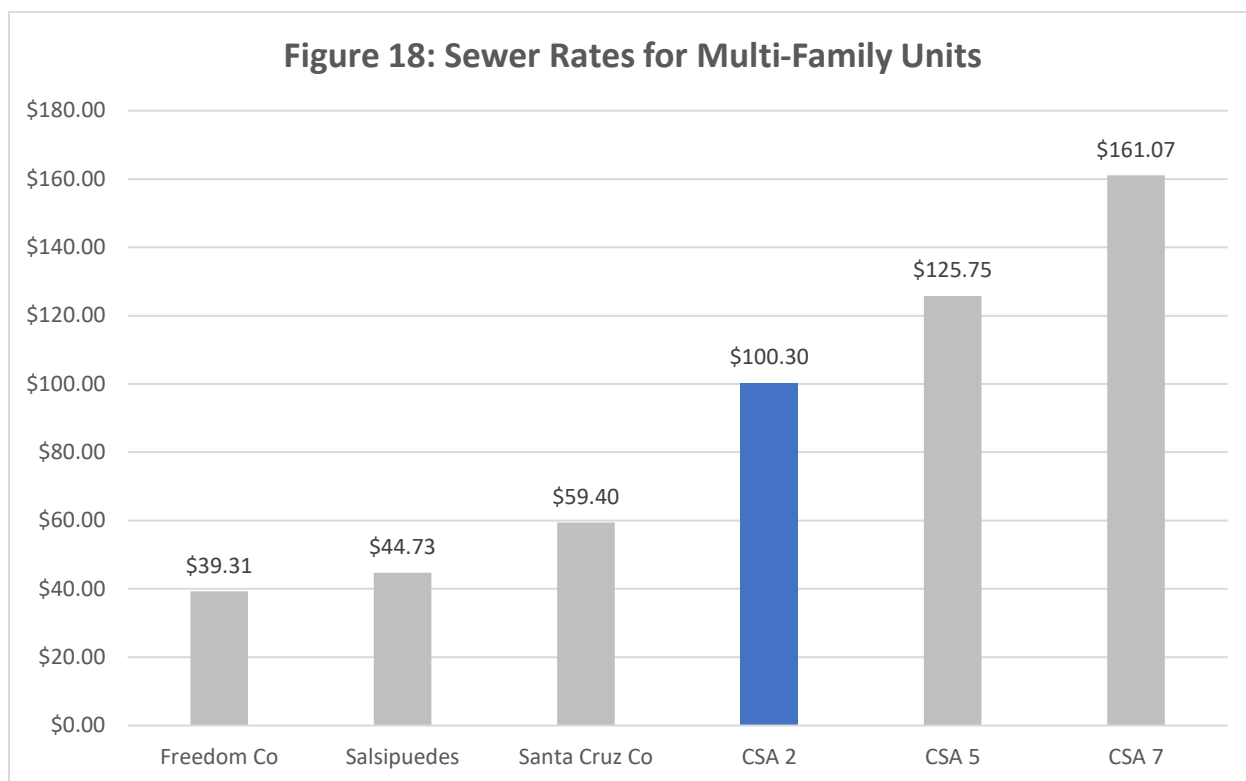
|               | FY 13-14          | FY 14-15          | FY 15-16          | FY 16-17          | FY 17-18          | FY 18-19          | FY 19-20          | Average Change |
|---------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|----------------|
| <b>Zone P</b> | <b>\$1,003.28</b> | <b>\$1,025.34</b> | <b>\$1,054.04</b> | <b>\$1,081.44</b> | <b>\$1,119.29</b> | <b>\$1,151.75</b> | <b>\$1,203.57</b> |                |
| Change (\$)   |                   | \$22.06           | \$28.70           | \$27.40           | \$37.85           | \$32.46           | \$51.82           | \$33.38        |
| Change (%)    |                   | 2%                | 3%                | 3%                | 3%                | 3%                | 4%                | 3%             |

**Table 16: Zone A (Apartments)'s Annual Sewer Rates Review**

|               | FY 13-14          | FY 14-15          | FY 15-16          | FY 16-17          | FY 17-18          | FY 18-19          | FY 19-20          | Average Change |
|---------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|----------------|
| <b>Zone T</b> | <b>\$1,078.96</b> | <b>\$1,102.68</b> | <b>\$1,133.54</b> | <b>\$1,163.00</b> | <b>\$1,203.71</b> | <b>\$1,238.62</b> | <b>\$1,294.36</b> |                |
| Change (\$)   |                   | \$23.72           | \$30.86           | \$29.46           | \$40.71           | \$34.91           | \$55.74           | \$35.90        |
| Change (%)    |                   | 2%                | 3%                | 3%                | 4%                | 3%                | 5%                | 3%             |

When comparing the sewer rates with the other sanitation districts analyzed in this report, CSA 2 is ranked fifth in charges towards single family units (\$107.86/month) and ranked fourth in charges towards multi-family units (\$100.30/month). Sewer rate comparisons are shown in the following figures below.





### Infrastructure Summary

CSA 2 operates a two-pump station community septic tank system. It currently has 97 connections and approximately 0.4 miles of sewer line. **Table 17** provides an overview of the type of service and current infrastructure:

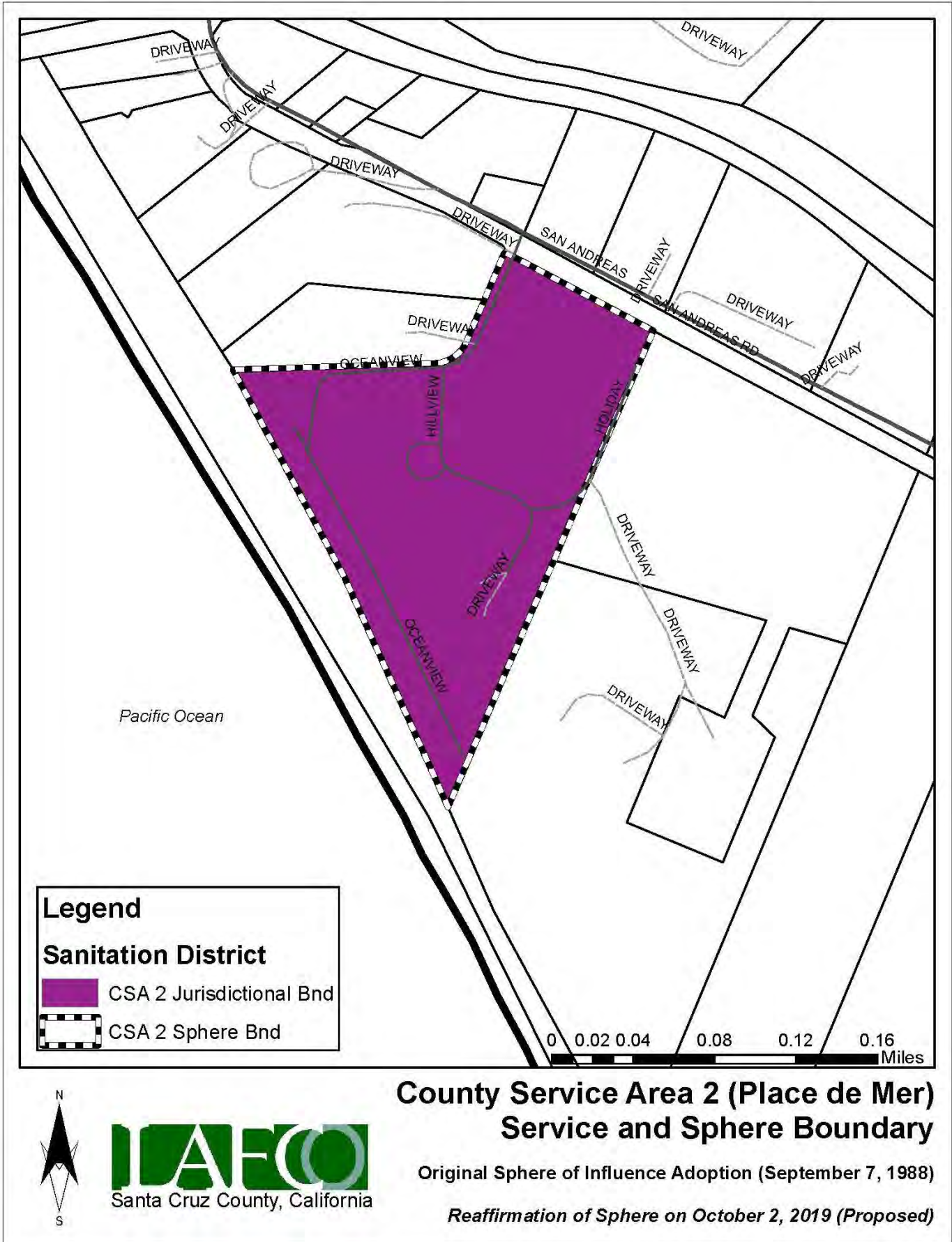
**Table 17: Infrastructure Summary**

|       | Type of System | Treatment Level | No. of Connections | No. of Lift Stations | Miles of Sewer Line |
|-------|----------------|-----------------|--------------------|----------------------|---------------------|
| CSA 2 | Septic         | N/A             | 112                | 2                    | 0.4                 |

In July 2017, Sanitation Operations staff noticed that the septic tanks were full of wastewater and required to be emptied. Staff further investigated and found the cause of the failure was due to collapsed orangeburg pipe that was installed for the leach pits. Since the leach pits have failed, Sanitation Operations staff have been removing wastewater from the septic tanks up to three times a week to prevent a sanitary sewer overflow. Biosphere Consulting developed a plan to repair and improve the septic system. Based on Biosphere's analysis, the existing septic tanks are undersized and will require larger tanks and new leach pits to be installed. The County is required to submit the engineered plans to the State Water Board for their approval. Construction costs to install a larger tank and additional leach pits are estimated to be approximately \$1,000,000. The State may require an enhanced treatment system be installed and this will increase costs to over \$2,000,000.



Figure 19: CSA 2's Vicinity Map



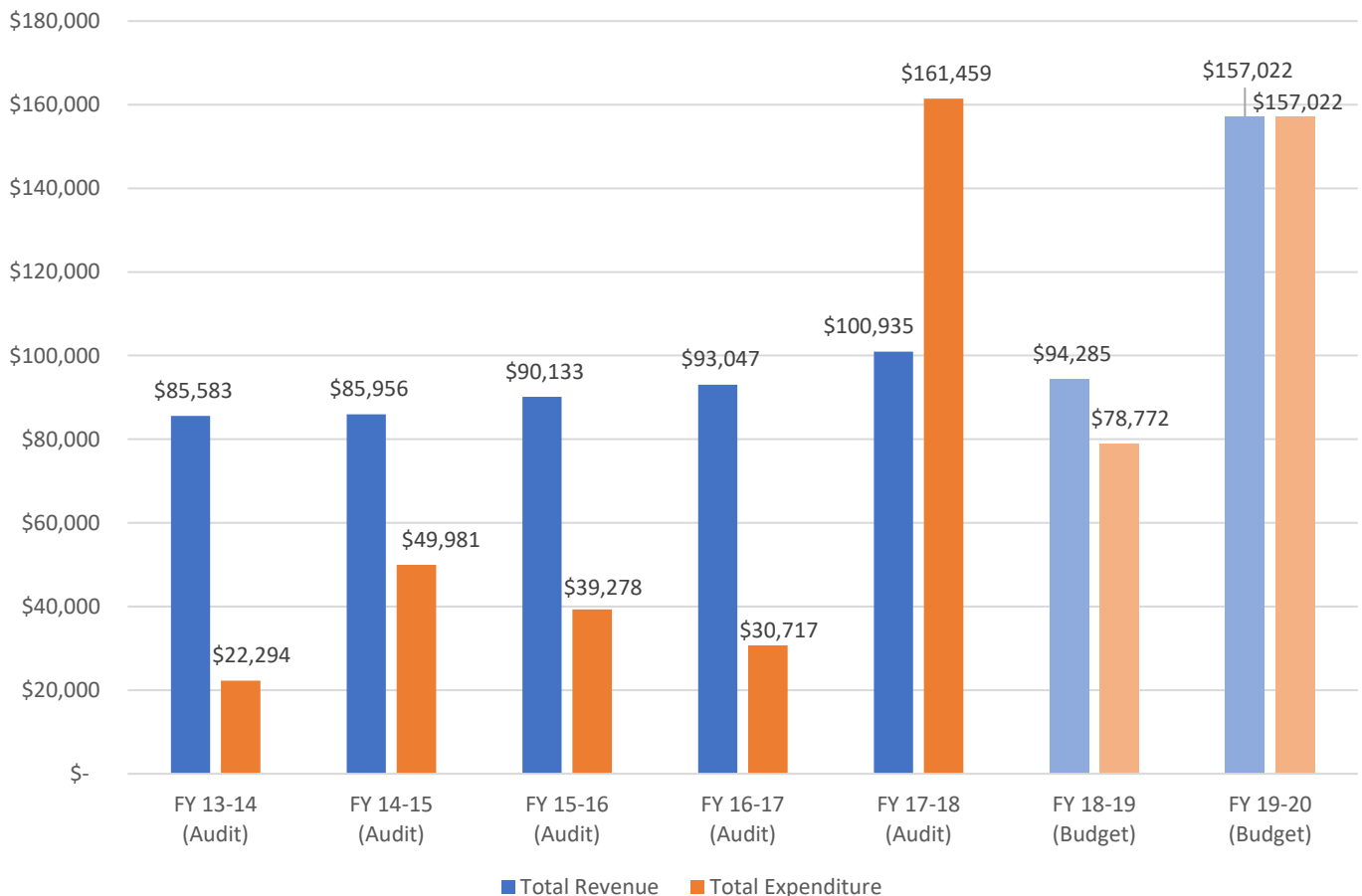
## Finances

This section will highlight the District's audited financial performance during the most recent fiscal years. Fiscal Year 2017-18 is the latest audited financial statement available. A comprehensive analysis of the District's financial performance during the past 5 years is shown in **Tables 20** and **21**, on pages 53 and 54.

At the end of Fiscal Year 2017-18, total revenue collected was \$100,935, representing an 8% increase from the previous year (\$93,047 in FY 16-17). Total expenses for FY 17-18 were \$161,459, which increased from the previous year by approximately \$131,000 (\$30,717 in FY 16-17). The significant increase is primary due to recent septic system failures that needed immediate correction.

As shown in the figure below, the District's total revenues have typically been above total expenditures each year since FY 14-15, excluding FY 17-18 (refer to **Figure 20**). Based on the two most recently adopted budgets, CSA 2 may have enough funds to cover projected expenses. However, CSA representatives indicate that additional funds may be needed for operations and maintenance.

**Figure 20: Statement of Revenues & Expenditures**



## District Revenues

CSA 2's primary source of revenue is from Charges for Services. In FY 17-18, the District received revenue from three different sources: Charges for Services (\$91,681), Intergovernmental (\$2,875), and Interest and Investment Income (\$6,379). On average, the District receives approximately \$87,000 each year in service fees. **Table 18** highlights the total revenue received since 2013.

**Table 18: Total Revenue (FY 13-14 to FY 17-18)**

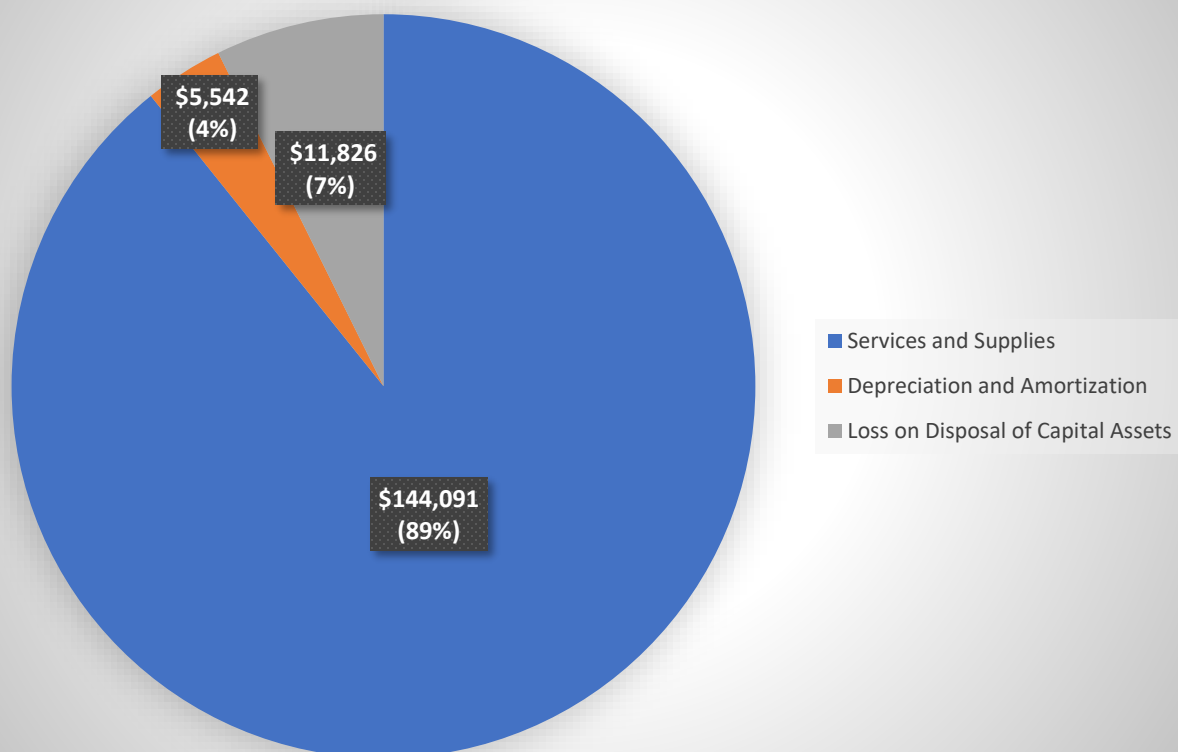
|                            | FY 13-14        | FY 14-15        | FY 15-16        | FY 16-17        | FY 17-18         | Average         |
|----------------------------|-----------------|-----------------|-----------------|-----------------|------------------|-----------------|
| Charges for Services       | \$82,983        | \$84,016        | \$87,150        | \$88,580        | \$91,681         | \$86,882        |
| Intergovernmental          | -               | -               | -               | -               | \$2,875          | -               |
| Interest Investment Income | <u>\$2,600</u>  | <u>\$1,940</u>  | <u>\$2,983</u>  | <u>\$4,467</u>  | <u>\$6,379</u>   | <u>\$3,674</u>  |
| <b>Total Revenue</b>       | <b>\$85,583</b> | <b>\$85,956</b> | <b>\$90,133</b> | <b>\$93,047</b> | <b>\$100,935</b> | <b>\$91,131</b> |

*Footnote: Intergovernmental revenue is derived from FEMA funds to repair failing stairs.*

## District Expenditures

CSA 2's total expenditures can be categorized into 3 budgetary groups: Services & Supplies, Depreciation & Amortization, and Loss on Disposal of Capital Assets. The figure below depicts the how funding is distributed by category. The District's primary expenditure is associated with operational and management costs, under Services and Supplies.

**Figure 21: FY 2017-18 Expenditure Breakdown**



## Assets & Liabilities

The following is an overview of CSA 2's assets and liabilities:

- District Assets: As of June 30, 2018, the District has \$595,469 in total assets. Cash and Investments represent 83% of total assets.
- District Liabilities: As of June 30, 2018, the District has \$16,398 in total liabilities. Accounts Payable is currently the only liability associated with CSA 2.

## Fund Balance/Net Position

As of June 30, 2018, the total fund balance is approximately \$579,071. The fund balance has gradually increased on an annual basis since 2013, as shown in **Table 19**. However, in FY 17-18, CSA 2 experienced a decrease in its net balance. This is primarily due to ongoing repairs towards the failing septic system. A full review of the District's assets, liabilities, and net position is shown in page 55 (refer to **Table 21**).

**Table 19: Fund Balance/Net Position**

|                                   | FY 13-14<br>(Audited) | FY 14-15<br>(Audited) | FY 15-16<br>(Audited) | FY 16-17<br>(Audited) | FY 17-18<br>(Audited) |
|-----------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>Net Position</b>               | <b>\$490,435</b>      | <b>\$526,410</b>      | <b>\$577,265</b>      | <b>\$639,595</b>      | <b>\$579,071</b>      |
| Change in (\$) from previous year |                       | \$35,975              | \$50,855              | \$62,330              | -\$60,524             |
| Change in (%) from previous year  |                       | 7%                    | 10%                   | 11%                   | -9%                   |

**Table 20: Total Revenues & Expenditures**

|                                   | <b>FY 13-14<br/>(Audit)</b> | <b>FY 14-15<br/>(Audit)</b> | <b>FY 15-16<br/>(Audit)</b> | <b>FY 16-17<br/>(Audit)</b> | <b>FY 17-18<br/>(Audit)</b> | <b>FY 18-19<br/>(Budget)</b> | <b>FY 19-20<br/>(Budget)</b> |
|-----------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|------------------------------|------------------------------|
| <b>REVENUE</b>                    |                             |                             |                             |                             |                             |                              |                              |
| Charges for Services              | \$ 82,983                   | \$ 84,016                   | \$ 87,150                   | \$ 88,580                   | \$ 91,681                   | \$ 94,285                    | \$ 157,022                   |
| Intergovernmental                 | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ 2,875                    | \$ -                         | \$ -                         |
| Interest and Investment Income    | \$ 2,600                    | \$ 1,940                    | \$ 2,983                    | \$ 4,467                    | \$ 6,379                    | \$ -                         | \$ -                         |
| Property Taxes                    | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ -                         | \$ -                         |
| Gain on Disposal of Capital Asset | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ -                         | \$ -                         |
| <b>Total Revenue</b>              | <b>\$ 85,583</b>            | <b>\$ 85,956</b>            | <b>\$ 90,133</b>            | <b>\$ 93,047</b>            | <b>\$ 100,935</b>           | <b>\$ 94,285</b>             | <b>\$ 157,022</b>            |
| <b>EXPENDITURE</b>                |                             |                             |                             |                             |                             |                              |                              |
| Services and Supplies             | \$ 16,752                   | \$ 44,439                   | \$ 33,736                   | \$ 25,175                   | \$ 144,091                  | \$ 72,480                    | \$ -                         |
| Depreciation and Amortization     | \$ 5,542                    | \$ 5,542                    | \$ 5,542                    | \$ 5,542                    | \$ 5,542                    | \$ 6,292                     | \$ -                         |
| Loss on Disposal of Capital Asset | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ 11,826                   | \$ -                         | \$ -                         |
| <b>Total Expenditure</b>          | <b>\$ 22,294</b>            | <b>\$ 49,981</b>            | <b>\$ 39,278</b>            | <b>\$ 30,717</b>            | <b>\$ 161,459</b>           | <b>\$ 78,772</b>             | <b>\$ 157,022</b>            |
| <b>Surplus/(Deficit)</b>          | <b>\$ 63,289</b>            | <b>\$ 35,975</b>            | <b>\$ 50,855</b>            | <b>\$ 62,330</b>            | <b>\$ (60,524)</b>          | <b>\$ 15,513</b>             | <b>\$ -</b>                  |
| Net Position - Beginning          | \$ 427,146                  | \$ 490,435                  | \$ 526,410                  | \$ 577,265                  | \$ 639,595                  | \$ 579,070                   | \$ 594,583                   |
| <b>Net Position - Ending</b>      | <b>\$ 490,435</b>           | <b>\$ 526,410</b>           | <b>\$ 577,265</b>           | <b>\$ 639,595</b>           | <b>\$ 579,071</b>           | <b>\$ 594,583</b>            | <b>\$ 594,583</b>            |

**Table 21: Total Assets & Liabilities**

|  | <b>FY 13-14<br/>(Audit)</b> | <b>FY 14-15<br/>(Audit)</b> | <b>FY 15-16<br/>(Audit)</b> | <b>FY 16-17<br/>(Audit)</b> | <b>FY 17-18<br/>(Audit)</b> |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| <b>ASSETS</b>                            |                             |                             |                             |                             |                             |
| <u>Current Assets</u>                    |                             |                             |                             |                             |                             |
| Cash and Investments                     | \$ 405,426                  | \$ 435,117                  | \$ 492,891                  | \$ 559,561                  | \$ 493,604                  |
| Restricted Cash                          | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ -                        |
| Receivables                              | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ -                        |
| <u>Non-Current Assets</u>                |                             |                             |                             |                             |                             |
| Loans Receivable                         | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ -                        |
| Capital Assets:                          |                             |                             |                             |                             |                             |
| Construction in Progress                 | \$ -                        | \$ 11,826                   | \$ 11,826                   | \$ 11,826                   | \$ 39,025                   |
| Buildings and Structures                 | \$ 188,209                  | \$ 188,209                  | \$ 188,209                  | \$ 188,209                  | \$ 188,208                  |
| Equipment                                | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ -                        |
| Accumulated Depreciation                 | \$ (103,200)                | \$ (108,742)                | \$ (114,284)                | \$ (119,826)                | \$ (125,368)                |
| <b>Total Assets</b>                      | <b>\$ 490,435</b>           | <b>\$ 526,410</b>           | <b>\$ 578,642</b>           | <b>\$ 639,770</b>           | <b>\$ 595,469</b>           |
| <b>LIABILITIES</b>                       |                             |                             |                             |                             |                             |
| <u>Current Liabilities</u>               |                             |                             |                             |                             |                             |
| Payables                                 | \$ -                        | \$ -                        | \$ 1,377                    | \$ 175                      | \$ 16,398                   |
| Current Portion of Long-term Liabilities | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ -                        |
| <u>Non-Current Liabilities</u>           |                             |                             |                             |                             |                             |
| Long-term Liabilities                    | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ -                        |
| <b>Total Liabilities</b>                 | <b>\$ -</b>                 | <b>\$ -</b>                 | <b>\$ 1,377</b>             | <b>\$ 175</b>               | <b>\$ 16,398</b>            |
| <b>NET POSITION</b>                      |                             |                             |                             |                             |                             |
| Net Investment in Capital Assets         | \$ 85,009                   | \$ 91,293                   | \$ 85,751                   | \$ 80,209                   | \$ 101,865                  |
| Restricted for Debt Service              | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ -                        |
| Unrestricted                             | \$ 405,426                  | \$ 435,117                  | \$ 491,514                  | \$ 559,386                  | \$ 477,206                  |
| <b>Total Net Position</b>                | <b>\$ 490,435</b>           | <b>\$ 526,410</b>           | <b>\$ 577,265</b>           | <b>\$ 639,595</b>           | <b>\$ 579,071</b>           |



## Governance

County Service Area 2 is a dependent special district governed by the County Board of Supervisors and managed by the Public Works Department. The current Board is as follows:

**Table 22: Board of Directors**

| Board Member    | Title    | Years of Service | Term of Office Expiration |
|-----------------|----------|------------------|---------------------------|
| Zach Friend     | Director | 7 years          | 1/2/2020                  |
| John Leopold    | Director | 11 years         | 1/2/2020                  |
| Ryan Coonerty   | Director | 5 years          | 1/2/2021                  |
| Greg Caput      | Director | 8 years          | 1/2/2021                  |
| Bruce McPherson | Director | 3 years          | 1/2/2020                  |

The Board of Directors meets on most Tuesdays in the Board of Supervisors' Chambers, 701 Ocean Street, Room 525. Meetings generally begin at 9:00am. Public notice is provided through posting. The County contracts for independent audits.

The County of Santa Cruz Public Works Department is responsible for the administration, engineering, maintenance, emergency response and construction of all County sanitation services. The department also manages various Board-governed special districts and CSAs. The Sanitation Operations unit is one of six organizational units within the Special Services Division of Public Works and provides operation and maintenance services to County sanitation districts and CSAs. Sanitation operations employees work in all Districts and CSAs. Each sanitation district is governed according to its specific code of regulations. The Districts' codes are very similar, and some sections are adopted by reference from the Santa Cruz County Sanitation District Code. CSAs are governed according to the Santa Cruz County Code of Regulations. Most of the County Code pertaining to sanitary sewer collection systems is adopted by reference from the SCCSD Code.

### Website Requirements

Senate Bill 929 was signed into law in September 2018 and requires all independent special districts to have and maintain a website by January 1, 2020. It outlines minimum website data requirements, including contact information, financial reports, and meeting agendas/minutes. While this new law does not apply to county service areas, the County should consider following the requirements outlined in the new law. The County's water and sewer webpage offers a number of useful resources including formation resolutions, service maps, and current sewer charges for each CSA that delivers sanitary services: <http://dpw.co.santa-cruz.ca.us/Home/SewerWater.aspx>. However, it is difficult to locate certain information and material. For example, there is no reference to staff reports or other supporting documents that provide background information on the CSA's annual sewer rates.

**LAFCO Staff Recommendation:** *It may be beneficial for the County to include links to staff reports or other supporting documents related to the annual sewer rates. Additionally, the webpage should include all past and future LAFCO service reviews involving CSA 2 as additional resource material.*

### Capital Improvement Plan

There is no specific capital improvement plan for CSA 2. The County has a countywide CIP to address the replacement of the aging sewer system, however, CSA 2 lacks funds to make all the improvements. The County of Public Works continually seek grant or loan funding to help finance these improvements.

***LAFCO Staff Recommendation:*** *The County should consider developing a specific capital improvement plan that covers the sanitation districts managed and operated by the Public Works Department – Davenport, Freedom, Santa Cruz County Sanitation Districts, and CSAs 2, 5, 7, 10, and 20.*

### Sewer System Management Plan

The State Water Resources Control Board regulates wastewater discharges to surface water (rivers, ocean, etc.) and to groundwater (via land). The State Water Board requires sanitation districts to follow the Statewide General Waste Discharge Requirements for Sanitary Sewer Systems. These requirements include the following:

- Sanitary Sewer Overflows are prohibited, and
- All Sanitary Sewer Overflow (SSOs), with the exception of Private Sewer Lateral Discharge (PLSDs), irrespective of size, must be reported to the State Water Board electronically using the California Integrated Water Quality System, and the Districts/CSAs must prepare and implement a Sewer System Management Plan (SSMP).

In 2017, the County adopted a Sewer System Management Plan to cover the management, operation and maintenance, design, construction and emergency response of the Davenport Sanitation District, Freedom Sanitation District, Santa Cruz County Sanitation District and County Service Areas sanitary sewer systems. However, it is LAFCO staff's understanding that CSA 2 is excluded from the County SSMP because the CSA does not meet the minimum requirements to enroll under the Waste Discharge Requirements.

***LAFCO Staff Recommendation:*** *The County should consider including CSA 2 in the County's Sewer System Management Plan to ensure that the Place de Mer community's sewer infrastructure has proper management and oversight for current and future needs.*

## **Opportunities & Challenges**

County Service Area 2 is significantly affected by aging infrastructure, escalating operational costs, and changes to state laws and regulations that may introduce new requirements without additional funding. These issues are common with other sanitation districts in Santa Cruz County. The following section discusses these challenges and identifies possible opportunities to ensure the delivery of wastewater services in an efficient and effective manner.

## **Infrastructure Deficiencies**

In 2019, Sanitation Operations staff investigated the cause of the failing septic tank system and found that the pipe for the leach pits has collapsed in some areas and caused sewage to flow back to the undersized and corroded precast concrete septic tanks. Biosphere Consulting Incorporated (Biosphere) of Santa Cruz, California was retained to design the improvements of the wastewater treatment system to serve Place De Mer. A design was completed and submitted to the Regional Water Quality Control Board (RWQCB) for approval. The RWQCB is requiring further soils testing and an enhanced wastewater treatment system.

Due to the wet weather causing infiltration into the septic tanks and the ongoing work by Biosphere, it is necessary to transfer funds from the capital reserves to operations and structures and improvements. A total of \$130,000 is required to cover the maintenance and the replacement tanks and leach pit design costs. The CSA does not have the reserves to pay for the required septic system upgrades. Currently, CSA 2 is seeking a loan. If there is a system failure that occurs and must be fixed on an emergency basis, the CSA may require additional funds to fix the issue.

Infrastructure improvements continues to be an ongoing issue for not only CSA 2, but rather, most of the sanitation districts throughout the County. The County may consider adopting a long-term capital improvement plan for CSA 2 to ensure scheduled and unforeseen repairs and replacements are adequately funded.

## **Regional Collaboration**

Several sanitation districts, including entities managed and operated by the County, have expressed interest in transferring sewer responsibilities to another agency due to funding issues, limited long-term planning, or lack of economies of scale. Establishment of a countywide memorandum of understanding or a joint powers authority may unify the already-established collaboration set by the sanitation providers in the county. Such agreements may also lay the foundation for future changes of organization, including but not limited to annexations, consolidations, or mergers.

## **Sphere of Influence**

LAFCO originally adopted a coterminous sphere of influence for the District in 1988. A coterminous sphere of influence is identical to the agency's jurisdictional boundary. For the past 30 years, the sphere boundary has remained unchanged. LAFCO staff, along with representatives of CSA 2, do not recommend any changes to the sphere of influence at this time. **Figure 22** shows the current sphere of influence boundary for CSA 2.

Figure 22: CSA 2's Current Sphere Map



## District Summary

| County Service Area 2 (Place de Mer) |   |
|--------------------------------------|---|
| <b>Formation</b>                     | California Government Code, section 25210.1 et seq.<br>(County Service Area Law)  |
| <b>Board of Directors</b>            | 5 members, elected at-large to four-year terms  |
| <b>Contact Person</b>                | Beatriz Barranco, Senior Engineer, Sanitation Operations  |
| <b>Employees</b>                     | 1 full-time employee (approximately)  |
| <b>Facilities</b>                    | Two-pump station community septic tank system;<br>97 connections  |
| <b>District Area</b>                 | 12.8 acres (0.02 square miles)  |
| <b>Sphere of Influence</b>           | Coterminous with District (i.e. no sphere beyond existing jurisdictional boundary)  |
| <b>FY 2019-20 Budget</b>             | Total Revenue = \$157,022<br><br>Total Expenditure = \$157,022<br><br>Projected Net Position (Beginning Balance) = \$594,583  |
| <b>Contact Information</b>           | Mailing Address: 701 Ocean Street, Santa Cruz CA 95060<br><br>Phone Number: (831) 477-3907<br><br>Email Address: <a href="mailto:Beatriz.Barranco@santacruzcounty.us">Beatriz.Barranco@santacruzcounty.us</a><br><br>Website: <a href="http://dpw.co.santa-cruz.ca.us/Home/SewerWater.aspx">http://dpw.co.santa-cruz.ca.us/Home/SewerWater.aspx</a> |
| <b>Public Meetings</b>               | The Board regularly meets on most Tuesdays in the Board of Supervisors' Chambers, 701 Ocean St, Rm. 525. Meetings generally begin at 9:00 am.   |
| <b>Mission Statement</b>             | The CSA does not have a published mission statement. However, their mission aligns with the published mission statement for the Santa Cruz County Sanitation District.  |

## **Service and Sphere Review Determinations**

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The following service and sphere review determinations fulfill the requirements outlined in the Cortese-Knox-Hertzberg Act. The County was instrumental in addressing the determinations by responding to a survey sent by LAFCO in June 2019. **Appendix B** provides a copy of the District's survey response.

### **Service Provision Determinations**

Government Code Section 56430 requires LAFCO to conduct a municipal service review before, or in conjunction with, an action to establish or update a sphere of influence. Written statements of determination must be prepared with respect to each of the following:

**1. Growth and population projections for the affected area.**

The Place de Mer subdivision is an ocean-front residential development in La Selva Beach that is substantially built-out. There are no growth projections available for CSA 2. In general, the Santa Cruz County unincorporated area is projected to have slow growth over the next fifteen years. The County Public Works Department estimates that the population within CSA 2 is approximately 168. Based on the growth rate of approximately 1% for the unincorporated areas in the County, LAFCO staff projects that CSA 2's entire population in 2020 will be around 170.

**2. The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence.**

In 2017, the California statewide median household income was \$67,169, and 80% of that was \$53,735. LAFCO staff utilized the ArcGIS mapping program to locate potential DUCs in the County. Based on the criteria set forth by SB 244, staff's analysis indicates that there are no areas in CSA 2 designated as a disadvantaged unincorporated community.

**3. 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.**

County Service Area 2 has been collecting and disposing wastewater from the ocean-front townhome development in La Selva Beach, known as Place de Mer, since the construction of the septic system back in 1972. The current two-pump station community septic tank system has 97 connections and serves about 168 residents.

**4. Financial ability of agencies to provide services.**

County Service Area 2's financial ability to provide services is well-established. The CSA has successfully kept costs below its revenue stream since 2013. Audited financial statements from Fiscal Years 2013 to 2017 indicate that total revenue for CSA 2 exceeded total expenditures. However, the CSA experienced a deficit in FY 2017-18. As of June 30, 2018, CSA 2 is operating with a net position of approximately \$579,000, of which \$493,000 is in cash and investments.



**5. Status of, and opportunities for, shared facilities.**

Several sanitation districts, including entities managed and operated by the County, have expressed interest in transferring sewer responsibilities to another agency due to funding issues, limited long-term planning, or lack of economies of scale. Establishment of a countywide memorandum of understanding or a joint powers authority may unify the already-established collaboration set by the sanitation providers in the county. Such agreements may also lay the foundation for future changes of organization, including but not limited to annexations, consolidations, or mergers.

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

The County currently has a countywide capital improvement plan and a specific capital improvement plan for the Santa Cruz County Sanitation District. Additionally, the County has adopted a Sewer System Management Plan. However, CSA 2 does not have any current or proposed sewer-related capital improvement projects scheduled at this time.

The County has indicated that the existing community septic tank system is undersized and requires new larger tanks and new leach pits. Estimated costs for these upgrades are expected to be around \$1-2 million. CSA 2 does not have the reserves to pay for the required septic system upgrade. The County should consider developing a long-term maintenance plan to identify adequate funding in order to address current and future maintenance, replacement, and/or upgrades to an aging infrastructure.

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

No additional local LAFCO policies are specifically relevant to this service and sphere review.

## **Sphere of Influence Determinations**

Government Code Section 56425 requires LAFCO to periodically review and update spheres of influence in concert with conducting municipal service reviews. Spheres are used as regional planning tools to discourage urban sprawl and encourage orderly growth. Written statements of determination must be prepared with respect to each of the following:

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

The Place de Mer subdivision is an ocean-front residential development in La Selva Beach that is substantially built-out. There are no agricultural or open-space lands within the service area.

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

The Place de Mer subdivision is an ocean-front residential development in La Selva Beach that is substantially built-out. Based on the growth rate of approximately 1% for the unincorporated areas in the County, LAFCO staff projects that CSA 2's entire population in 2020 will be around 170.

LAFCO originally adopted a coterminous sphere of influence for the District in 1988. A coterminous sphere of influence is identical to the agency's jurisdictional boundary. For the past 30 years, the sphere boundary has remained unchanged. LAFCO staff, along with representatives of CSA 2, do not recommend any changes to the sphere of influence at this time.

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

CSA 2 Place De Mer has an aging septic system that services the privately-owned residential properties. The system is maintained by the County of Santa Cruz. Based on staff's analysis, CSA 2 has 97 connections with 0.4 miles of sewer lines and 2 pump stations. Annual sewer charges are the District's primary source of revenue.

**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.**

LAFCO staff is not aware of any social or economic communities of interest in the area. The CSA's service area is primarily residential units.

**5. For an update of a 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, that occurs pursuant to subdivision (g) on or after July 1, 2012, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.**

Neither the County nor LAFCO has identified any sub-area within or contiguous to the District's service or sphere boundaries that meet the definition of a disadvantaged unincorporated community. That said, CSA 2 has adequate transmission and treatment capacity for the present and planned facilities within the sphere of influence. The CSA's principal needs are repair and replacement of aging infrastructure.

## COUNTY SERVICE AREA 5 (SAND DOLLAR/CANON DEL SOL)

### District Overview

County Service Area 5 serves the Sand Dollar Beach and Canon Del Sol subdivisions totaling 640 acres (1.0 square miles). The wastewater system consists of two on-site interconnected package treatment plants that provide secondary treatment. The Sand Dollar treatment plant was constructed in 1967 and the Canon del Sol treatment plant was constructed in 1982. **Figure 25**, on page 68, is a vicinity map of the service area.

### Population & Growth

The Sand Dollar/Canon del Sol subdivisions are considered to be built-out. There are no growth projections available for CSA 5. In general, the Santa Cruz County unincorporated area is projected to have slow growth over the next fifteen years. The County Public Works Department estimates that the population within CSA 5 is approximately 218. Based on the growth rate of approximately 1% for the unincorporated areas in the County, LAFCO staff projects that CSA 5's entire population in 2020 will be around 220. The projected population for CSA 5 are as follows:

**Table 23: Projected Population**

|                                    | 2020       | 2025       | 2030       | 2035       | Growth Rate |
|------------------------------------|------------|------------|------------|------------|-------------|
| Santa Cruz County (unincorporated) | 136,891    | 137,896    | 139,105    | 140,356    | 1%          |
| <b>CSA 5</b>                       | <b>220</b> | <b>222</b> | <b>225</b> | <b>227</b> | <b>1%</b>   |

*Source: AMBAG 2018 Regional Growth Forecast*

### Disadvantaged Unincorporated Communities

State law requires LAFCO to identify and describe all “disadvantaged unincorporated communities” (DUC) located within or contiguous to the existing spheres of influence of cities and special districts that provide fire protection, sewer, and/or water services. DUCs are defined as inhabited unincorporated areas with an annual median household income that is 80% or less than the statewide annual median household income.

In 2017, the California statewide median household income was \$67,169<sup>9</sup>, and 80% of that was \$53,735. LAFCO staff utilized the ArcGIS mapping program to locate potential DUCs in the County. Based on the criteria set forth by SB 244, staff's analysis indicates that there are no areas in CSA 5 designated as a DUC.

### Services & Operations

CSA 5 has an aging package treatment plant that serves single family homes in the Sand Dollar community and condominiums in the Canon del Sol community. The plant is maintained by the County of Santa Cruz. Based on the County's 2017 Sewer System Management Plan, CSA 5 has 184 connections with 1.15 miles of gravity sewer lines, 0.53 miles of force main lines, and 2 pump stations. Annual sewer charges are the District's primary source of revenue.

<sup>9</sup> 2013-2017 American Community Survey 5-year Estimates

## Sewer Rates

At present, CSA 5's annual sewer rates derive from the single-family residential units in the Sand Dollar subdivision and the condominiums in the Canon del Sol subdivision. Each community has its own sewer rate. **Table 24** shows the gradual increase in annual rates during the last seven years.

**Table 24: Annual Sewer Rates**

|               | FY 13-14   | FY 14-15   | FY 15-16   | FY 16-17   | FY 17-18   | FY 18-19   | FY 19-20   |
|---------------|------------|------------|------------|------------|------------|------------|------------|
| Sand Dollar   | \$1,500.00 | \$1,533.00 | \$1,575.92 | \$1,616.88 | \$1,673.47 | \$1,722.00 | \$1,799.49 |
| Canon del Sol | \$1,257.88 | \$1,285.54 | \$1,321.52 | \$1,355.86 | \$1,403.32 | \$1,444.02 | \$1,509.00 |

Pursuant to Santa Cruz County Code Section 4.26, the Director of Public Works must annually compute the benefit assessment/service charge rates for CSAs and submit a report to the Board of Supervisors describing each parcel of real property receiving the special benefit and the amount of the charge per CSA for each parcel for the upcoming fiscal year.

CSA fees are considered benefit assessments, and any rate increase (except for preapproved annual Consumer Price Index (CPI) increases) must comply with Proposition 218 procedures. These procedures require that an increase is approved by at least half of the votes cast by the property owners, with the votes weighted according to the amount of the proposed assessment of each parcel. Furthermore, a public hearing must be held to consider any protests to the proposed increase. The following tables (**Tables 25 to 26**) depict the change in dollar amount and percentage for each specific zone.

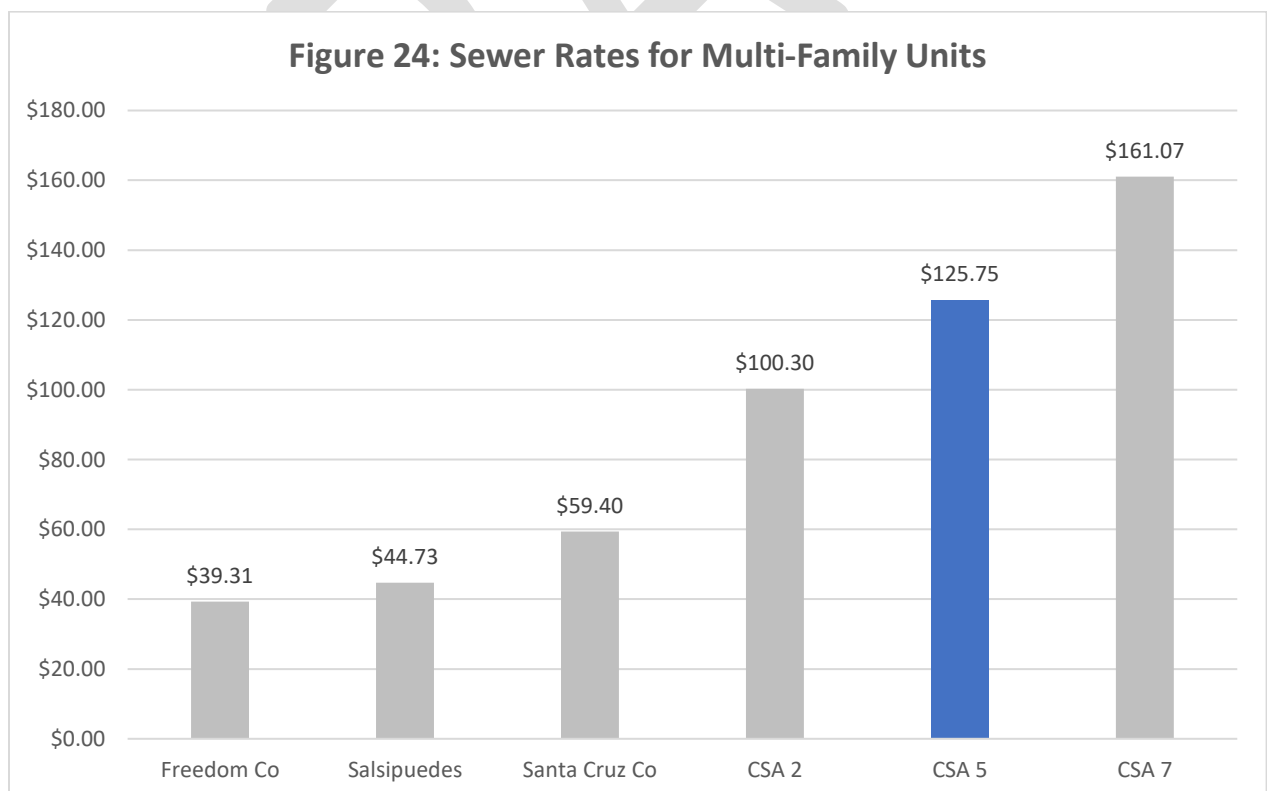
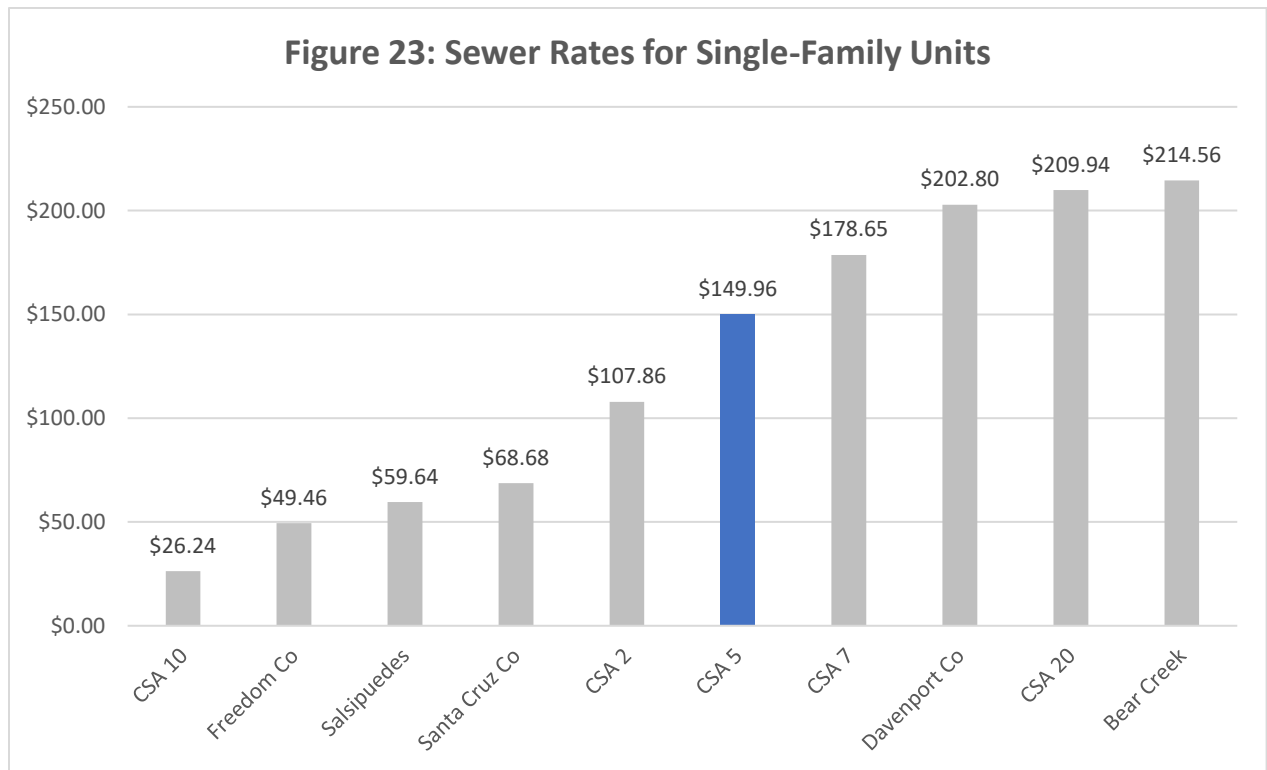
**Table 25: Sand Dollar Subdivision's Annual Sewer Rates Review**

|                    | FY 13-14          | FY 14-15          | FY 15-16          | FY 16-17          | FY 17-18          | FY 18-19          | FY 19-20          | Average Change |
|--------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|----------------|
| <b>Sand Dollar</b> | <b>\$1,500.00</b> | <b>\$1,533.00</b> | <b>\$1,575.92</b> | <b>\$1,616.88</b> | <b>\$1,673.47</b> | <b>\$1,722.00</b> | <b>\$1,799.49</b> |                |
| Change (\$)        |                   | \$33.00           | \$42.92           | \$40.96           | \$56.59           | \$48.53           | \$77.49           | \$49.92        |
| Change (%)         |                   | 2%                | 3%                | 3%                | 3%                | 3%                | 5%                | 3%             |

**Table 26: Canon del Sol Subdivision's Annual Sewer Rates Review**

|                      | FY 13-14          | FY 14-15          | FY 15-16          | FY 16-17          | FY 17-18          | FY 18-19          | FY 19-20          | Average Change |
|----------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|----------------|
| <b>Canon del Sol</b> | <b>\$1,257.88</b> | <b>\$1,285.54</b> | <b>\$1,321.52</b> | <b>\$1,355.86</b> | <b>\$1,403.32</b> | <b>\$1,444.02</b> | <b>\$1,509.00</b> |                |
| Change (\$)          |                   | \$27.66           | \$35.98           | \$34.34           | \$47.46           | \$40.70           | \$64.98           | \$41.85        |
| Change (%)           |                   | 2%                | 3%                | 3%                | 4%                | 3%                | 4%                | 3%             |

When comparing the sewer rates with the other sanitation districts analyzed in this report, CSA 5 is ranked sixth in charges towards single family units (\$149.96/month) and ranked the second highest in charges towards multi-family units (\$125.75/month). Sewer rate comparisons are shown in the following figures (**Figures 23 to 24**).





### Infrastructure Summary

CSA 5 operates two separate treatment plants and serves over 200 residents. It currently has 184 connections and approximately 1.2 miles of sewer line. **Table 27** provides an overview of the type of service and current infrastructure:

**Table 27: Infrastructure Summary**

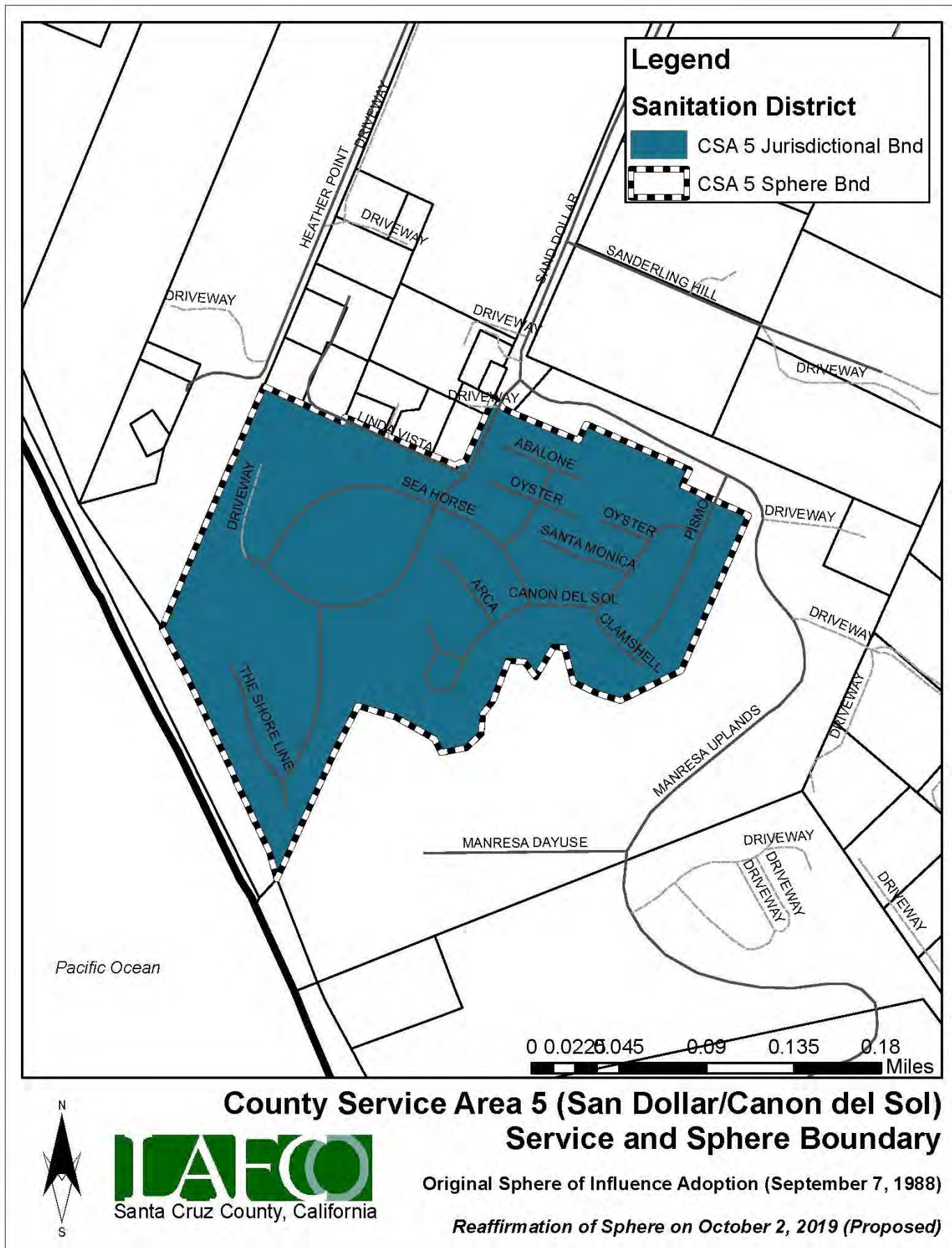
|       | Type of System    | Treatment Level | No. of Connections | No. of Lift Stations | Miles of Sewer Line |
|-------|-------------------|-----------------|--------------------|----------------------|---------------------|
| CSA 5 | Package Treatment | Secondary       | 184                | 2                    | 1.15                |

The Public Works Department has indicated that a grating must be installed over the aeration tank. Such installation is estimated to cost CSA 5 approximately \$110,000. Infrastructure improvements continues to be an ongoing issue for not only CSA 5, but rather, most of the sanitation districts throughout the County.





**Figure 25: CSA 5's Vicinity Map**



## Finances

This section will highlight the District's audited financial performance during the most recent fiscal years. Fiscal Year 2017-18 is the latest audited financial statement available. A comprehensive analysis of the District's financial performance during the past 5 years is shown in **Tables 30** and **31**, on pages 72 and 73.

At the end of Fiscal Year 2017-18, total revenue collected was \$281,483, representing a 4% increase from the previous year (\$271,676 in FY 16-17). Total expenses for FY 17-18 were \$313,146, which increased from the previous year by approximately \$62,000 (\$250,779 in FY 16-17).

As shown in the figure below, the District's total revenues have typically been above total expenditures in 3 of the last 5 fiscal years (refer to **Figure 26**). Based on the two most recently adopted budgets, LAFCO staff believes that CSA 5 may not have enough funds to cover anticipated expenses.

**Figure 26: Statement of Revenues & Expenditures**



## District Revenues

CSA 5's primary source of revenue is from Charges for Services. In FY 17-18, the District received revenue from two different sources: Charges for Services (\$277,507) and Interest and Investment Income (\$3,976). On average, the District receives approximately \$263,000 each year in service fees. **Table 28** highlights the total revenue received since 2013.

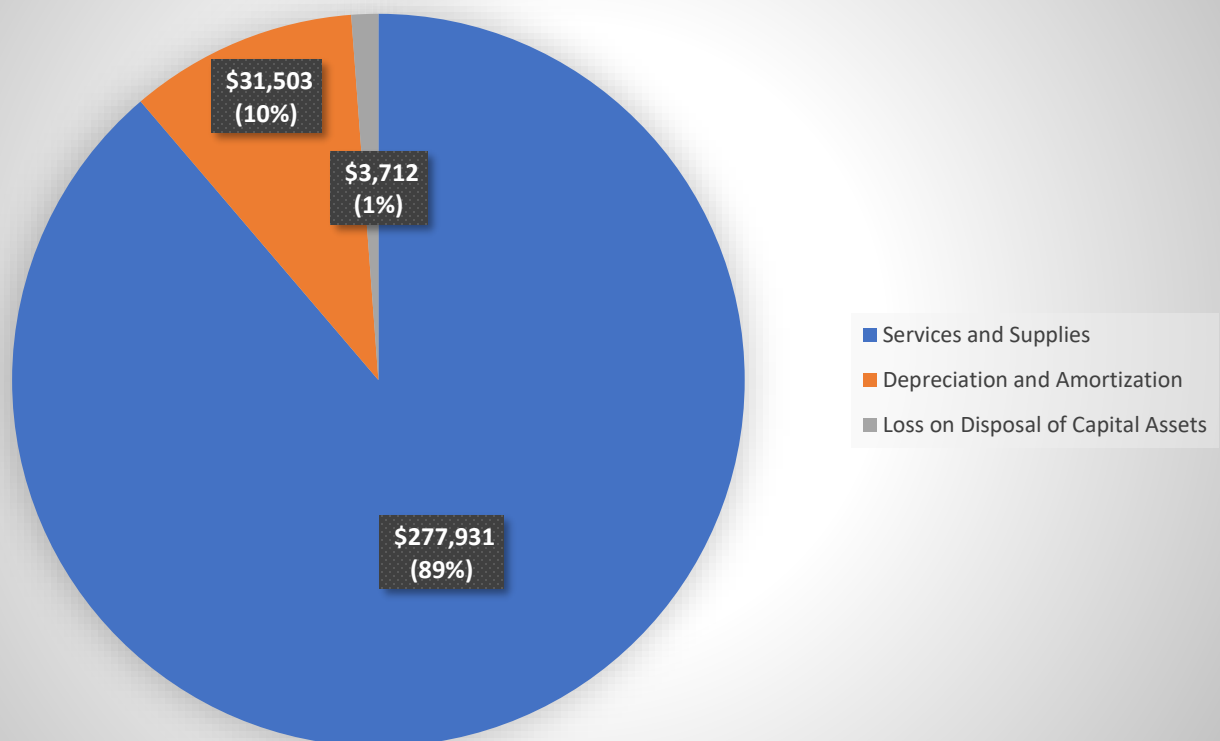
**Table 28: Total Revenue (FY 13-14 to FY 17-18)**

|                            | FY 13-14       | FY 14-15     | FY 15-16       | FY 16-17       | FY 17-18       | Average          |
|----------------------------|----------------|--------------|----------------|----------------|----------------|------------------|
| Charges for Services       | \$249,989      | \$255,488    | \$262,640      | \$269,464      | \$277,507      | \$263,018        |
| Interest Investment Income | <u>\$1,013</u> | <u>\$754</u> | <u>\$1,361</u> | <u>\$2,212</u> | <u>\$3,976</u> | <u>\$1,863</u>   |
| <b>Total Revenue</b>       | \$251,002      | \$256,242    | \$264,001      | \$271,676      | \$281,483      | <b>\$264,881</b> |

## District Expenditures

CSA 5's total expenditures can be categorized into 3 budgetary groups: Services & Supplies, Depreciation & Amortization, and Loss on Disposal of Capital Assets. The figure below depicts the how funding is distributed by category. The District's primary expenditure is associated with operational and management costs, under Services and Supplies.

**Figure 27: FY 2017-18 Expenditure Breakdown**



## Assets & Liabilities

The following is an overview of CSA 5's assets and liabilities:

- District Assets: As of June 30, 2018, the District has \$790,073 in total assets. Cash and Investments represent 39% of total assets.
- District Liabilities: As of June 30, 2018, the District has \$1,671 in total liabilities. Accounts Payable is currently the only liability associated with CSA 5.

## Fund Balance/Net Position

As of June 30, 2018, the total fund balance is approximately \$788,402. The fund balance has fluctuated since 2013, as shown in the following table. In FY 17-18, CSA 5 experienced a decrease of over \$30,000. This is primarily due to ongoing repairs towards the failing sewer lines. A full review of the District's assets, liabilities, and net position is shown in page 73 (refer to **Table 29**).

**Table 29: Fund Balance/Net Position**

|                                   | <b>FY 13-14<br/>(Audited)</b> | <b>FY 14-15<br/>(Audited)</b> | <b>FY 15-16<br/>(Audited)</b> | <b>FY 16-17<br/>(Audited)</b> | <b>FY 17-18<br/>(Audited)</b> |
|-----------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| <b>Net Position</b>               | <b>\$797,743</b>              | <b>\$778,520</b>              | <b>\$799,168</b>              | <b>\$820,065</b>              | <b>\$788,402</b>              |
| Change in (\$) from previous year |                               | -\$19,223                     | \$20,648                      | \$20,897                      | -\$31,663                     |
| Change in (%) from previous year  |                               | -2%                           | 3%                            | 3%                            | -4%                           |

**Table 30: Total Revenues & Expenditures**

|                                    | <b>FY 13-14<br/>(Audit)</b> | <b>FY 14-15<br/>(Audit)</b> | <b>FY 15-16<br/>(Audit)</b> | <b>FY 16-17<br/>(Audit)</b> | <b>FY 17-18<br/>(Audit)</b> | <b>FY 18-19<br/>(Budget)</b> | <b>FY 19-20<br/>(Budget)</b> |
|------------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|------------------------------|------------------------------|
| <b>REVENUE</b>                     |                             |                             |                             |                             |                             |                              |                              |
| Charges for Services               | \$ 249,989                  | \$ 255,488                  | \$ 262,640                  | \$ 269,464                  | \$ 277,507                  | \$ 286,985                   | \$ -                         |
| Intergovernmental                  | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ -                         | \$ -                         |
| Interest and Investment Income     | \$ 1,013                    | \$ 754                      | \$ 1,361                    | \$ 2,212                    | \$ 3,976                    | \$ 2,200                     | \$ -                         |
| Property Taxes                     | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ -                         | \$ -                         |
| St-Homeowners Prop Tax Relief      | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ 656                       | \$ -                         |
| Gain on Disposal of Capital Assets | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ -                         | \$ -                         |
| <b>Total Revenue</b>               | <b>\$ 251,002</b>           | <b>\$ 256,242</b>           | <b>\$ 264,001</b>           | <b>\$ 271,676</b>           | <b>\$ 281,483</b>           | <b>\$ 289,841</b>            | <b>\$ 165,669</b>            |
| <b>EXPENDITURE</b>                 |                             |                             |                             |                             |                             |                              |                              |
| Services and Supplies              | \$ 199,596                  | \$ 240,547                  | \$ 208,435                  | \$ 217,457                  | \$ 277,931                  | \$ 265,350                   | \$ -                         |
| Depreciation and Amortization      | \$ 34,917                   | \$ 34,918                   | \$ 34,918                   | \$ 33,322                   | \$ 31,503                   | \$ 33,478                    | \$ -                         |
| Loss on Disposal of Capital Assets | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ 3,712                    | \$ -                         | \$ -                         |
| <b>Total Expenditure</b>           | <b>\$ 234,513</b>           | <b>\$ 275,465</b>           | <b>\$ 243,353</b>           | <b>\$ 250,779</b>           | <b>\$ 313,146</b>           | <b>\$ 298,828</b>            | <b>\$ 165,669</b>            |
| <b>Surplus/(Deficit)</b>           | <b>\$ 16,489</b>            | <b>\$ (19,223)</b>          | <b>\$ 20,648</b>            | <b>\$ 20,897</b>            | <b>\$ (31,663)</b>          | <b>\$ (8,987)</b>            | <b>\$ -</b>                  |
| Net Position - Beginning           | \$ 781,254                  | \$ 797,743                  | \$ 778,520                  | \$ 799,168                  | \$ 820,065                  | \$ 788,401                   | \$ 779,414                   |
| <b>Net Position - Ending</b>       | <b>\$ 797,743</b>           | <b>\$ 778,520</b>           | <b>\$ 799,168</b>           | <b>\$ 820,065</b>           | <b>\$ 788,402</b>           | <b>\$ 779,414</b>            | <b>\$ 779,414</b>            |

**Table 31: Total Assets & Liabilities**

|  | <b>FY 13-14<br/>(Audit)</b> | <b>FY 14-15<br/>(Audit)</b> | <b>FY 15-16<br/>(Audit)</b> | <b>FY 16-17<br/>(Audit)</b> | <b>FY 17-18<br/>(Audit)</b> |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| <b>ASSETS</b>                            |                             |                             |                             |                             |                             |
| <u>Current Assets</u>                    |                             |                             |                             |                             |                             |
| Cash and Investments                     | \$ 180,438                  | \$ 196,065                  | \$ 254,185                  | \$ 309,911                  | \$ 311,073                  |
| Restricted Cash                          | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ -                        |
| Receivables                              | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ -                        |
| <u>Non-Current Assets</u>                |                             |                             |                             |                             |                             |
| Loans Receivable                         | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ -                        |
| Capital Assets:                          |                             |                             |                             |                             |                             |
| Construction in Progress                 | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ -                        |
| Buildings and Structures                 | \$ 917,969                  | \$ 917,969                  | \$ 917,969                  | \$ 917,969                  | \$ 908,969                  |
| Equipment                                | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ -                        |
| Accumulated Depreciation                 | \$ (300,596)                | \$ (335,514)                | \$ (370,432)                | \$ (403,754)                | \$ (429,969)                |
| <b>Total Assets</b>                      | <b>\$ 797,811</b>           | <b>\$ 778,520</b>           | <b>\$ 801,722</b>           | <b>\$ 824,126</b>           | <b>\$ 790,073</b>           |
| <b>LIABILITIES</b>                       |                             |                             |                             |                             |                             |
| <u>Current Liabilities</u>               |                             |                             |                             |                             |                             |
| Payables                                 | \$ 68                       | \$ -                        | \$ 2,554                    | \$ 4,061                    | \$ 1,671                    |
| Current Portion of Long-term Liabilities | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ -                        |
| <u>Non-Current Liabilities</u>           |                             |                             |                             |                             |                             |
| Long-term Liabilities                    | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ -                        |
| <b>Total Liabilities</b>                 | <b>\$ 68</b>                | <b>\$ -</b>                 | <b>\$ 2,554</b>             | <b>\$ 4,061</b>             | <b>\$ 1,671</b>             |
| <b>NET POSITION</b>                      |                             |                             |                             |                             |                             |
| Net Investment in Capital Assets         | \$ 617,373                  | \$ 582,455                  | \$ 547,537                  | \$ 514,214                  | \$ 479,000                  |
| Restricted for Debt Service              | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ -                        |
| Unrestricted                             | \$ 180,370                  | \$ 196,065                  | \$ 251,631                  | \$ 305,851                  | \$ 309,402                  |
| <b>Total Net Position</b>                | <b>\$ 797,743</b>           | <b>\$ 778,520</b>           | <b>\$ 799,168</b>           | <b>\$ 820,065</b>           | <b>\$ 788,402</b>           |



## Governance

County Service Area 5 is a dependent special district governed by the County Board of Supervisors and managed by the Public Works Department. The current Board is as follows:

**Table 32: Board of Directors**

| Board Member    | Title    | Years of Service | Term of Office Expiration |
|-----------------|----------|------------------|---------------------------|
| Zach Friend     | Director | 7 years          | 1/2/2020                  |
| John Leopold    | Director | 11 years         | 1/2/2020                  |
| Ryan Coonerty   | Director | 5 years          | 1/2/2021                  |
| Greg Caput      | Director | 8 years          | 1/2/2021                  |
| Bruce McPherson | Director | 3 years          | 1/2/2020                  |

The Board of Directors meets on most Tuesdays in the Board of Supervisors' Chambers, 701 Ocean Street, Room 525. Meetings generally begin at 9:00am. Public notice is provided through posting. The County contracts for independent audits.

The County of Santa Cruz Public Works Department is responsible for the administration, engineering, maintenance, emergency response and construction of all County sanitation services. The department also manages various Board-governed special districts and CSAs. The Sanitation Operations unit is one of six organizational units within the Special Services Division of Public Works and provides operation and maintenance services to County sanitation districts and CSAs. Sanitation operations employees work in all Districts and CSAs. Each sanitation district is governed according to its specific code of regulations. The Districts' codes are very similar, and some sections are adopted by reference from the Santa Cruz County Sanitation District Code. CSAs are governed according to the Santa Cruz County Code of Regulations. Most of the County Code pertaining to sanitary sewer collection systems is adopted by reference from the SCCSD Code.

### Website Requirements

Senate Bill 929 was signed into law in September 2018 and requires all independent special districts to have and maintain a website by January 1, 2020. It outlines minimum website data requirements, including contact information, financial reports, and meeting agendas/minutes. While this new law does not apply to county service areas, the County should consider following the requirements outlined in the new law. The County's water and sewer webpage offers a number of useful resources including formation resolutions, service maps, and current sewer charges for each CSA that delivers sanitary services: <http://dpw.co.santa-cruz.ca.us/Home/SewerWater.aspx>. However, it is difficult to locate certain information and material. For example, there is no reference to staff reports or other supporting documents that provide background information on the CSA's annual sewer rates.

**LAFCO Staff Recommendation:** *It may be beneficial for the County to include links to staff reports or other supporting documents related to the annual sewer rates. Additionally, the webpage should include all past and future LAFCO service reviews involving CSA 5 as additional resource material.*

### Capital Improvement Plan

There is no specific capital improvement plan for CSA 5. The County has a countywide CIP to address the replacement of the aging sewer system, however, CSA 5 lacks funds to make all the improvements. The County of Public Works continually seek grant or loan funding to help finance these improvements.

***LAFCO Staff Recommendation:*** *The County should consider developing a specific capital improvement plan that covers the sanitation districts managed and operated by the Public Works Department – Davenport, Freedom, Santa Cruz County Sanitation Districts, and CSAs 2, 5, 7, 10, and 20.*

### Sewer System Management Plan

The State Water Resources Control Board regulates wastewater discharges to surface water (rivers, ocean, etc.) and to groundwater (via land). The State Water Board requires sanitation districts to follow the Statewide General Waste Discharge Requirements for Sanitary Sewer Systems. These requirements include the following:

- Sanitary Sewer Overflows are prohibited, and
- All Sanitary Sewer Overflow (SSOs), with the exception of Private Sewer Lateral Discharge (PLSDs), irrespective of size, must be reported to the State Water Board electronically using the California Integrated Water Quality System, and the Districts/CSAs must prepare and implement a Sewer System Management Plan (SSMP).

In 2017, the County adopted a Sewer System Management Plan to cover the management, operation and maintenance, design, construction and emergency response of the Davenport Sanitation District, Freedom Sanitation District, Santa Cruz County Sanitation District and County Service Areas sanitary sewer systems, including CSA 5.

## **Opportunities & Challenges**

County Service Area 5 is significantly affected by aging infrastructure, escalating operational costs, and changes to state laws and regulations that may introduce new requirements without additional funding. These issues are common with other sanitation districts in Santa Cruz County. The following section discusses these challenges and identifies possible opportunities to ensure the delivery of wastewater services in an efficient and effective manner.

### **Infrastructure Deficiencies**

The Sand Dollar and Canon Del Sol subdivisions each have a small onsite wastewater treatment plant system that treat the domestic water from the surrounding residential homes. In 2019, it was determined that the treatment plants each required additional maintenance to address failing equipment. Due to the unanticipated hours to operate the treatment plants, the Board of Supervisors transferred funds from the Capital Reserves to Maintenance and Operations for Sand Dollar and Canon Del Sol. A total of \$25,000 was required from Sand Dollar Capital Reserves and \$25,000 was required from Canon Del Sol Capital Reserves to cover maintenance and operation costs of each treatment plant for the remainder of the fiscal year.

Infrastructure improvements continues to be an ongoing issue for not only CSA 5, but rather, most of the sanitation districts throughout the County. The County may consider adopting a long-term capital improvement plan for CSA 5 to ensure scheduled and unforeseen repairs and replacements are adequately funded.

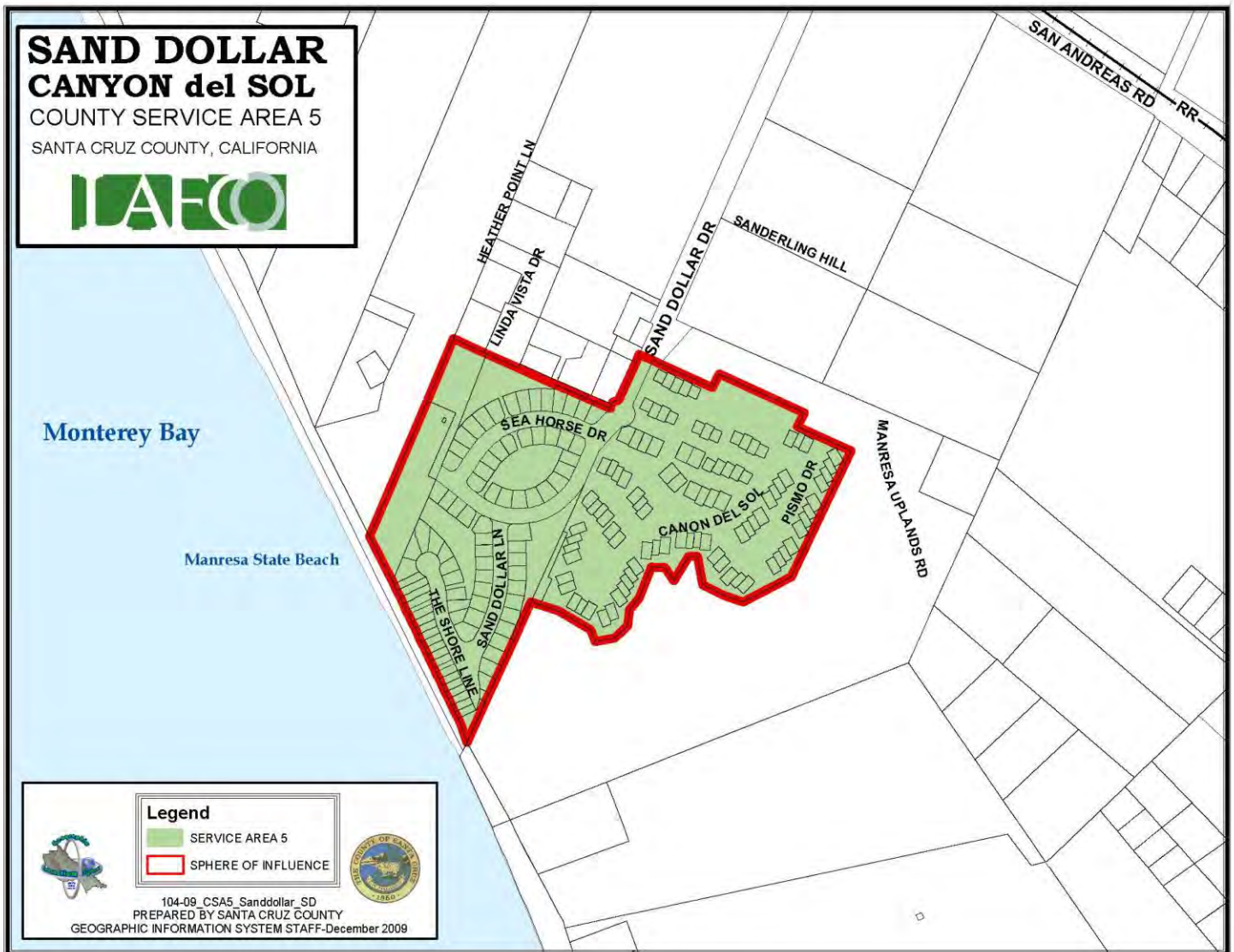
### **Regional Collaboration**

Several sanitation districts, including entities managed and operated by the County, have expressed interest in transferring sewer responsibilities to another agency due to funding issues, limited long-term planning, or lack of economies of scale. Establishment of a countywide memorandum of understanding or a joint powers authority may unify the already-established collaboration set by the sanitation providers in the county. Such agreements may also lay the foundation for future changes of organization, including but not limited to annexations, consolidations, or mergers.

### **Sphere of Influence**

LAFCO originally adopted a coterminous sphere of influence for the District in 1988. A coterminous sphere of influence is identical to the agency's jurisdictional boundary. For the past 30 years, the sphere boundary has remained unchanged. LAFCO staff, along with representatives of CSA 5, do not recommend any changes to the sphere of influence at this time. **Figure 28** shows the current sphere of influence boundary for CSA 5.

Figure 28: CSA 5's Current Sphere Map



## District Summary

| County Service Area 5 (Sand Dollar/Canyon del Sol) |   |
|--|---|
| <b>Formation</b>                                   | California Government Code, section 25210.1 et seq.<br>(County Service Area Law)  |
| <b>Board of Directors</b>                          | 5 members, elected at-large to four-year terms  |
| <b>Contact Person</b>                              | Beatriz Barranco, Senior Engineer, Sanitation Operations  |
| <b>Employees</b>                                   | 2 full-time employees (approximately)   |
| <b>Facilities</b>                                  | Package Treatment Plant; 2 lift stations; 184 connections   |
| <b>District Area</b>                               | 640 acres (1.0 square miles)  |
| <b>Sphere of Influence</b>                         | Coterminous with District (i.e. no sphere beyond existing jurisdictional boundary)  |
| <b>FY 2019-20 Budget</b>                           | Total Revenue = \$165,669<br>Total Expenditure = \$165,669<br>Projected Net Position (Beginning Balance) = \$779,414  |
| <b>Contact Information</b>                         | Mailing Address: 701 Ocean Street, Santa Cruz CA 95060<br>Phone Number: (831) 477-3907<br>Email Address: <a href="mailto:Beatriz.Barranco@santacruzcounty.us">Beatriz.Barranco@santacruzcounty.us</a><br>Website: <a href="http://dpw.co.santa-cruz.ca.us/Home/SewerWater.aspx">http://dpw.co.santa-cruz.ca.us/Home/SewerWater.aspx</a> |
| <b>Public Meetings</b>                             | The Board regularly meets on most Tuesdays in the Board of Supervisors' Chambers, 701 Ocean St, Rm. 525. Meetings generally begin at 9:00 am.   |
| <b>Mission Statement</b>                           | The CSA does not have a published mission statement. However, their mission aligns with the published mission statement for the Santa Cruz County Sanitation District.  |

## **Service and Sphere Review Determinations**

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The following service and sphere review determinations fulfill the requirements outlined in the Cortese-Knox-Hertzberg Act. The County was instrumental in addressing the determinations by responding to a survey sent by LAFCO in June 2019. **Appendix C** provides a copy of the District's survey response.

### **Service Provision Determinations**

Government Code Section 56430 requires LAFCO to conduct a municipal service review before, or in conjunction with, an action to establish or update a sphere of influence. Written statements of determination must be prepared with respect to each of the following:

**1. Growth and population projections for the affected area.**

The Sand Dollar/Canon del Sol subdivisions are considered to be built-out. There are no growth projections available for CSA 5. In general, the Santa Cruz County unincorporated area is projected to have slow growth over the next fifteen years. The County Public Works Department estimates that the population within CSA 5 is approximately 218. Based on the growth rate of approximately 1% for the unincorporated areas in the County, LAFCO staff projects that CSA 5's entire population in 2020 will be around 220.

**2. The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence.**

In 2017, the California statewide median household income was \$67,169, and 80% of that was \$53,735. LAFCO staff utilized the ArcGIS mapping program to locate potential DUCs in the County. Based on the criteria set forth by SB 244, staff's analysis indicates that there are no areas in CSA 5 designated as a disadvantaged unincorporated community.

**3. 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.**

County Service Area 5 operates two separate treatment plants and serves over 200 residents. The Sand Dollar treatment plant was constructed in 1967 and the Canon del Sol treatment plant was constructed in 1982. It currently has 184 connections and approximately 1.2 miles of sewer line.

**4. Financial ability of agencies to provide services.**

County Service Area 5's annual sewer rates derive from the single-family residential units in the Sand Dollar area and the condominiums in Canon del Sol area. Each community has its own sewer rate. In general, sewer charges increase annually by the Consumer Price Index. Sewer rates for CSA 5, on average, increase by 3%. These annual rates are the primary source of revenue for the CSA. Audited financial statements from Fiscal Years 2013 to 2018 indicate that CSA 5 has experienced a fiscal shortage in two separate years (FY 14-15 and FY 17-18). As of June 30, 2018, CSA 5 is operating with a net position of approximately \$788,000, of which \$311,000 is in cash and investments.



**5. Status of, and opportunities for, shared facilities.**

Several sanitation districts, including entities managed and operated by the County, have expressed interest in transferring sewer responsibilities to another agency due to funding issues, limited long-term planning, or lack of economies of scale. Establishment of a countywide memorandum of understanding or a joint powers authority may unify the already-established collaboration set by the sanitation providers in the county. Such agreements may also lay the foundation for future changes of organization, including but not limited to annexations, consolidations, or mergers.

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

The County currently has a countywide capital improvement plan and a specific capital improvement plan for the Santa Cruz County Sanitation District. Additionally, the County has adopted a Sewer System Management Plan. However, CSA 5 does not have any current or proposed sewer-related capital improvement projects scheduled at this time.

The County has indicated that a grating must be installed over the existing aeration tank. Estimated costs for this installation are expected to be over \$100,000. CSA 5 currently has enough reserves to pay for the installation at this time. However, if there is a system failure that occurs and must be fixed on an emergency basis, CSA 5 may require additional funds. The County should consider developing a long-term maintenance plan to identify adequate funding in order to address current and future maintenance, replacement, and/or upgrades to an aging infrastructure.

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

No additional local LAFCO policies are specifically relevant to this service and sphere review.

## **Sphere of Influence Determinations**

Government Code Section 56425 requires LAFCO to periodically review and update spheres of influence in concert with conducting municipal service reviews. Spheres are used as regional planning tools to discourage urban sprawl and encourage orderly growth. Written statements of determination must be prepared with respect to each of the following:

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

There are no agricultural or open-space lands within the service area.

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

The Sand Dollar and Canon del Sol subdivisions are substantially built-out. Based on the growth rate of approximately 1% for the unincorporated areas in the County, LAFCO staff projects that CSA 5's entire population in 2020 will be around 220.

LAFCO originally adopted a coterminous sphere of influence for CSA 5 in 1988. A coterminous sphere of influence is identical to the agency's jurisdictional boundary. For the past 30 years, the sphere boundary has remained unchanged. LAFCO staff, along with representatives of CSA 5, do not recommend any changes to the sphere of influence at this time.

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

CSA 5 has an aging package treatment plant that serves single family homes in the Sand Dollar community and condominiums in the Canon del Sol community. The plant is maintained by the County of Santa Cruz. Based on the County's 2017 Sewer System Management Plan, CSA 5 has 184 connections with 1.15 miles of gravity sewer lines, 0.53 miles of force main lines, and 2 pump stations. Annual sewer charges are the District's primary source of revenue.

**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.**

LAFCO staff is not aware of any social or economic communities of interest in the area. The CSA's service area is primarily residential units.

**5. For an update of a 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, that occurs pursuant to subdivision (g) on or after July 1, 2012, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.**

Neither the County nor LAFCO has identified any sub-area within or contiguous to the District's service or sphere boundaries that meet the definition of a disadvantaged unincorporated community. That said, CSA 5 has adequate transmission and treatment capacity for the present and planned facilities within the sphere of influence. The CSA's principal needs are repair and replacement of aging infrastructure.

## COUNTY SERVICE AREA 7 (BOULDER CREEK)

### District Overview

County Service Area 7 serves residential housing and one commercial business within the Boulder Creek Country Club subdivision. The service area includes 192 acres (0.3 square miles) and has an estimated population of 640. The wastewater system is a full treatment plant offering secondary treatment with primary disposal via a community leach field. The wastewater treatment plant was constructed in the 1970s and upgraded to tertiary treatment in the 1990s. **Figure 32**, on page 87, is a vicinity map of the service area.

### Population & Growth

The Boulder Creek Country Club subdivision is substantially built-out. There are no growth projections available for CSA 7. In general, the Santa Cruz County unincorporated area is projected to have slow growth over the next fifteen years. The County Public Works Department estimates that the population within the total area is currently 640. Based on the growth rate of approximately 1% for the unincorporated areas in the County, LAFCO staff projects that CSA 7's entire population in 2020 will be around 657. The projected population for CSA 7 are as follows:

**Table 33: Projected Population**

|                                    | 2020       | 2025       | 2030       | 2035       | Growth Rate |
|------------------------------------|------------|------------|------------|------------|-------------|
| Santa Cruz County (unincorporated) | 136,891    | 137,896    | 139,105    | 140,356    | 1%          |
| <b>CSA 7</b>                       | <b>657</b> | <b>663</b> | <b>670</b> | <b>676</b> | <b>1%</b>   |

Source: AMBAG 2018 Regional Growth Forecast

### Disadvantaged Unincorporated Communities

State law requires LAFCO to identify and describe all “disadvantaged unincorporated communities” (DUC) located within or contiguous to the existing spheres of influence of cities and special districts that provide fire protection, sewer, and/or water services. DUCs are defined as inhabited unincorporated areas with an annual median household income that is 80% or less than the statewide annual median household income.

In 2017, the California statewide median household income was \$67,169<sup>10</sup>, and 80% of that was \$53,735. LAFCO staff utilized the ArcGIS mapping program to locate potential DUCs in the County. Based on the criteria set forth by SB 244, staff's analysis indicates that there are no areas in CSA 7 designated as a disadvantaged unincorporated community.

<sup>10</sup> 2013-2017 American Community Survey 5-year Estimates

## Services & Operations

CSA 7 Boulder Creek has a wastewater collection and treatment plant that treats the domestic wastewater from the Boulder Creek Country Club and surrounding houses. The all-in-one wastewater treatment plant consists of an equalization tank, aeration tank, and a clarifier to remove solids, and the treated effluent is discharged to leach fields. Based on the County's 2017 Sewer System Management Plan, CSA 7 has 263 connections with 3.0 miles of gravity sewer lines, 1.27 miles of force main lines, and 5 pump stations. Annual sewer charges are the District's primary source of revenue.

The original treatment plant was constructed in 1978 and has a design capacity of 104,000 gallons per day (gpd). The plant was constructed to accommodate flows from the Boulder Creek Country Club development totaling 260 residences and a commercial establishment. This plant was upgraded to tertiary treatment in 1996 in order to reduce nitrate levels in the effluent that is pumped via force main to the leach field at Fern Rock Way. This is an activated sludge nitrification/denitrification process. The processes include one primary clarifier, one sand filter, a sludge holding tank, effluent discharge line, emergency generator, and one grinder. The facility also contains a small laboratory for performing basic analyses, such as pH and temperatures.

### Sewer Rates

At present, CSA 7's annual sewer rates derive from three areas: Single Family Dwelling, Condominiums, and Commercial. Each area has its own sewer rate. **Table 34** shows the gradual increase in annual rates during the last seven years.

**Table 34: Annual Sewer Rates**

|                          | FY 13-14   | FY 14-15   | FY 15-16   | FY 16-17   | FY 17-18   | FY 18-19   | FY 19-20   |
|--------------------------|------------|------------|------------|------------|------------|------------|------------|
| Single Family            | \$1,787.04 | \$1,826.34 | \$1,877.46 | \$1,926.26 | \$1,993.68 | \$2,051.50 | \$2,143.82 |
| Condos                   | \$1,611.14 | \$1,646.58 | \$1,692.68 | \$1,736.68 | \$1,797.46 | \$1,849.59 | \$1,932.81 |
| Commercial               | \$1,232.98 | \$1,260.10 | \$1,295.38 | \$1,329.04 | \$1,375.56 | \$1,415.45 | \$1,479.15 |
| <i>Additional Charge</i> | \$5.94     | \$5.94     | \$5.94     | \$6.08     | \$6.29     | \$6.47     | \$6.76     |

*Note: Additional Charge is for Commercial usage only; based on Hundred Cubic Feet of Water (HCF)*

Pursuant to Santa Cruz County Code Section 4.26, the Director of Public Works must annually compute the benefit assessment/service charge rates for CSAs and submit a report to the Board of Supervisors describing each parcel of real property receiving the special benefit and the amount of the charge per CSA for each parcel for the upcoming fiscal year.

CSA fees are considered benefit assessments, and any rate increase (except for preapproved annual Consumer Price Index (CPI) increases) must comply with Proposition 218 procedures. These procedures require that an increase is approved by at least half of the votes cast by the property owners, with the votes weighted according to the amount of the proposed assessment of each parcel. Furthermore, a public hearing must be held to consider any protests to the proposed increase.

The following tables (**Tables 35 to 37**) depict the change in dollar amount and percentage for each specific zone.

**Table 35: Single Family Dwelling's Annual Sewer Rates Review**

|                      | FY 13-14          | FY 14-15          | FY 15-16          | FY 16-17          | FY 17-18          | FY 18-19          | FY 19-20          | Average Change |
|----------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|----------------|
| <b>Single Family</b> | <b>\$1,787.04</b> | <b>\$1,826.34</b> | <b>\$1,877.46</b> | <b>\$1,926.26</b> | <b>\$1,993.68</b> | <b>\$2,051.50</b> | <b>\$2,143.82</b> |                |
| <i>Change (\$)</i>   |                   | \$39.30           | \$51.12           | \$48.80           | \$67.42           | \$57.82           | \$92.32           | \$59.46        |
| <i>Change (%)</i>    |                   | 2%                | 3%                | 3%                | 4%                | 3%                | 5%                | 3%             |

**Table 36: Condominium's Annual Sewer Rates Review**

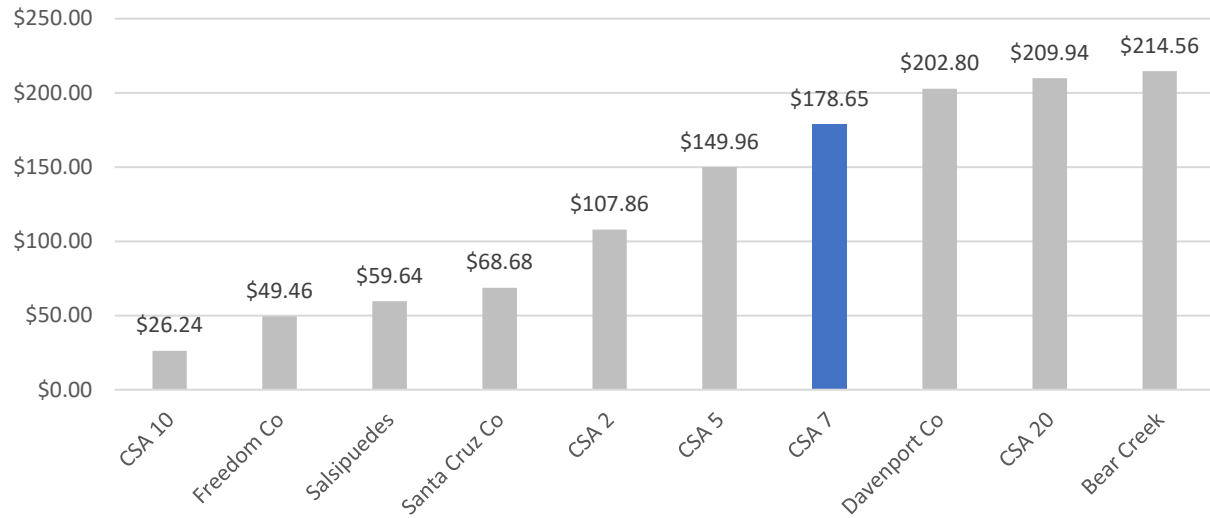
|                    | FY 13-14          | FY 14-15          | FY 15-16          | FY 16-17          | FY 17-18          | FY 18-19          | FY 19-20          | Average Change |
|--------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|----------------|
| <b>Condos</b>      | <b>\$1,611.14</b> | <b>\$1,646.58</b> | <b>\$1,692.68</b> | <b>\$1,736.68</b> | <b>\$1,797.46</b> | <b>\$1,849.59</b> | <b>\$1,932.81</b> |                |
| <i>Change (\$)</i> |                   | \$35.44           | \$46.10           | \$44.00           | \$60.78           | \$52.13           | \$83.22           | %53.61         |
| <i>Change (%)</i>  |                   | 2%                | 3%                | 3%                | 3%                | 3%                | 4%                | 3%             |

**Table 37: Commercial's Annual Sewer Rates Review**

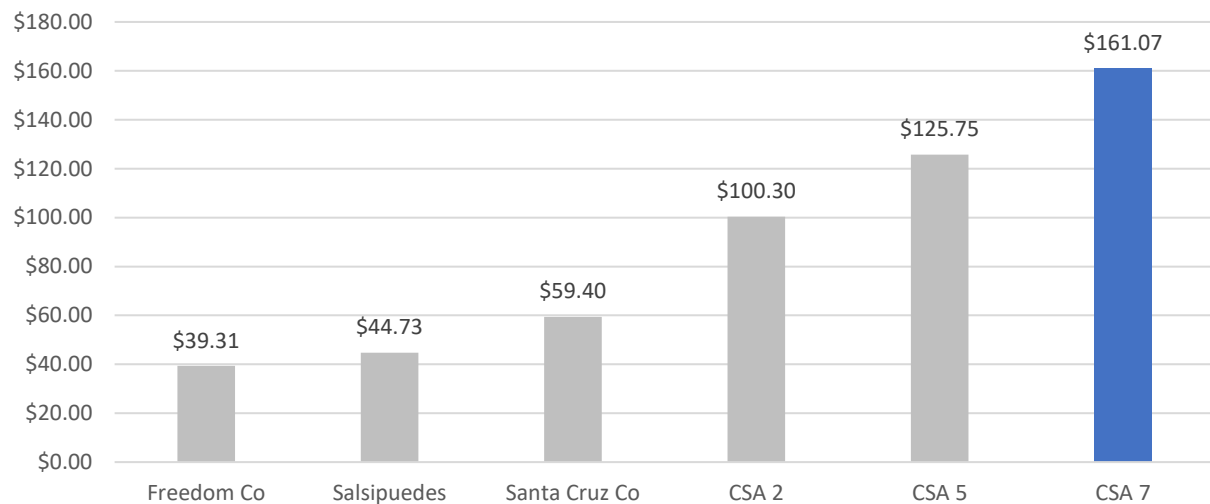
|                    | FY 13-14          | FY 14-15          | FY 15-16          | FY 16-17          | FY 17-18          | FY 18-19          | FY 19-20          | Average Change |
|--------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|----------------|
| <b>Commercial</b>  | <b>\$1,232.98</b> | <b>\$1,260.10</b> | <b>\$1,295.38</b> | <b>\$1,329.04</b> | <b>\$1,375.56</b> | <b>\$1,415.45</b> | <b>\$1,479.15</b> |                |
| <i>Change (\$)</i> |                   | \$27.12           | \$35.28           | \$33.66           | \$46.52           | \$39.89           | \$63.70           | \$41.03        |
| <i>Change (%)</i>  |                   | 2%                | 3%                | 3%                | 4%                | 3%                | 5%                | 3%             |

When comparing the sewer rates with the other sanitation districts analyzed in this report, CSA 7 is ranked seventh in charges towards single family units (\$178.65/month), ranked highest in charges towards multi-family units (\$161.07/month), and ranked second highest in charges towards commercial units. Sewer rate comparisons are shown in the following figures (**Figures 29 to 31**).

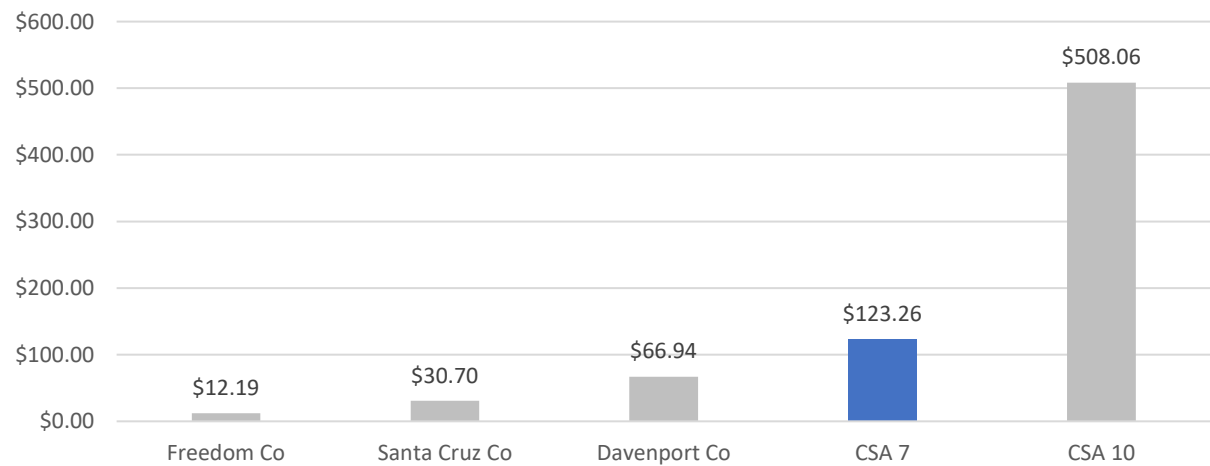
**Figure 29: Sewer Rates for Single-Family Units**



**Figure 30: Sewer Rates for Multi-Family Units**



**Figure 31: Sewer Rates for Commercial Sites**





### Infrastructure Summary

CSA 7 operates a collection and treatment plant and serves over 600 residents. It currently has 263 connections and approximately 4 miles of sewer line. **Table 38** provides an overview of the type of service and current infrastructure:

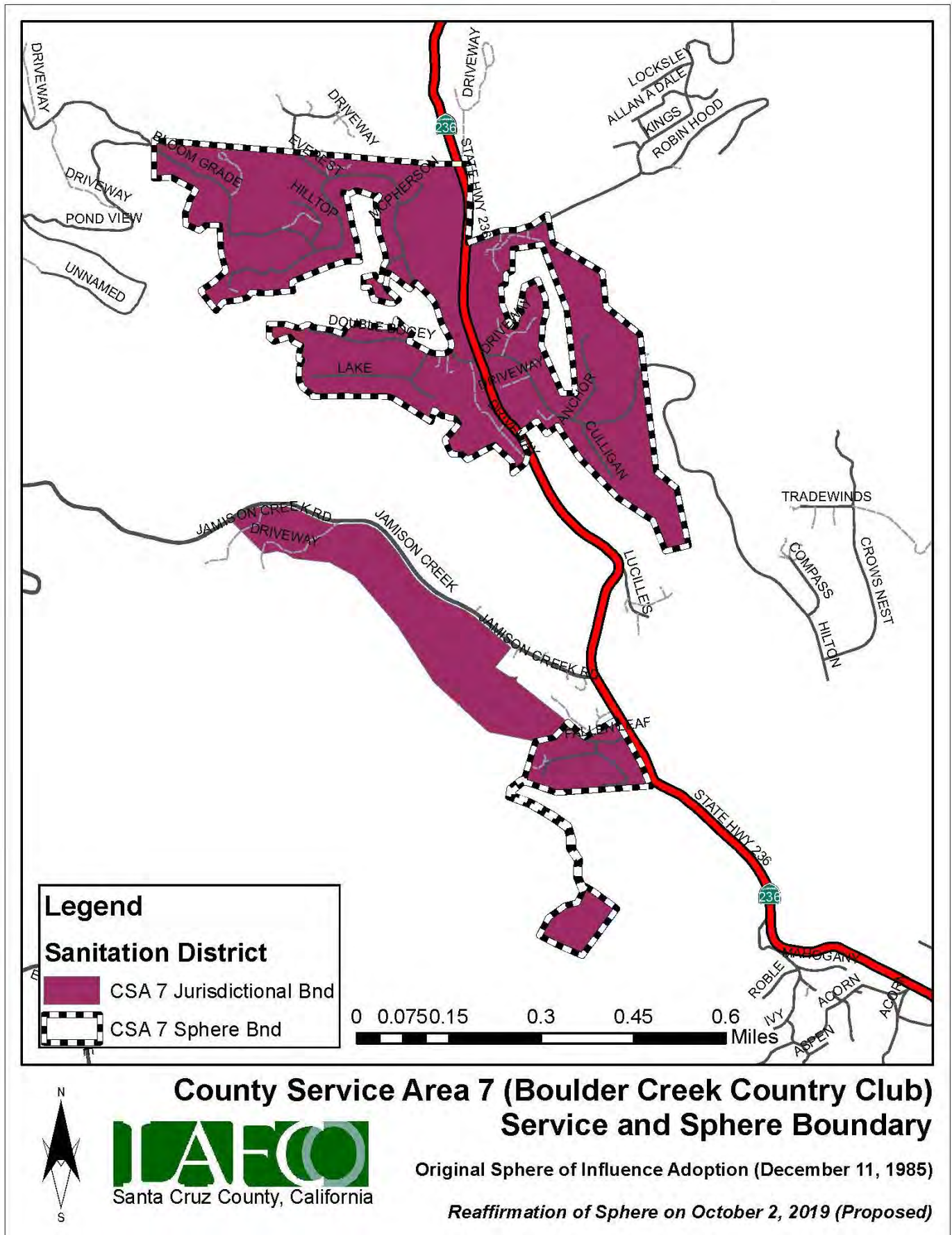
**Table 38: Infrastructure Summary**

|       | Type of System        | Treatment Level | No. of Connections | No. of Lift Stations | Miles of Sewer Line |
|-------|-----------------------|-----------------|--------------------|----------------------|---------------------|
| CSA 7 | Collection, Treatment | Secondary       | 263                | 5                    | 3.0                 |

The Public Works Department has indicated that the current infrastructure is aging, deteriorating, and in need of repair. The wastewater treatment plant currently requires approximately \$500,000 in repairs. Replacement/rehabilitation is also needed at some of the CSA's sewer pump stations and sewer mains.



Figure 32: CSA 7's Vicinity Map

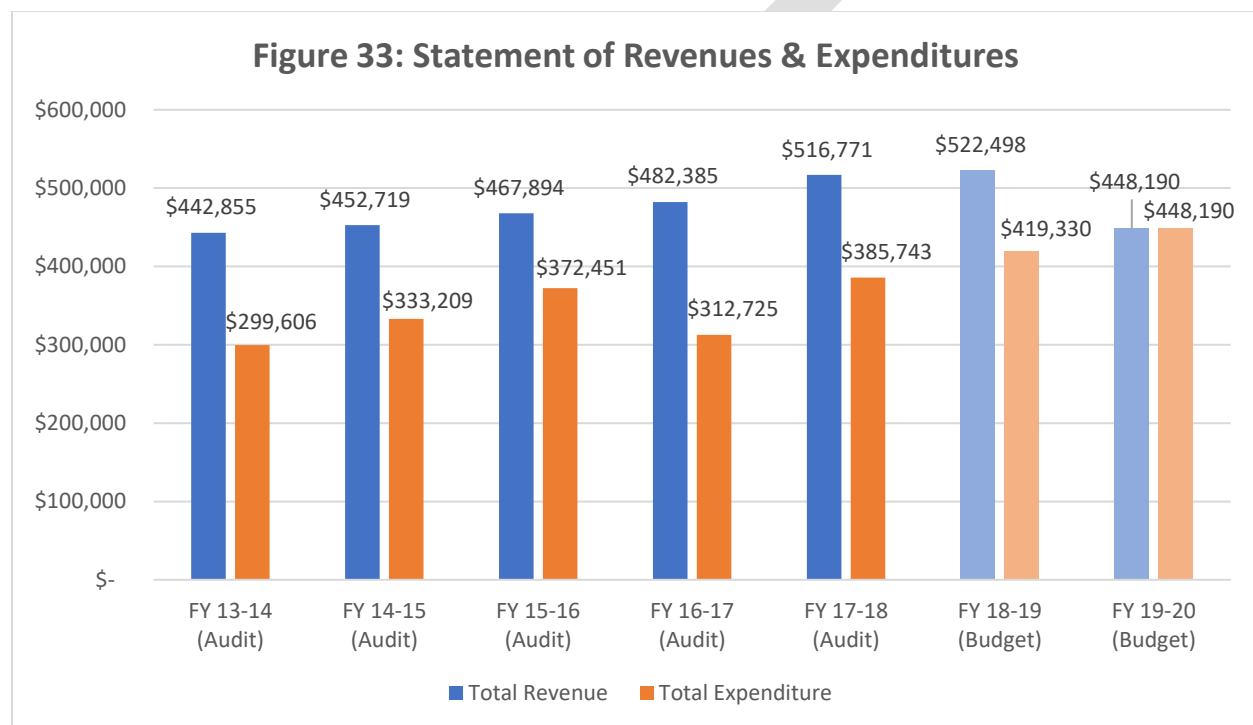




## Finances

This section will highlight the District's audited financial performance during the most recent fiscal years. Fiscal Year 2017-18 is the latest audited financial statement available. A comprehensive analysis of the District's financial performance during the past 5 years is shown in **Tables 41** and **42**, on pages 91 and 92.

At the end of Fiscal Year 2017-18, total revenue collected was \$516,771, representing a 7% increase from the previous year (\$482,385 in FY 16-17). Total expenses for FY 17-18 were \$385,743, which increased from the previous year by approximately \$73,000 (\$312,725 in FY 16-17). As shown in the figure below, the District's total revenues have exceeded total expenditures since 2013 (refer to **Figure 33**). Based on the two most recently adopted budgets, LAFCO staff believes this positive trend will continue.



## District Revenues

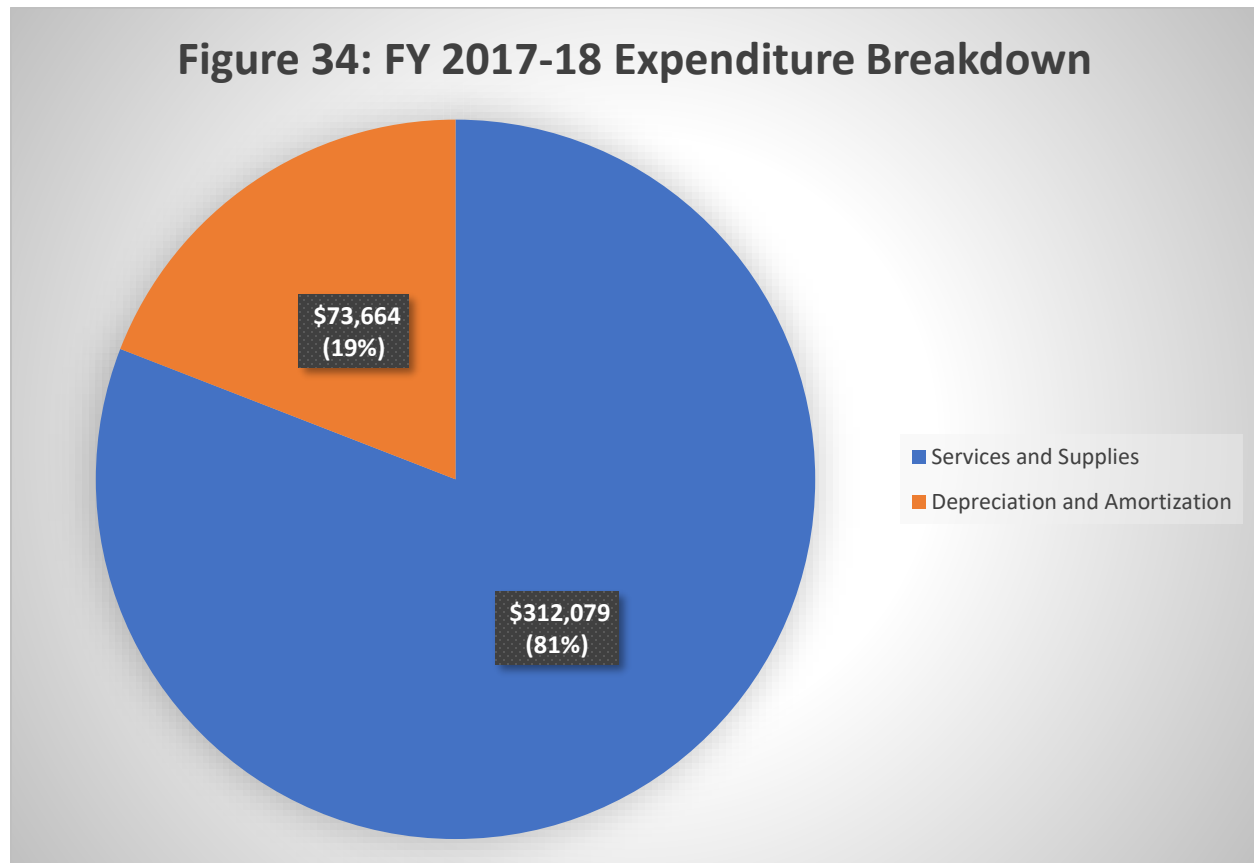
CSA 7's primary source of revenue is from Charges for Services. In FY 17-18, the District received revenue from three different sources: Charges for Services (\$491,016), Intergovernmental (\$11,258) and Interest and Investment Income (\$12,238). On average, the District receives approximately \$463,000 each year in service fees. **Table 39** highlights the total revenue received since 2013.

**Table 39: Total Revenue (FY 13-14 to FY 17-18)**

|                            | FY 13-14         | FY 14-15         | FY 15-16         | FY 16-17         | FY 17-18         | Average          |
|----------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Charges for Services       | \$439,060        | \$449,290        | \$461,736        | \$474,870        | \$491,016        | \$463,194        |
| Intergovernmental          | -                | -                | -                | -                | \$11,258         |                  |
| Interest Investment Income | <u>\$3,795</u>   | <u>\$3,429</u>   | <u>\$6,158</u>   | <u>\$7,515</u>   | <u>\$12,238</u>  | <u>\$6,627</u>   |
| <b>Total Revenue</b>       | <b>\$442,855</b> | <b>\$452,719</b> | <b>\$467,894</b> | <b>\$482,385</b> | <b>\$516,771</b> | <b>\$472,525</b> |

### District Expenditures

CSA 7's total expenditures can be categorized into 2 budgetary groups: Services & Supplies and Depreciation & Amortization. The figure below depicts the how funding is distributed by category. The District's primary expenditure is associated with operational and management costs, under Services and Supplies.



### Assets & Liabilities

The following is an overview of CSA 7's assets and liabilities:

- District Assets: As of June 30, 2018, the District has \$1,766,084 in total assets. Cash and Investments represent 61% of total assets.
- District Liabilities: As of June 30, 2018, the District has \$2,520 in total liabilities. Accounts Payable is currently the only liability associated with CSA 7.

### Fund Balance/Net Position

As of June 30, 2018, the total fund balance is approximately \$1,763,564. The fund balance has increased each year since 2013, as shown in the following table. Unlike other CSAs that provide sanitation services, CSA 7 has adequate capital assets including funds under Construction in Progress, Buildings and Structures, and Equipment. A full review of the District's assets, liabilities, and net position is shown in page 92 (refer to **Table 42**).

**Table 40: Fund Balance/Net Position**

|                                   | <b>FY 13-14<br/>(Audited)</b> | <b>FY 14-15<br/>(Audited)</b> | <b>FY 15-16<br/>(Audited)</b> | <b>FY 16-17<br/>(Audited)</b> | <b>FY 17-18<br/>(Audited)</b> |
|-----------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| <b>Net Position</b>               | <b>\$1,247,923</b>            | <b>\$1,367,433</b>            | <b>\$1,462,876</b>            | <b>\$1,632,536</b>            | <b>\$1,763,564</b>            |
| Change in (\$) from previous year |                               | \$119,510                     | \$95,443                      | \$169,660                     | \$131,028                     |
| Change in (%) from previous year  |                               | 10%                           | 7%                            | 12%                           | 8%                            |

**Table 41: Total Revenues & Expenditures**

|                                    | <b>FY 13-14<br/>(Audit)</b> | <b>FY 14-15<br/>(Audit)</b> | <b>FY 15-16<br/>(Audit)</b> | <b>FY 16-17<br/>(Audit)</b> | <b>FY 17-18<br/>(Audit)</b> | <b>FY 18-19<br/>(Budget)</b> | <b>FY 19-20<br/>(Budget)</b> |
|------------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|------------------------------|------------------------------|
| <b>REVENUE</b>                     |                             |                             |                             |                             |                             |                              |                              |
| Charges for Services               | \$ 439,060                  | \$ 449,290                  | \$ 461,736                  | \$ 474,870                  | \$ 491,016                  | \$ 514,998                   | \$ -                         |
| Intergovernmental                  | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ 11,258                   | \$ -                         | \$ -                         |
| Interest and Investment Income     | \$ 3,795                    | \$ 3,429                    | \$ 6,158                    | \$ 7,515                    | \$ 12,238                   | \$ 7,500                     | \$ -                         |
| Property Taxes                     | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ -                         | \$ -                         |
| Gain on Disposal of Capital Assets | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ 2,259                    | \$ -                         | \$ -                         |
| <b>Total Revenue</b>               | <b>\$ 442,855</b>           | <b>\$ 452,719</b>           | <b>\$ 467,894</b>           | <b>\$ 482,385</b>           | <b>\$ 516,771</b>           | <b>\$ 522,498</b>            | <b>\$ 448,190</b>            |
| <b>EXPENDITURE</b>                 |                             |                             |                             |                             |                             |                              |                              |
| Services and Supplies              | \$ 231,660                  | \$ 270,700                  | \$ 309,942                  | \$ 245,782                  | \$ 312,079                  | \$ 357,531                   | \$ -                         |
| Depreciation and Amortization      | \$ 67,946                   | \$ 62,509                   | \$ 62,509                   | \$ 66,943                   | \$ 73,664                   | \$ 61,799                    | \$ -                         |
| Loss on Disposal of Capital Assets | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ -                         | \$ -                         |
| <b>Total Expenditure</b>           | <b>\$ 299,606</b>           | <b>\$ 333,209</b>           | <b>\$ 372,451</b>           | <b>\$ 312,725</b>           | <b>\$ 385,743</b>           | <b>\$ 419,330</b>            | <b>\$ 448,190</b>            |
| <b>Surplus/(Deficit)</b>           | <b>\$ 143,249</b>           | <b>\$ 119,510</b>           | <b>\$ 95,443</b>            | <b>\$ 169,660</b>           | <b>\$ 131,028</b>           | <b>\$ 103,168</b>            | <b>\$ -</b>                  |
| Net Position - Beginning           | \$ 1,104,674                | \$ 1,247,923                | \$ 1,367,433                | \$ 1,462,876                | \$ 1,632,536                | \$ 1,763,472                 | \$ 1,866,640                 |
| <b>Net Position - Ending</b>       | <b>\$ 1,247,923</b>         | <b>\$ 1,367,433</b>         | <b>\$ 1,462,876</b>         | <b>\$ 1,632,536</b>         | <b>\$ 1,763,564</b>         | <b>\$ 1,866,640</b>          | <b>\$ 1,866,640</b>          |



**Table 42: Total Assets & Liabilities**

|  | <b>FY 13-14<br/>(Audit)</b> | <b>FY 14-15<br/>(Audit)</b> | <b>FY 15-16<br/>(Audit)</b> | <b>FY 16-17<br/>(Audit)</b> | <b>FY 17-18<br/>(Audit)</b> |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| <b>ASSETS</b>                            |                             |                             |                             |                             |                             |
| <u>Current Assets</u>                    |                             |                             |                             |                             |                             |
| Cash and Investments                     | \$ 697,258                  | \$ 879,356                  | \$ 913,307                  | \$ 997,265                  | \$ 1,089,520                |
| Restricted Cash                          | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ -                        |
| Receivables                              | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ -                        |
| <u>Non-Current Assets</u>                |                             |                             |                             |                             |                             |
| Loans Receivable                         | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ -                        |
| Capital Assets:                          |                             |                             |                             |                             |                             |
| Construction in Progress                 | \$ -                        | \$ -                        | \$ 127,407                  | \$ 192,122                  | \$ 207,141                  |
| Buildings and Structures                 | \$ 1,903,676                | \$ 1,903,676                | \$ 1,903,676                | \$ 1,903,676                | \$ 1,947,300                |
| Equipment                                | \$ 83,080                   | \$ 83,080                   | \$ 83,080                   | \$ 171,770                  | \$ 46,448                   |
| Accumulated Depreciation                 | \$ (1,436,091)              | \$ (1,498,599)              | \$ (1,561,108)              | \$ (1,628,051)              | \$ (1,524,325)              |
| <b>Total Assets</b>                      | <b>\$ 1,247,923</b>         | <b>\$ 1,367,513</b>         | <b>\$ 1,466,362</b>         | <b>\$ 1,636,782</b>         | <b>\$ 1,766,084</b>         |
| <b>LIABILITIES</b>                       |                             |                             |                             |                             |                             |
| <u>Current Liabilities</u>               |                             |                             |                             |                             |                             |
| Payables                                 | \$ -                        | \$ 80                       | \$ 3,486                    | \$ 4,246                    | \$ 2,520                    |
| Current Portion of Long-term Liabilities | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ -                        |
| <u>Non-Current Liabilities</u>           |                             |                             |                             |                             |                             |
| Long-term Liabilities                    | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ -                        |
| <b>Total Liabilities</b>                 | <b>\$ -</b>                 | <b>\$ 80</b>                | <b>\$ 3,486</b>             | <b>\$ 4,246</b>             | <b>\$ 2,520</b>             |
| <b>NET POSITION</b>                      |                             |                             |                             |                             |                             |
| Net Investment in Capital Assets         | \$ 550,665                  | \$ 488,156                  | \$ 553,055                  | \$ 639,517                  | \$ 676,563                  |
| Restricted for Debt Service              | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ -                        |
| Unrestricted                             | \$ 697,258                  | \$ 879,277                  | \$ 909,821                  | \$ 993,019                  | \$ 1,087,001                |
| <b>Total Net Position</b>                | <b>\$ 1,247,923</b>         | <b>\$ 1,367,433</b>         | <b>\$ 1,462,876</b>         | <b>\$ 1,632,536</b>         | <b>\$ 1,763,564</b>         |

## Governance

County Service Area 7 is a dependent special district governed by the County Board of Supervisors and managed by the Public Works Department. The current Board is as follows:

**Table 43: Board of Directors**

| Board Member    | Title    | Years of Service | Term of Office Expiration |
|-----------------|----------|------------------|---------------------------|
| Zach Friend     | Director | 7 years          | 1/2/2020                  |
| John Leopold    | Director | 11 years         | 1/2/2020                  |
| Ryan Coonerty   | Director | 5 years          | 1/2/2021                  |
| Greg Caput      | Director | 8 years          | 1/2/2021                  |
| Bruce McPherson | Director | 3 years          | 1/2/2020                  |

The Board of Directors meets on most Tuesdays in the Board of Supervisors' Chambers, 701 Ocean Street, Room 525. Meetings generally begin at 9:00am. Public notice is provided through posting. The County contracts for independent audits.

The County of Santa Cruz Public Works Department is responsible for the administration, engineering, maintenance, emergency response and construction of all County sanitation services. The department also manages various Board-governed special districts and CSAs. The Sanitation Operations unit is one of six organizational units within the Special Services Division of Public Works and provides operation and maintenance services to County sanitation districts and CSAs. Sanitation operations employees work in all Districts and CSAs. Each sanitation district is governed according to its specific code of regulations. The Districts' codes are very similar, and some sections are adopted by reference from the Santa Cruz County Sanitation District Code. CSAs are governed according to the Santa Cruz County Code of Regulations. Most of the County Code pertaining to sanitary sewer collection systems is adopted by reference from the SCCSD Code.

### Website Requirements

Senate Bill 929 was signed into law in September 2018 and requires all independent special districts to have and maintain a website by January 1, 2020. It outlines minimum website data requirements, including contact information, financial reports, and meeting agendas/minutes. While this new law does not apply to county service areas, the County should consider following the requirements outlined in the new law. The County's water and sewer webpage offers a number of useful resources including formation resolutions, service maps, and current sewer charges for each CSA that delivers sanitary services: <http://dpw.co.santa-cruz.ca.us/Home/SewerWater.aspx>. However, it is difficult to locate certain information and material. For example, there is no reference to staff reports or other supporting documents that provide background information on the CSA's annual sewer rates.

**LAFCO Staff Recommendation:** *It may be beneficial for the County to include links to staff reports or other supporting documents related to the annual sewer rates. Additionally, the webpage should include all past and future LAFCO service reviews involving CSA 7 as additional resource material.*

### Capital Improvement Plan

There is no specific capital improvement plan for CSA 7. The County has a countywide CIP to address the replacement of the aging sewer system, however, CSA 7 lacks funds to make all the improvements. The County of Public Works continually seek grant or loan funding to help finance these improvements.

***LAFCO Staff Recommendation:*** *The County should consider developing a specific capital improvement plan that covers the sanitation districts managed and operated by the Public Works Department – Davenport, Freedom, Santa Cruz County Sanitation Districts, and CSAs 2, 5, 7, 10, and 20.*

### Sewer System Management Plan

The State Water Resources Control Board regulates wastewater discharges to surface water (rivers, ocean, etc.) and to groundwater (via land). The State Water Board requires sanitation districts to follow the Statewide General Waste Discharge Requirements for Sanitary Sewer Systems. These requirements include the following:

- Sanitary Sewer Overflows are prohibited, and
- All Sanitary Sewer Overflow (SSOs), with the exception of Private Sewer Lateral Discharge (PLSDs), irrespective of size, must be reported to the State Water Board electronically using the California Integrated Water Quality System, and the Districts/CSAs must prepare and implement a Sewer System Management Plan (SSMP).

In 2017, the County adopted a Sewer System Management Plan to cover the management, operation and maintenance, design, construction and emergency response of the Davenport Sanitation District, Freedom Sanitation District, Santa Cruz County Sanitation District and County Service Areas sanitary sewer systems, including CSA 7.

## **Opportunities & Challenges**

County Service Area 7 is significantly affected by aging infrastructure, escalating operational costs, and changes to state laws and regulations that may introduce new requirements without additional funding. These issues are common with other sanitation districts in Santa Cruz County. The following section discusses these challenges and identifies possible opportunities to ensure the delivery of wastewater services in an efficient and effective manner.

### **Infrastructure Deficiencies**

During the wet winter, CSA 7 experienced high influent flows due to infiltration in the aging sewer system and the treatment plant could not treat the high volume of wastewater therefore it required Sanitation Operations to remove wastewater from the equalization tank. As a result of the unforeseen costs to haul wastewater from the equalization tank by Sanitation Operations staff, the Board of Supervisors recently transferred funds from the Structure Upgrades to operations in the Boulder Creek Treatment Plant. A total of \$30,000 was required to cover the maintenance and operation of the wastewater

treatment plant for the remainder of the fiscal year. The Public Works Department has acknowledged that CSA 7 lacks funds to make all the necessary improvements.

Infrastructure improvements continues to be an ongoing issue for not only CSA 7, but rather, most of the sanitation districts throughout the County. The County may consider adopting a long-term capital improvement plan for CSA 7 to ensure scheduled and unforeseen repairs and replacements are adequately funded.

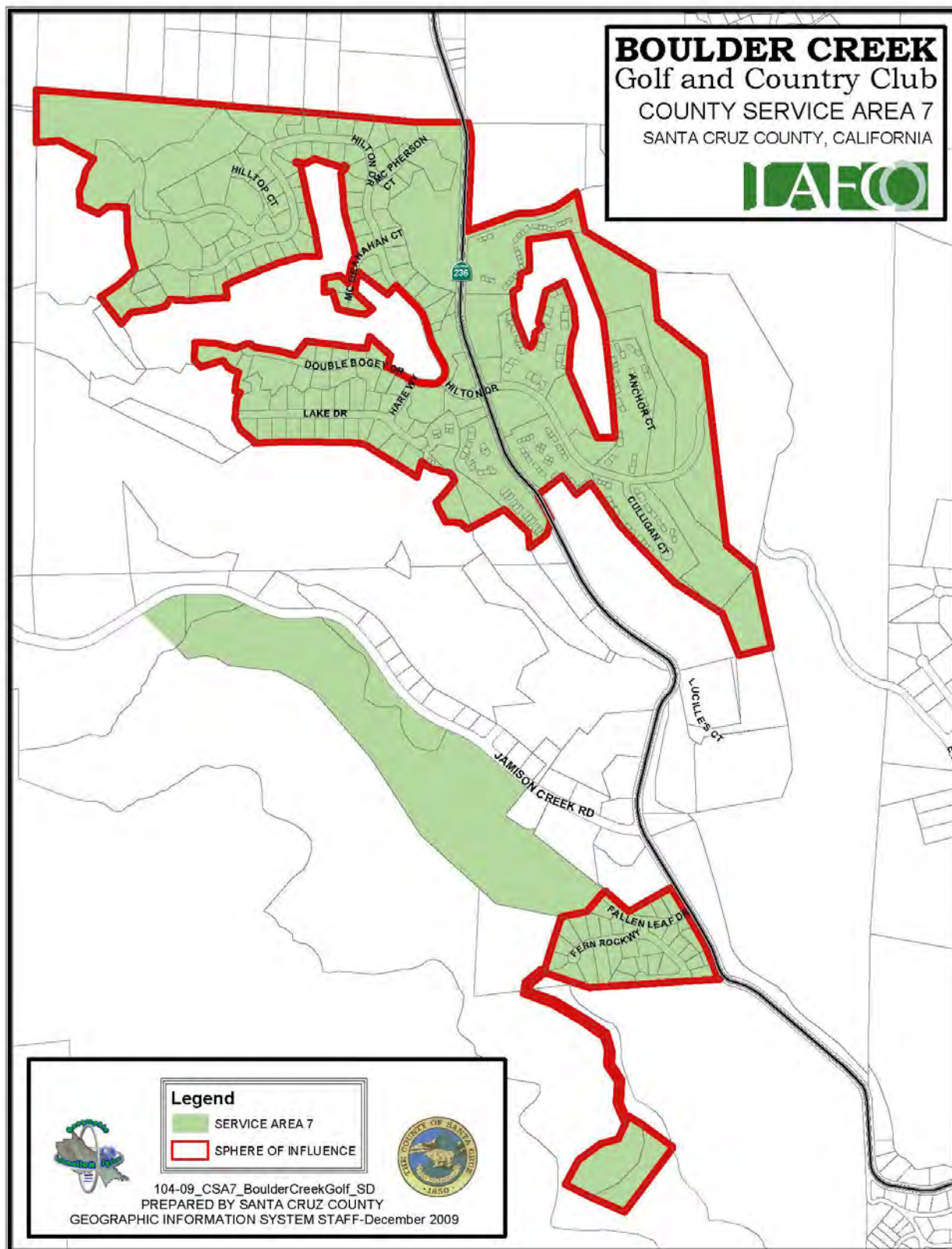
### **Regional Collaboration**

Several sanitation districts, including entities managed and operated by the County, have expressed interest in transferring sewer responsibilities to another agency due to funding issues, limited long-term planning, or lack of economies of scale. Establishment of a countywide memorandum of understanding or a joint powers authority may unify the already-established collaboration set by the sanitation providers in the county. Such agreements may also lay the foundation for future changes of organization, including but not limited to annexations, consolidations, or mergers.

### **Sphere of Influence**

LAFCO originally adopted a sphere of influence for CSA 7 back in 1987. The Commission, at that time, adopted a sphere boundary that excluded 3 parcels (APNs 083-273-04, -05, and -06). This area outside the sphere of influence but within CSA 7 is approximately 32 acres, undeveloped, and mostly open terrain. The exclusion of this area from the adopted sphere of influence indicates that this area should be detached from CSA 7. The County General Plan designates this area as “R-1” Single Family Residential. It is unknown whether future developments are scheduled in this area. Therefore, LAFCO staff does not recommend changing the sphere of influence boundary at this time. **Figure 35** shows the current sphere of influence boundary for CSA 7.

Figure 35: CSA 7's Current Sphere Map



## District Summary

| County Service Area 7 (Boulder Creek Country Club) |   |
|--|---|
| <b>Formation</b>                                   | California Government Code, section 25210.1 et seq.<br>(County Service Area Law)  |
| <b>Board of Directors</b>                          | 5 members, elected at-large to four-year terms  |
| <b>Contact Person</b>                              | Beatriz Barranco, Senior Engineer, Sanitation Operations  |
| <b>Employees</b>                                   | 1 full-time employee (approximately)  |
| <b>Facilities</b>                                  | Collection and Treatment Plant; 5 pump stations; 263 connections  |
| <b>District Area</b>                               | 153.6 acres (0.24 square miles)   |
| <b>Sphere of Influence</b>                         | Smaller than the District (i.e. sphere excludes a portion of the existing jurisdictional boundary)  |
| <b>FY 2019-20 Budget</b>                           | Total Revenue = \$448,190<br>Total Expenditure = \$448,190<br>Projected Net Position (Beginning Balance) = \$1,866,640  |
| <b>Contact Information</b>                         | Mailing Address: 701 Ocean Street, Santa Cruz CA 95060<br>Phone Number: (831) 477-3907<br>Email Address: <a href="mailto:Beatriz.Barranco@santacruzcounty.us">Beatriz.Barranco@santacruzcounty.us</a><br>Website: <a href="http://dpw.co.santa-cruz.ca.us/Home/SewerWater.aspx">http://dpw.co.santa-cruz.ca.us/Home/SewerWater.aspx</a> |
| <b>Public Meetings</b>                             | The Board regularly meets on most Tuesdays in the Board of Supervisors' Chambers, 701 Ocean St, Rm. 525. Meetings generally begin at 9:00 am.   |
| <b>Mission Statement</b>                           | The CSA does not have a published mission statement. However, their mission aligns with the published mission statement for the Santa Cruz County Sanitation District.  |



## **Service and Sphere Review Determinations**

The following service and sphere review determinations fulfill the requirements outlined in the Cortese-Knox-Hertzberg Act. The County was instrumental in addressing the determinations by responding to a survey sent by LAFCO in June 2019. **Appendix D** provides a copy of the District's survey response.

### **Service Provision Determinations**

Government Code Section 56430 requires LAFCO to conduct a municipal service review before, or in conjunction with, an action to establish or update a sphere of influence. Written statements of determination must be prepared with respect to each of the following:

**1. Growth and population projections for the affected area.**

The Boulder Creek Country Club is substantially built-out. There are no growth projections available for CSA 7. In general, the Santa Cruz County unincorporated area is projected to have slow growth over the next fifteen years. The County Public Works Department estimates that the population within the total area is currently 640. Based on the growth rate of approximately 1% for the unincorporated areas in the County, LAFCO staff projects that CSA 7's entire population in 2020 will be around 657.

**2. The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence.**

In 2017, the California statewide median household income was \$67,169, and 80% of that was \$53,735. LAFCO staff utilized the ArcGIS mapping program to locate potential DUCs in the County. Based on the criteria set forth by SB 244, staff's analysis indicates that there are no areas in CSA 7 designated as a disadvantaged unincorporated community.

**3. 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.**

CSA 7 Boulder Creek has a wastewater collection and treatment plant that treats the domestic wastewater from the Boulder Creek Country Club and surrounding houses. The all-in-one wastewater treatment plant consists of an equalization tank, aeration tank, and a clarifier to remove solids, and the treated effluent is discharged to leach fields. Based on the County's 2017 Sewer System Management Plan, CSA 7 has 263 connections with 3.0 miles of gravity sewer lines, 1.27 miles of force main lines, and 5 pump stations. Annual sewer charges are the District's primary source of revenue.

**4. Financial ability of agencies to provide services.**

County Service Area 7's financial ability to provide services is well-established. The CSA has successfully kept costs below its revenue stream since 2013. Audited financial statements from Fiscal Years 2013 to 2018 indicate that the increase in net position has ranged from \$95,000 to \$143,000. As of June 30, 2018, CSA 7 is operating with a net position of approximately \$1.8 million, of which \$1 million is in cash and investments.

**5. Status of, and opportunities for, shared facilities.**

Several sanitation districts, including entities managed and operated by the County, have expressed interest in transferring sewer responsibilities to another agency due to funding issues, limited long-term planning, or lack of economies of scale. Establishment of a countywide memorandum of understanding or a joint powers authority may unify the already-established collaboration set by the sanitation providers in the county. Such agreements may also lay the foundation for future changes of organization, including but not limited to annexations, consolidations, or mergers.

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

The County currently has a countywide capital improvement plan and a specific capital improvement plan for the Santa Cruz County Sanitation District. Additionally, the County has adopted a Sewer System Management Plan. However, CSA 7 does not have any current or proposed sewer-related capital improvement projects scheduled at this time.

The County has indicated that the wastewater treatment plant is deteriorating and in need of repair. Estimated costs for the necessary repairs are expected to be approximately \$500,000. Replacement and rehabilitation are also needed at some of the CSA's sewer pump stations and sewer mains, which will require additional funding. CSA 7 currently has enough reserves to pay for the repairs at this time. However, if there is a system failure that occurs and must be fixed on an emergency basis, CSA 7 may require additional funds. The County should consider developing a long-term maintenance plan to identify adequate funding in order to address current and future maintenance, replacement, and/or upgrades to an aging infrastructure.

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

No additional local LAFCO policies are specifically relevant to this service and sphere review.

## **Sphere of Influence Determinations**

Government Code Section 56425 requires LAFCO to periodically review and update spheres of influence in concert with conducting municipal service reviews. Spheres are used as regional planning tools to discourage urban sprawl and encourage orderly growth. Written statements of determination must be prepared with respect to each of the following:

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

There are no agricultural or open-space lands within the service area.

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

CSA 7 Boulder Creek has a wastewater collection and treatment plant that treats the domestic wastewater from the Boulder Creek Country Club and surrounding houses. The all-in-one wastewater treatment plant consists of an equalization tank, aeration tank, and a clarifier to remove solids, and the treated effluent is discharged to leach fields. CSA 7 has 263 connections and serves over 600 residents. LAFCO originally adopted a sphere of influence for CSA 7 back in 1987. The Commission, at that time, adopted a sphere boundary that excluded 3 parcels. This area outside the sphere of influence but within CSA 7 is approximately 32 acres, undeveloped, and mostly open terrain. The exclusion of this area from the adopted sphere of influence indicates that this area should be detached from CSA 7.

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

County Service Area 7 serves residential housing and one commercial business within the Boulder Creek Country Club subdivision. The service area includes 192 acres (0.3 square miles) and has an estimated population of 640. The wastewater system is a full treatment plant offering secondary and tertiary treatment with primary disposal via a community leach field. The wastewater treatment plant was constructed in the 1970s and upgraded to tertiary treatment in the 1990s.

**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.**

LAFCO staff is not aware of any social or economic communities of interest in the area. The CSA's service area is primarily residential units.

**5. For an update of a 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, that occurs pursuant to subdivision (g) on or after July 1, 2012, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.**

Neither the County nor LAFCO has identified any sub-area within or contiguous to the District's service or sphere boundaries that meet the definition of a disadvantaged unincorporated community. That said, CSA 7 has adequate transmission and treatment capacity for the present and planned facilities within the sphere of influence. The CSA's principal needs are repair and replacement of aging infrastructure.

## COUNTY SERVICE AREA 10 (ROLLING WOODS/GRAHAM HILL)

### District Overview

County Service Area 10 operates a sanitary sewer collection system in the southern part of Rolling Woods centering around Treetop Drive and covers approximately 269 acres (0.42 square mile). There are currently 104 connections. CSA 10's sewage is transported through a gravity sewer main to the corner of Graham Hill Road and Henry Cowell Drive, where it connects to the Graham Hill sewer main, and then transfers to the City of Santa Cruz system. The City treats the sewage at its Neary Lagoon Wastewater Treatment Facility and disposes the treated wastewater into the Pacific Ocean off West Cliff Drive.

**Figure 39**, on page 106, is a vicinity map of the service area.

### District History

Most of the Graham Hill corridor area has been developed with low-density homes on individual septic systems. The sewer mains were built in parts of the corridor in three phases. During the period of 1964-74, the County approved subdivisions in Rolling Woods. The southern portion of Rolling Woods, centered along Treetop Drive, was approved with quarter-acre lots. Sewage disposal was provided by a sanitary sewage collection system and a treatment plant located on the east side of Graham Hill Road, north of Nepenthe Drive. Disposal occurred in seepage pits near Brook Knoll School.

In 1996, after an extensive project review process involving several on-site and off-site sewage disposal options, the County approved what is now known as the Woods Cove Subdivision on the west side of Graham Road along Henry Cowell Drive. That approval included keeping the Graham Hill Showgrounds for equestrian use. The County's 1998 revised approval required that the residential developer construct a collection system in the new subdivision and a new sewer main along Graham Hill Road, from Henry Cowell Drive to the sewer system operated by the City of Santa Cruz. The main includes a siphon under the San Lorenzo River. The County sewer main connects to the city system near the bus maintenance yard on River Street.

In 2001, after LAFCO's approval, County Service Area 57 was formed to provide two types of services in the Woods Cove and showgrounds area. These services included storm water management for the drainage system that is directed downhill toward the San Lorenzo River and sewer services to the Woods Cove subdivision and showgrounds. In 2013, the County submitted an application to establish a single sewer provider in the Graham Hill corridor. In consultation with LAFCO, the County evaluated several alternatives for reorganizing sewer services. Based on staff's analysis at that time, CSA 10 was the most logical successor to be the single sanitation agency in this area. In 2014, the Commission approved a reorganization that transferred sewer services from CSA 57 to CSA 10. In total, 299 parcels were annexed into CSA 10 under this reorganization.

### Population & Growth

The Graham Hill corridor area is substantially built-out with low-density single-family homes. There are no growth projections available for CSA 10. In general, the Santa Cruz County unincorporated area is projected to have slow growth over the next fifteen years. The 2013 service review involving CSA 10 and 57 indicated that the estimated population

within the total area was approximately 881. Based on the growth rate of approximately 1% for the unincorporated areas in the County, LAFCO staff projects that CSA 10's entire population in 2020 will be around 888. The projected population for CSA 10 are as follows:

**Table 44: Projected Population**

|                                    | 2020       | 2025       | 2030       | 2035       | Growth Rate |
|------------------------------------|------------|------------|------------|------------|-------------|
| Santa Cruz County (unincorporated) | 136,891    | 137,896    | 139,105    | 140,356    | 1%          |
| <b>CSA 10</b>                      | <b>888</b> | <b>896</b> | <b>903</b> | <b>911</b> | <b>1%</b>   |

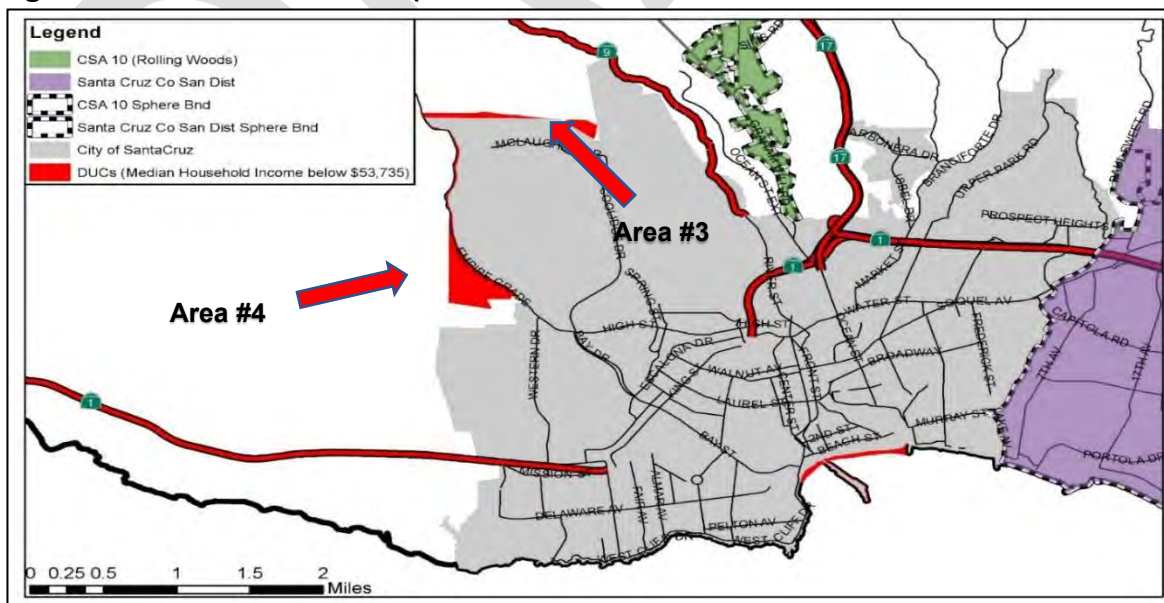
*Source: AMBAG 2018 Regional Growth Forecast*

### Disadvantaged Unincorporated Communities

State law requires LAFCO to identify and describe all “disadvantaged unincorporated communities” (DUC) located within or contiguous to the existing spheres of influence of cities and special districts that provide fire protection, sewer, and/or water services. DUCs are defined as inhabited unincorporated areas with an annual median household income that is 80% or less than the statewide annual median household income.

LAFCO staff utilized the ArcGIS mapping program to locate potential DUCs in the County. Based on the criteria set forth by SB 244, staff's initial analysis located two DUCs near CSA 10 and the Santa Cruz County Sanitation District (Areas #3 and #4). However, these two areas are not within or adjacent to a sanitation districts' service or sphere boundary, as shown in the figure below. Additionally, these two areas are in vacant parcels outside the University of California, Santa Cruz. The County's General Plan designates Area #3, located north of McLaughlin Drive, as Special Use<sup>11</sup>. Area #4, located south of Empire Grade, is designated as Commercial Agriculture. Based on the two identified sites being undeveloped and uninhabited, the Commission should not consider these areas as a disadvantaged unincorporated community in future boundary changes.

**Figure 36: Areas #3 and #4 (near CSA 10 and Santa Cruz Co Sanitation District)**



<sup>11</sup> Special Use - All uses allowed in the “RA” or “R-1” zone district provided the use is consistent with the General Plan. All other permitted or conditionally permitted uses provided they are consistent with the General Plan and a Level 5 use approval is obtained.

## Services & Operations

CSA 10 has an aging collection and treatment plant that serves the residential areas of Rolling Woods and Woods Cove, as well as the Pasatiempo Golf Club. The plant is maintained by the County of Santa Cruz. Based on the County's 2017 Sewer System Management Plan, CSA 10 has 104 connections with 3.18 miles of gravity sewer lines, 0.35 miles of force main lines, and zero pump stations. Annual sewer charges are the District's primary source of revenue.

### Sewer Rates

At present, CSA 10's annual sewer rates derive from three areas: Rolling Woods, Woods Cove, and the Pasatiempo Golf Club. Each area has its own sewer rate. **Table 45** shows the gradual increase in annual rates during the last seven years.

**Table 45: Annual Sewer Rates**

|               | FY 13-14 | FY 14-15 | FY 15-16 | FY 16-17 | FY 17-18   | FY 18-19   | FY 19-20   |
|---------------|----------|----------|----------|----------|------------|------------|------------|
| Golf Club     | -        | -        | -        | -        | \$5,368.97 | \$5,834.14 | \$6,096.68 |
| Rolling Woods | \$387.14 | \$395.64 | \$406.70 | \$417.26 | \$431.86   | \$301.36   | \$314.92   |
| Woods Cove    | -        | -        | \$751.00 | \$770.52 | \$797.49   | \$301.36   | \$314.92   |

Pursuant to Santa Cruz County Code Section 4.26, the Director of Public Works must annually compute the benefit assessment/service charge rates for CSAs and submit a report to the Board of Supervisors describing each parcel of real property receiving the special benefit and the amount of the charge per CSA for each parcel for the upcoming fiscal year.

CSA fees are considered benefit assessments, and any rate increase (except for preapproved annual Consumer Price Index (CPI) increases) must comply with Proposition 218 procedures. These procedures require that an increase is approved by at least half of the votes cast by the property owners, with the votes weighted according to the amount of the proposed assessment of each parcel. Furthermore, a public hearing must be held to consider any protests to the proposed increase. The following tables (**Tables 46 to 48**) depict the change in dollar amount and percentage for each specific zone.

**Table 46: Pasatiempo Golf Club's Annual Sewer Rates Review**

|                    | FY 13-14 | FY 14-15 | FY 15-16 | FY 16-17 | FY 17-18          | FY 18-19          | FY 19-20          | Average Change |
|--------------------|----------|----------|----------|----------|-------------------|-------------------|-------------------|----------------|
| <b>Golf Club</b>   | -        | -        | -        | -        | <b>\$5,368.97</b> | <b>\$5,834.14</b> | <b>\$6,096.68</b> |                |
| <i>Change (\$)</i> | -        | -        | -        | -        | -                 | \$465.17          | \$262.54          | \$363.86       |
| <i>Change (%)</i>  | -        | -        | -        | -        | -                 | 9%                | 5%                | 7%             |



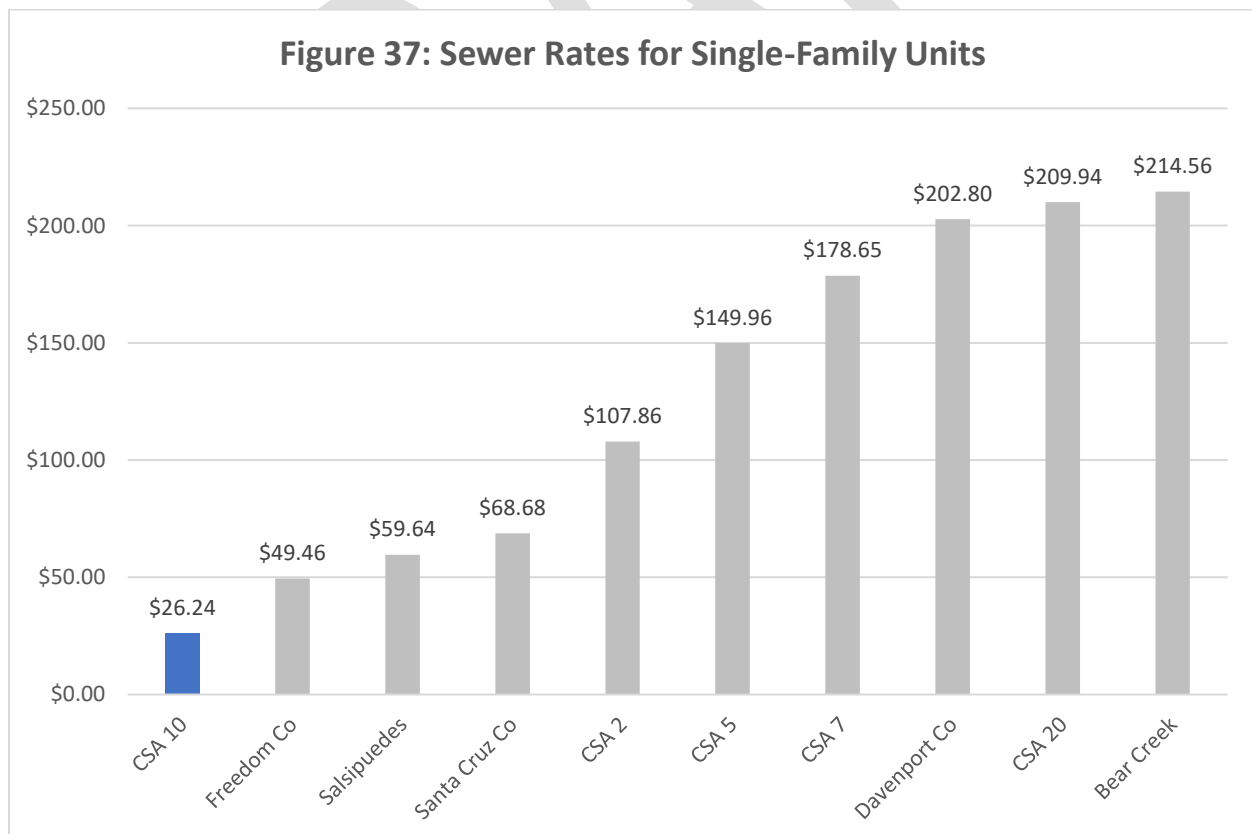
**Table 47: Rolling Wood's Annual Sewer Rates Review**

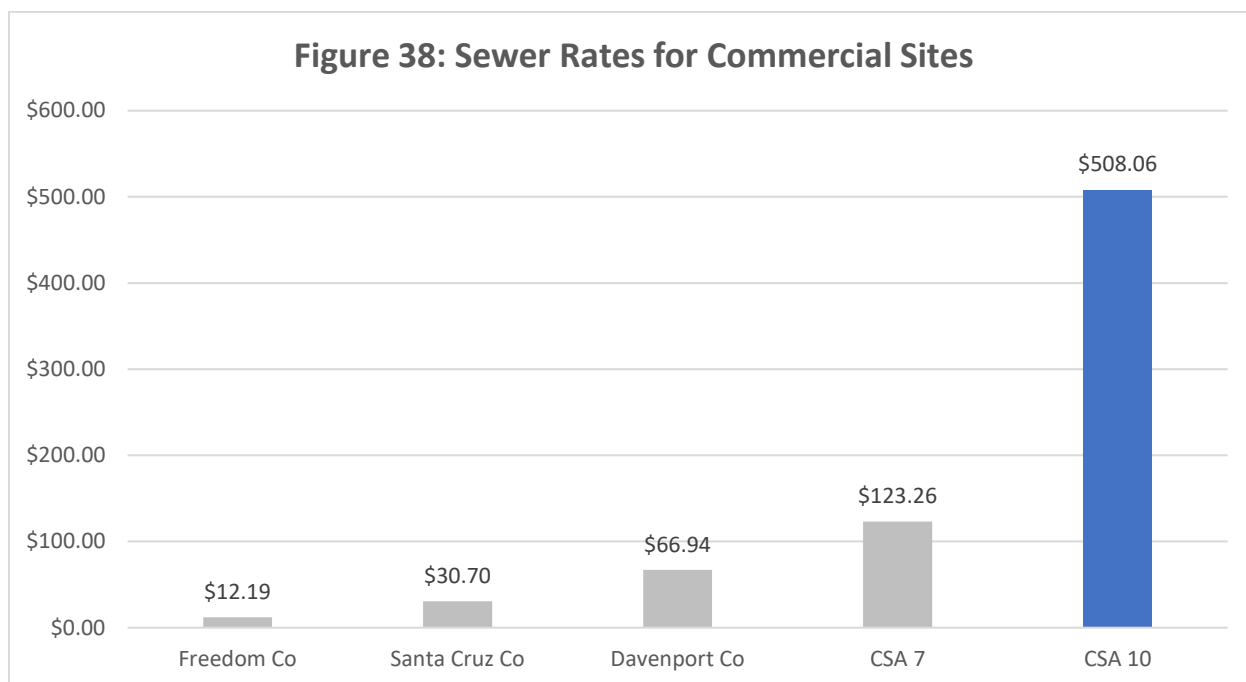
|                      | FY 13-14        | FY 14-15        | FY 15-16        | FY 16-17        | FY 17-18        | FY 18-19        | FY 19-20        | Average Change |
|----------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|----------------|
| <b>Rolling Woods</b> | <b>\$387.14</b> | <b>\$395.64</b> | <b>\$406.70</b> | <b>\$417.26</b> | <b>\$431.86</b> | <b>\$301.36</b> | <b>\$314.92</b> |                |
| <i>Change (\$)</i>   | -               | \$8.50          | \$11.06         | \$10.56         | \$14.60         | -\$130.50       | \$13.56         | -\$12.04       |
| <i>Change (%)</i>    | -               | 2%              | 3%              | 3%              | 3%              | -30%            | 4%              | -13%           |

**Table 48: Woods Cove's Annual Sewer Rates Review**

|                    | FY 13-14 | FY 14-15 | FY 15-16        | FY 16-17        | FY 17-18        | FY 18-19        | FY 19-20        | Average Change |
|--------------------|----------|----------|-----------------|-----------------|-----------------|-----------------|-----------------|----------------|
| <b>Woods Cove</b>  | -        | -        | <b>\$751.00</b> | <b>\$770.52</b> | <b>\$797.49</b> | <b>\$301.36</b> | <b>\$314.92</b> |                |
| <i>Change (\$)</i> | -        | -        | -               | \$19.52         | \$26.97         | -\$496.13       | 13.56           | -\$109.02      |
| <i>Change (%)</i>  | -        | -        | -               | 3%              | 4%              | -62%            | 4%              | -29%           |

When comparing the sewer rates with the other sanitation districts analyzed in this report, CSA 10 is ranked the lowest in charges towards single family units (\$26.24/month) and ranked highest in charges towards commercial units (\$508.06/month). Sewer rate comparisons are shown in the following figures (**Figures 37 and 38**).





### Infrastructure Summary

CSA 10 maintains and operates one lift station, a collection system, and serves almost 900 residents. It currently has 104 connections and approximately 3.5 miles of sewer line.

**Table 49** provides an overview of the type of service and current infrastructure:

**Table 49: Infrastructure Summary**

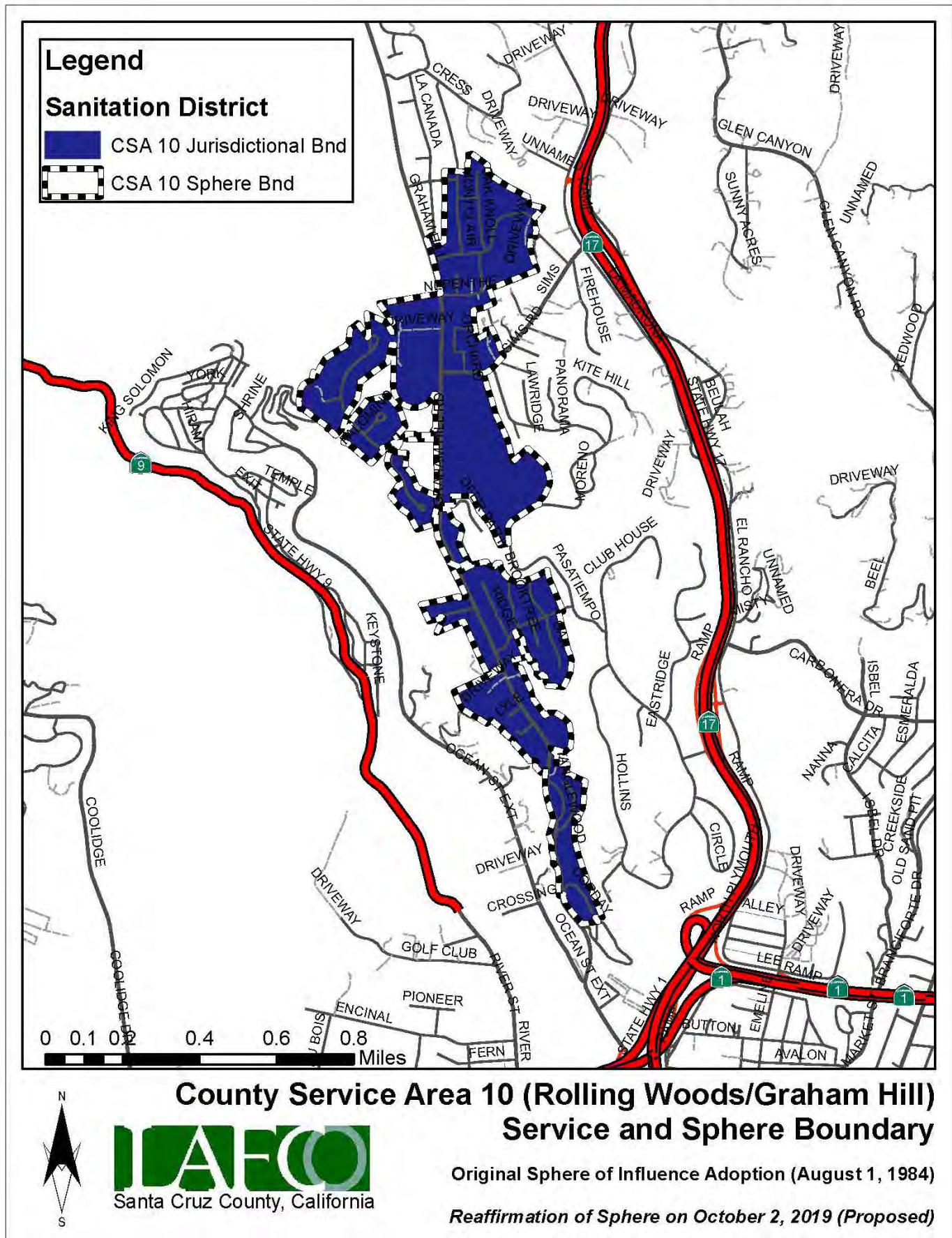
|        | Type of System | Treatment Level | No. of Connections | No. of Lift Stations | Miles of Sewer Line |
|--------|----------------|-----------------|--------------------|----------------------|---------------------|
| CSA 10 | Collection     | N/A             | 104                | 1                    | 3.5                 |

The Public Works Department has indicated that if there is a system failure that occurs and must be fixed on an emergency basis, depending on the size of the required repair, the CSA may require additional funds.

### Septic Systems within CSA 10

The operation and repair of septic systems are regulated by the Santa Cruz County Health Department, Environmental Health Services Division. Properties currently using individual septic systems may continue to use individual systems or may choose to connect to CSA 10's sewer main. A property owner may defer the decision to connect, unless the property is less than 200 feet away from a sewer main and three of the following situations occur: (1) If a septic system fails, the property must connect to the sewer main; (2) If the property owner desires to do a major remodel but the septic system does not meet current standards, upgrade of the septic system is not an option and the property must connect to the sewer main; and (3) If a septic system repair has been completed in the last five years using an interim conventional system where enhanced treatment would have been required, the property must connect to the sewer main within 6 months of sewer availability.

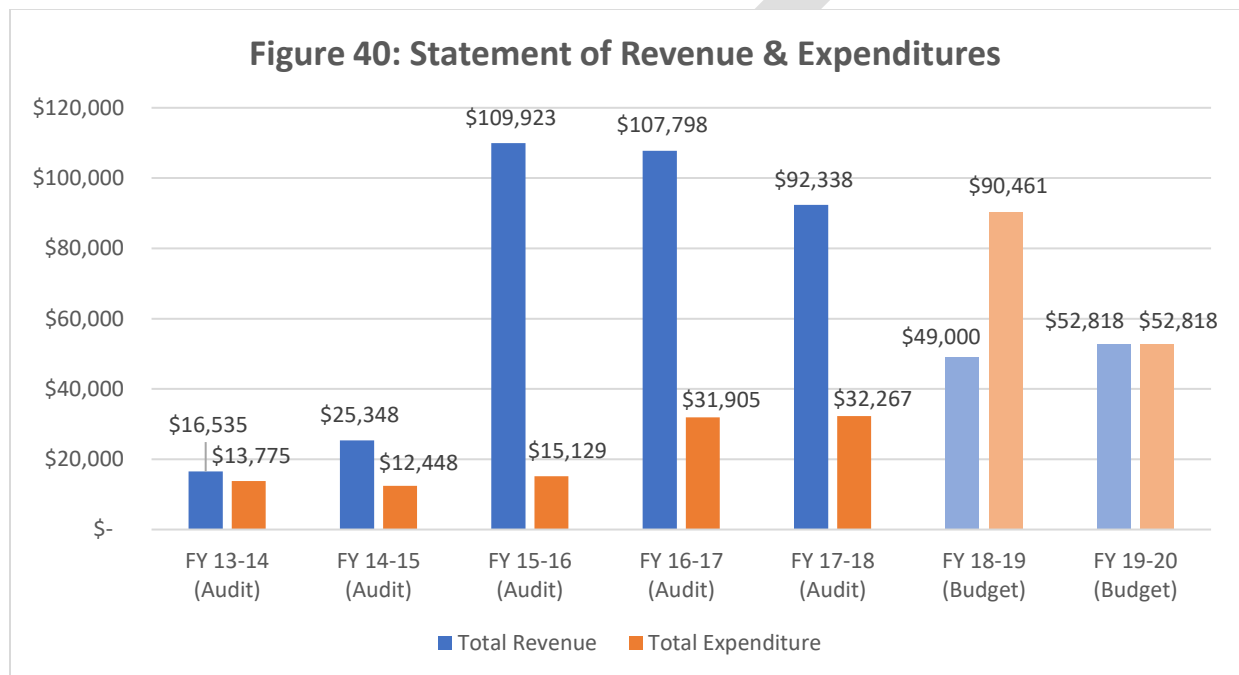
### Figure 39: CSA 10's Vicinity Map



## Finances

This section will highlight the District's audited financial performance during the most recent fiscal years. Fiscal Year 2017-18 is the latest audited financial statement available. A comprehensive analysis of the District's financial performance during the past 5 years is shown in **Tables 52** and **53**, on pages 110 and 111.

At the end of Fiscal Year 2017-18, total revenue collected was \$92,338, representing a 14% decrease from the previous year (\$107,798 in FY 16-17). Total expenses for FY 17-18 were \$32,267, which increased slightly from the previous year by \$362 (\$31,905 in FY 16-17). As shown in the figure below, the District's total revenues have exceeded total expenditures each year since 2013 (refer to **Figure 40**). Based on the two most recently adopted budgets, however, the positive trend may end in FY 18-19.



### District Revenues

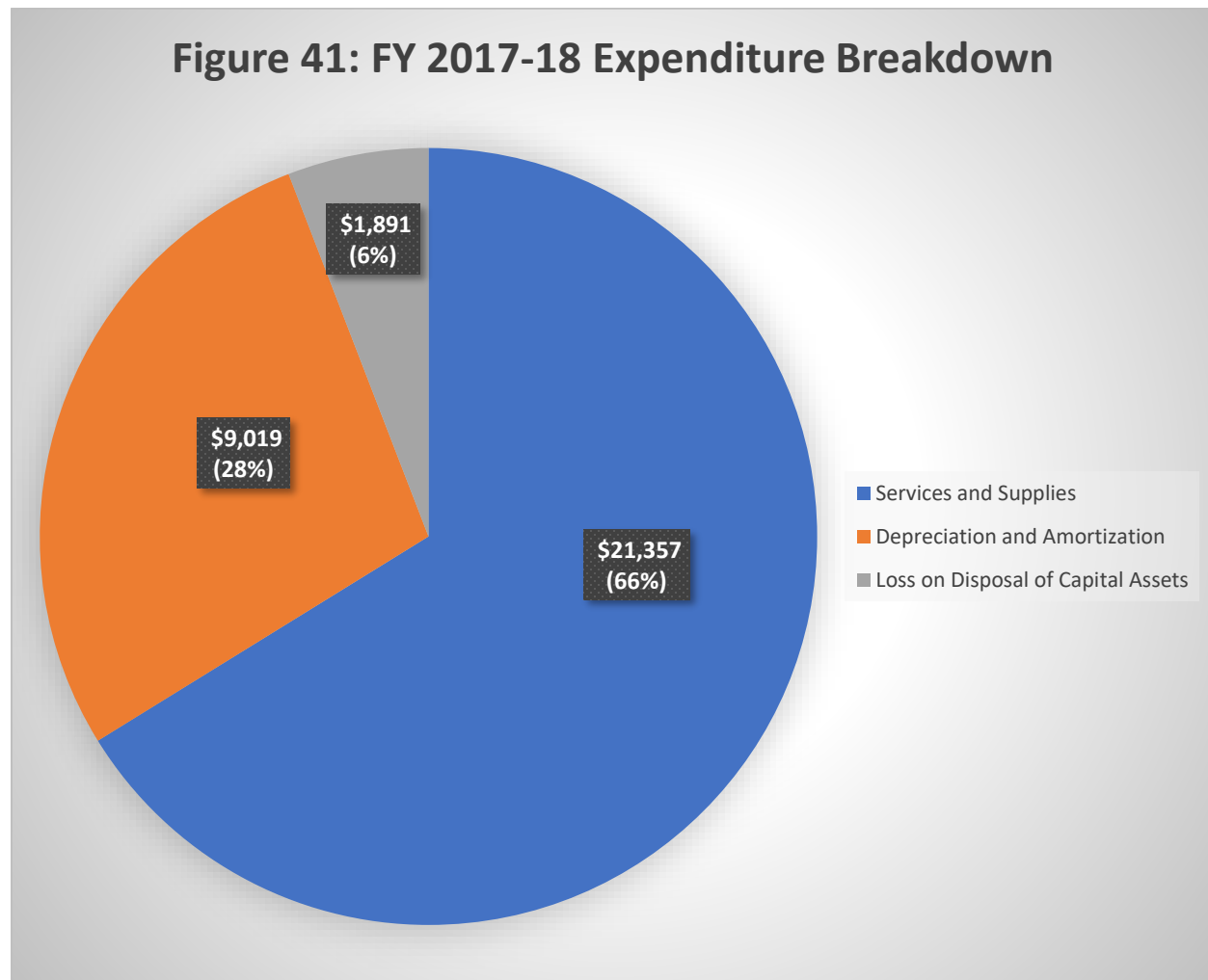
CSA 10's primary source of revenue is from Charges for Services. In FY 17-18, the District received revenue from two different sources: Charges for Services (\$83,423) and Interest and Investment Income (\$8,915). On average, the District receives approximately \$67,000 each year in service fees. **Table 50** highlights the total revenue received since 2013.

**Table 50: Total Revenue (FY 13-14 to FY 17-18)**

|                            | FY 13-14        | FY 14-15        | FY 15-16         | FY 16-17         | FY 17-18        | Average         |
|----------------------------|-----------------|-----------------|------------------|------------------|-----------------|-----------------|
| Charges for Services       | \$16,518        | \$25,234        | \$107,867        | \$102,909        | \$83,423        | \$67,190        |
| Interest Investment Income | <u>\$17</u>     | <u>\$114</u>    | <u>\$2,056</u>   | <u>\$4889</u>    | <u>\$8,915</u>  | <u>\$3,198</u>  |
| <b>Total Revenue</b>       | <b>\$16,535</b> | <b>\$25,348</b> | <b>\$109,923</b> | <b>\$107,798</b> | <b>\$92,338</b> | <b>\$70,388</b> |

## District Expenditures

CSA 10's total expenditures can be categorized into 3 budgetary groups: Services & Supplies, Depreciation & Amortization, and Loss on Disposal of Capital Assets. The figure below depicts the how funding is distributed by category. The District's primary expenditure is associated with operational and management costs, under Services and Supplies.



## Assets & Liabilities

The following is an overview of CSA 10's assets and liabilities:

- District Assets: As of June 30, 2018, the District has \$797,496 in total assets. Cash and Investments represent 86% of total assets.
- District Liabilities: As of June 30, 2018, the District has \$0 in total liabilities.



### Fund Balance/Net Position

As of June 30, 2018, the total fund balance is approximately \$797,496. The fund balance has increased each year since 2013, as shown in the following table. Unlike other sanitation districts, CSA 10 has no short or long-term liabilities. A full review of the District's assets, liabilities, and net position is shown in page 111 (refer to **Table 53**).

**Table 51: Fund Balance/Net Position**

|                                   | FY 13-14<br>(Audited) | FY 14-15<br>(Audited) | FY 15-16<br>(Audited) | FY 16-17<br>(Audited) | FY 17-18<br>(Audited) |
|-----------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>Net Position</b>               | <b>\$162,279</b>      | <b>\$175,179</b>      | <b>\$661,532</b>      | <b>\$737,425</b>      | <b>\$797,496</b>      |
| Change in (\$) from previous year |                       | \$12,900              | \$486,353             | \$75,893              | \$60,071              |
| Change in (%) from previous year  |                       | 8%                    | 278%                  | 11%                   | 8%                    |

*Note: In 2014, the Commission approved a reorganization that transferred sewer services from CSA 57 to CSA 10. Assets and liabilities were also transferred under this reorganization.*



**Table 52: Total Revenues & Expenditures**

|                                    | <b>FY 13-14<br/>(Audit)</b> | <b>FY 14-15<br/>(Audit)</b> | <b>FY 15-16<br/>(Audit)</b> | <b>FY 16-17<br/>(Audit)</b> | <b>FY 17-18<br/>(Audit)</b> | <b>FY 18-19<br/>(Budget)</b> | <b>FY 19-20<br/>(Budget)</b> |
|------------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|------------------------------|------------------------------|
| <b>REVENUE</b>                     |                             |                             |                             |                             |                             |                              |                              |
| Charges for Services               | \$ 16,518                   | \$ 25,234                   | \$ 107,867                  | \$ 102,909                  | \$ 83,423                   | \$ 42,600                    | \$ -                         |
| Intergovernmental                  | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ -                         | \$ -                         |
| Interest and Investment Income     | \$ 17                       | \$ 114                      | \$ 2,056                    | \$ 4,889                    | \$ 8,915                    | \$ 6,400                     | \$ -                         |
| Property Taxes                     | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ -                         | \$ -                         |
| Gain on Disposal of Capital Assets | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ -                         | \$ -                         |
| <b>Total Revenue</b>               | <b>\$ 16,535</b>            | <b>\$ 25,348</b>            | <b>\$109,923</b>            | <b>\$107,798</b>            | <b>\$ 92,338</b>            | <b>\$ 49,000</b>             | <b>\$ 52,818</b>             |
| <b>EXPENDITURE</b>                 |                             |                             |                             |                             |                             |                              |                              |
| Services and Supplies              | \$ 4,455                    | \$ 3,129                    | \$ 5,904                    | \$ 22,697                   | \$ 21,357                   | \$ 42,600                    | \$ -                         |
| Depreciation and Amortization      | \$ 9,320                    | \$ 9,319                    | \$ 9,225                    | \$ 9,208                    | \$ 9,019                    | \$ 9,209                     | \$ -                         |
| Approp for Contingencies           | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ 38,652                    | \$ -                         |
| Loss on Disposal of Capital Assets | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ 1,891                    | \$ -                         | \$ -                         |
| <b>Total Expenditure</b>           | <b>\$ 13,775</b>            | <b>\$ 12,448</b>            | <b>\$ 15,129</b>            | <b>\$ 31,905</b>            | <b>\$ 32,267</b>            | <b>\$ 90,461</b>             | <b>\$ 52,818</b>             |
| <b>Surplus/(Deficit)</b>           | <b>\$ 2,760</b>             | <b>\$ 12,900</b>            | <b>\$ 94,794</b>            | <b>\$ 75,893</b>            | <b>\$ 60,071</b>            | <b>\$ (41,461)</b>           | <b>\$ -</b>                  |
| Capital Contributions              | \$ -                        | \$ -                        | \$ 391,559                  | \$ -                        | \$ -                        | \$ -                         | \$ -                         |
| Net Position - Beginning           | \$ 159,519                  | \$ 162,279                  | \$ 175,179                  | \$ 661,532                  | \$ 737,425                  | \$ 797,495                   | \$ 756,034                   |
| <b>Net Position - Ending</b>       | <b>\$162,279</b>            | <b>\$175,179</b>            | <b>\$661,532</b>            | <b>\$737,425</b>            | <b>\$797,496</b>            | <b>\$756,034</b>             | <b>\$756,034</b>             |

**Table 53: Total Assets & Liabilities**

|  | <b>FY 13-14<br/>(Audit)</b> | <b>FY 14-15<br/>(Audit)</b> | <b>FY 15-16<br/>(Audit)</b> | <b>FY 16-17<br/>(Audit)</b> | <b>FY 17-18<br/>(Audit)</b> |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| <b>ASSETS</b>                            |                             |                             |                             |                             |                             |
| <u>Current Assets</u>                    |                             |                             |                             |                             |                             |
| Cash and Investments                     | \$ 13,595                   | \$ 35,814                   | \$ 531,392                  | \$ 616,493                  | \$ 687,474                  |
| Restricted Cash                          | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ -                        |
| Receivables                              | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ -                        |
| <u>Non-Current Assets</u>                |                             |                             |                             |                             |                             |
| Loans Receivable                         | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ -                        |
| Capital Assets:                          |                             |                             |                             |                             |                             |
| Construction in Progress                 | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ -                        |
| Buildings and Structures                 | \$ 375,398                  | \$ 375,398                  | \$ 375,398                  | \$ 375,398                  | \$ 360,778                  |
| Equipment                                | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ -                        |
| Accumulated Depreciation                 | \$ (226,714)                | \$ (236,033)                | \$ (245,258)                | \$ (254,466)                | \$ (250,756)                |
| <b>Total Assets</b>                      | <b>\$ 162,279</b>           | <b>\$ 175,179</b>           | <b>\$ 661,532</b>           | <b>\$ 737,425</b>           | <b>\$ 797,496</b>           |
| <b>LIABILITIES</b>                       |                             |                             |                             |                             |                             |
| <u>Current Liabilities</u>               |                             |                             |                             |                             |                             |
| Payables                                 | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ -                        |
| Current Portion of Long-term Liabilities | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ -                        |
| <u>Non-Current Liabilities</u>           |                             |                             |                             |                             |                             |
| Long-term Liabilities                    | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ -                        |
| <b>Total Liabilities</b>                 | <b>\$ -</b>                 | <b>\$ -</b>                 | <b>\$ -</b>                 | <b>\$ -</b>                 | <b>\$ -</b>                 |
| <b>NET POSITION</b>                      |                             |                             |                             |                             |                             |
| Net Investment in Capital Assets         | \$ 148,684                  | \$ 139,365                  | \$ 130,140                  | \$ 120,932                  | \$ 110,022                  |
| Restricted for Debt Service              | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ -                        |
| Unrestricted                             | \$ 13,595                   | \$ 35,814                   | \$ 531,392                  | \$ 616,493                  | \$ 687,474                  |
| <b>Total Net Position</b>                | <b>\$ 162,279</b>           | <b>\$ 175,179</b>           | <b>\$ 661,532</b>           | <b>\$ 737,425</b>           | <b>\$ 797,496</b>           |

## Governance

County Service Area 10 is a dependent special district governed by the County Board of Supervisors and managed by the Public Works Department. The current Board is as follows:

**Table 54: Board of Directors**

| Board Member    | Title    | Years of Service | Term of Office Expiration |
|-----------------|----------|------------------|---------------------------|
| Zach Friend     | Director | 7 years          | 1/2/2020                  |
| John Leopold    | Director | 11 years         | 1/2/2020                  |
| Ryan Coonerty   | Director | 5 years          | 1/2/2021                  |
| Greg Caput      | Director | 8 years          | 1/2/2021                  |
| Bruce McPherson | Director | 3 years          | 1/2/2020                  |

The Board of Directors meets on most Tuesdays in the Board of Supervisors' Chambers, 701 Ocean Street, Room 525. Meetings generally begin at 9:00am. Public notice is provided through posting. The County contracts for independent audits.

The County of Santa Cruz Public Works Department is responsible for the administration, engineering, maintenance, emergency response and construction of all County sanitation services. The department also manages various Board-governed special districts and CSAs. The Sanitation Operations unit is one of six organizational units within the Special Services Division of Public Works and provides operation and maintenance services to County sanitation districts and CSAs. Sanitation operations employees work in all Districts and CSAs. Each sanitation district is governed according to its specific code of regulations. The Districts' codes are very similar, and some sections are adopted by reference from the Santa Cruz County Sanitation District Code. CSAs are governed according to the Santa Cruz County Code of Regulations. Most of the County Code pertaining to sanitary sewer collection systems is adopted by reference from the SCCSD Code.

### Website Requirements

Senate Bill 929 was signed into law in September 2018 and requires all independent special districts to have and maintain a website by January 1, 2020. It outlines minimum website data requirements, including contact information, financial reports, and meeting agendas/minutes. While this new law does not apply to county service areas, the County should consider following the requirements outlined in the new law. The County's water and sewer webpage offers a number of useful resources including formation resolutions, service maps, and current sewer charges for each CSA that delivers sanitary services: <http://dpw.co.santa-cruz.ca.us/Home/SewerWater.aspx>. However, it is difficult to locate certain information and material. For example, there is no reference to staff reports or other supporting documents that provide background information on the CSA's annual sewer rates.

**LAFCO Staff Recommendation:** *It may be beneficial for the County to include links to staff reports or other supporting documents related to the annual sewer rates. Additionally, the webpage should include all past and future LAFCO service reviews involving CSA 10 as additional resource material.*

### Capital Improvement Plan

There is no specific capital improvement plan for CSA 10. The County has a countywide CIP to address the replacement of the aging sewer system, however, CSA 10 lacks funds to make all the improvements. The County of Public Works continually seek grant or loan funding to help finance these improvements.

***LAFCO Staff Recommendation:*** *The County should consider developing a specific capital improvement plan that covers the sanitation districts managed and operated by the Public Works Department – Davenport, Freedom, Santa Cruz County Sanitation Districts, and CSAs 2, 5, 7, 10, and 20.*

### Sewer System Management Plan

The State Water Resources Control Board regulates wastewater discharges to surface water (rivers, ocean, etc.) and to groundwater (via land). The State Water Board requires sanitation districts to follow the Statewide General Waste Discharge Requirements for Sanitary Sewer Systems. These requirements include the following:

- Sanitary Sewer Overflows are prohibited, and
- All Sanitary Sewer Overflow (SSOs), with the exception of Private Sewer Lateral Discharge (PLSDs), irrespective of size, must be reported to the State Water Board electronically using the California Integrated Water Quality System, and the Districts/CSAs must prepare and implement a Sewer System Management Plan (SSMP).

In 2017, the County adopted a Sewer System Management Plan to cover the management, operation and maintenance, design, construction and emergency response of the Davenport Sanitation District, Freedom Sanitation District, Santa Cruz County Sanitation District and County Service Areas sanitary sewer systems, including CSA 10.

## **Opportunities & Challenges**

County Service Area 10 is significantly affected by aging infrastructure, escalating operational costs, and changes to state laws and regulations that may introduce new requirements without additional funding. These issues are common with other sanitation districts in Santa Cruz County. The following section discusses these challenges and identifies possible opportunities to ensure the delivery of wastewater services in an efficient and effective manner.

### **Governance Structure Options**

CSA 10 is just north of the boundary for the City of Santa Cruz's wastewater collection system. The wastewater from the CSA is transported to the City's treatment plant where it is processed. Due to the proximity of the two systems, the shared transmission line to the treatment plant, and the shared treatment plant, the County has requested that LAFCO consider expanding the boundary of the City of Santa Cruz's service area to include the limits of this CSA.

LAFCO staff sees value in local agencies collaborating and exploring opportunities to improve delivery of municipal services. It is still unknown whether it is feasible for the City or another local service provider to assume responsibilities within this area. Therefore, LAFCO staff recommends that the County continue to discuss possible partnerships with the City and other neighboring agencies. If an agreement is made, in which all affected parties agree in the transfer of responsibilities, a change of organization may be considered at that point.

### **Regional Collaboration**

Several sanitation districts, including entities managed and operated by the County, have expressed interest in transferring sewer responsibilities to another agency due to funding issues, limited long-term planning, or lack of economies of scale. Establishment of a countywide memorandum of understanding or a joint powers authority may unify the already-established collaboration set by the sanitation providers in the county. Such agreements may also lay the foundation for future changes of organization, including but not limited to annexations, consolidations, or mergers.

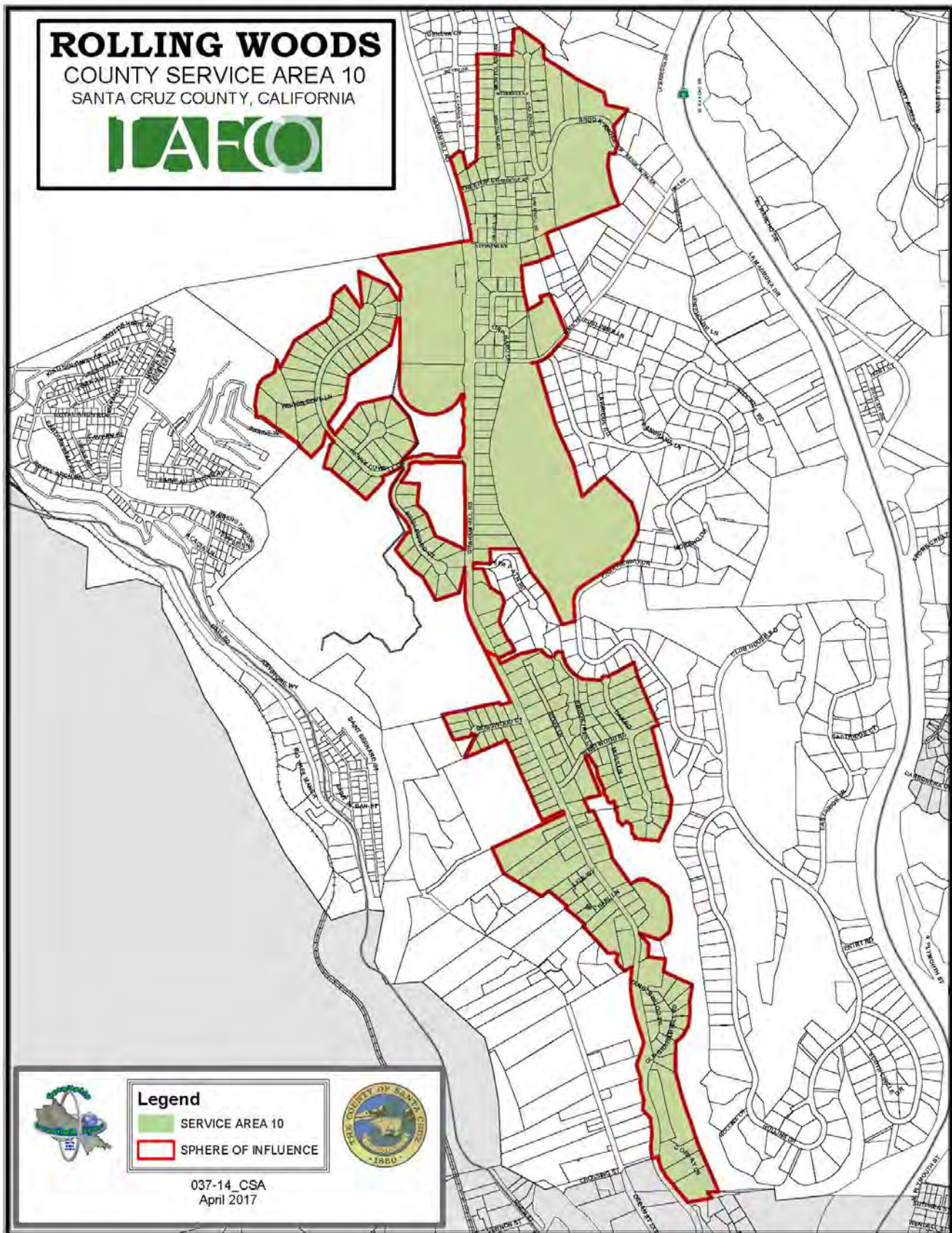
### **Sphere of Influence**

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LAFCO originally adopted a sphere of influence for the District in 1984. In 2014, the Commission approved a reorganization that transferred sewer services from CSA 57 to CSA 10. In total, 299 parcels were annexed into CSA 10 under this reorganization. As part of the reorganization, CSA 10's sphere of influence was amended to reflect the annexation. Today, the sphere of influence for CSA 10 is coterminous with its service area. **Figure 42** shows the current sphere of influence boundary for CSA 10.



Figure 42: CSA 10's Current Sphere Map





## District Summary

| County Service Area 10 (Rolling Woods/Graham Hill) |   |
|--|---|
| <b>Formation</b>                                   | California Government Code, section 25210.1 et seq.<br>(County Service Area Law)  |
| <b>Board of Directors</b>                          | 5 members, elected at-large to four-year terms  |
| <b>Contact Person</b>                              | Beatriz Barranco, Senior Engineer, Sanitation Operations  |
| <b>Employees</b>                                   | 1 full-time employee (approximately)  |
| <b>Facilities</b>                                  | Collection Plant; 1 lift station; 104 connections   |
| <b>District Area</b>                               | 269 acres (0.42 square mile)  |
| <b>Sphere of Influence</b>                         | Coterminous with District (i.e. no sphere beyond existing jurisdictional boundary)  |
| <b>FY 2019-20 Budget</b>                           | Total Revenue = \$52,818<br>Total Expenditure = \$52,818<br>Projected Net Position (Beginning Balance) = \$756,034  |
| <b>Contact Information</b>                         | Mailing Address: 701 Ocean Street, Santa Cruz CA 95060<br>Phone Number: (831) 477-3907<br>Email Address: <a href="mailto:Beatriz.Barranco@santacruzcounty.us">Beatriz.Barranco@santacruzcounty.us</a><br>Website: <a href="http://dpw.co.santa-cruz.ca.us/Home/SewerWater.aspx">http://dpw.co.santa-cruz.ca.us/Home/SewerWater.aspx</a> |
| <b>Public Meetings</b>                             | The Board regularly meets on most Tuesdays in the Board of Supervisors' Chambers, 701 Ocean St, Rm. 525. Meetings generally begin at 9:00 am.   |
| <b>Mission Statement</b>                           | The CSA does not have a published mission statement. However, their mission aligns with the published mission statement for the Santa Cruz County Sanitation District.  |

## **Service and Sphere Review Determinations**

The following service and sphere review determinations fulfill the requirements outlined in the Cortese-Knox-Hertzberg Act. The County was instrumental in addressing the determinations by responding to a survey sent by LAFCO in June 2019. **Appendix E** provides a copy of the District's survey response.

### **Service Provision Determinations**

Government Code Section 56430 requires LAFCO to conduct a municipal service review before, or in conjunction with, an action to establish or update a sphere of influence. Written statements of determination must be prepared with respect to each of the following:

**1. Growth and population projections for the affected area.**

The Graham Hill corridor area is substantially built-out with low-density single-family homes. There are no growth projections available for CSA 10. In general, the Santa Cruz County unincorporated area is projected to have slow growth over the next fifteen years. The 2013 service review involving CSA 10 and 57 indicated that the estimated population within the total area was approximately 881. Based on the growth rate of approximately 1% for the unincorporated areas in the County, LAFCO staff projects that CSA 10's entire population in 2020 will be around 888.

**2. The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence.**

LAFCO staff utilized the ArcGIS mapping program to locate potential DUCs in the County. Based on the criteria set forth by SB 244, staff's initial analysis located two DUCs near CSA 10 and the Santa Cruz County Sanitation District (DUC #3 and #4). However, these two areas are not within or adjacent to a sanitation districts' service or sphere boundary. Additionally, these two areas are in vacant parcels outside the University of California, Santa Cruz. The County's General Plan designates Area #3, located north of McLaughlin Drive, as Special Use. Area #4, located south of Empire Grade, is designated as Commercial Agriculture. Based on the two identified sites being undeveloped and uninhabited, the Commission should not consider these areas as a disadvantaged unincorporated community in future boundary changes.

**3. 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.**

CSA 10 has a collection system and one lift station that serves the residential areas of Rolling Woods and Woods Cove, as well as the Pasatiempo Golf Club. The plant is maintained by the County of Santa Cruz. Based on the County's 2017 Sewer System Management Plan, CSA 10 has 104 connections with 3.18 miles of gravity sewer lines, 0.35 miles of force main lines, and zero pump stations. Annual sewer charges are the District's primary source of revenue.

**4. Financial ability of agencies to provide services.**

County Service Area 10's financial ability to provide services is well-established. The CSA has successfully kept costs below its revenue stream since 2013. Audited financial statements from Fiscal Years 2013 to 2018 indicate that the increase in net position has ranged from \$2,700 to \$95,000. As of June 30, 2018, CSA 10 is operating with a net position of approximately \$797,000, of which \$687,000 is in cash and investments.

**5. Status of, and opportunities for, shared facilities.**

Several sanitation districts, including entities managed and operated by the County, have expressed interest in transferring sewer responsibilities to another agency due to funding issues, limited long-term planning, or lack of economies of scale. Establishment of a countywide memorandum of understanding or a joint powers authority may unify the already-established collaboration set by the sanitation providers in the county. Such agreements may also lay the foundation for future changes of organization, including but not limited to annexations, consolidations, or mergers.

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

The County currently has a countywide capital improvement plan and a specific capital improvement plan for the Santa Cruz County Sanitation District. Additionally, the County has adopted a Sewer System Management Plan. However, CSA 10 does not have any current or proposed sewer-related capital improvement projects scheduled at this time.

The County has not identified any infrastructure needs at this time. However, repairs, installations, and other infrastructure issues are being faced by other CSAs. CSA 10 currently has approximately \$680,000 in cash on hand. If there is a major infrastructure repair or a system failure that requires immediate restoration, CSA 10 may require additional funds. The County should consider developing a long-term maintenance plan to identify adequate funding in order to address current and future maintenance, replacement, and/or upgrades to an aging infrastructure.

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

No additional local LAFCO policies are specifically relevant to this service and sphere review.

### **Sphere of Influence Determinations**

Government Code Section 56425 requires LAFCO to periodically review and update spheres of influence in concert with conducting municipal service reviews. Spheres are used as regional planning tools to discourage urban sprawl and encourage orderly growth. Written statements of determination must be prepared with respect to each of the following:

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

There are no agricultural or open-space lands within the service area.

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

CSA 10 has an aging collection and treatment plant that serves the residential areas of Rolling Woods and Woods Cove, as well as the Pasatiempo Golf Club. The plant is maintained by the County of Santa Cruz. Based on the County's 2017 Sewer System Management Plan, CSA 10 has 104 connections with 3.18 miles of gravity sewer lines, 0.35 miles of force main lines, and zero pump stations. Annual sewer charges are the District's primary source of revenue.

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

County Service Area 10 operates a sanitary sewer collection system and serves the residential areas of Rolling Woods and Woods Cove, as well as the Pasatiempo Golf Club. The County currently has a contractual agreement with the City of Santa Cruz to transfer collected wastewater to the City of Santa Cruz's treatment system. The City treats the sewage at its Neary Lagoon Wastewater Treatment Facility and disposes the treated wastewater into the Pacific Ocean off West Cliff Drive. CSA 10 has 104 connections and serves almost 900 residents.

**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.**

LAFCO staff is not aware of any social or economic communities of interest in the area. The CSA's service area is primarily residential units.

**5. For an update of a 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, that occurs pursuant to subdivision (g) on or after July 1, 2012, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.**

Neither the County nor LAFCO has identified any sub-area within or contiguous to the District's service or sphere boundaries that meet the definition of a disadvantaged unincorporated community. That said, CSA 10 has adequate transmission and treatment capacity for the present and planned facilities within the sphere of influence. The CSA's principal needs are repair and replacement of aging infrastructure.

## COUNTY SERVICE AREA 20 (TRESTLE BEACH)

### District Overview

County Service Area 20 serves the Trestle Beach subdivision near La Selva Beach, which encompasses 12.8 acres (0.02 square miles) and has a population of 42. The County formed CSA 20 in June 1980. Today, the wastewater system provides on-site treatment to a secondary level. **Figure 44**, on page 123, is a vicinity map of the service area.

### Population & Growth

The Trestle Beach subdivision is built-out with low-density single-family homes. There are no growth projections available for CSA 20. In general, the Santa Cruz County unincorporated area is projected to have slow growth over the next fifteen years. The County Public Works Department estimates that the population within the total area is currently 42. Based on the growth rate of approximately 1% for the unincorporated areas in the County, LAFCO staff projects that CSA 20's entire population in 2020 will be remain at 42. The projected population for CSA 20 are as follows:

**Table 55: Projected Population**

|                                    | 2020      | 2025      | 2030      | 2035      | Growth Rate |
|------------------------------------|-----------|-----------|-----------|-----------|-------------|
| Santa Cruz County (unincorporated) | 136,891   | 137,896   | 139,105   | 140,356   | 1%          |
| <b>CSA 20</b>                      | <b>42</b> | <b>43</b> | <b>43</b> | <b>44</b> | <b>1%</b>   |

*Source: AMBAG 2018 Regional Growth Forecast*

### Disadvantaged Unincorporated Communities

State law requires LAFCO to identify and describe all “disadvantaged unincorporated communities” (DUC) located within or contiguous to the existing spheres of influence of cities and special districts that provide fire protection, sewer, and/or water services. DUCs are defined as inhabited unincorporated areas with an annual median household income that is 80% or less than the statewide annual median household income.

In 2017, the California statewide median household income was \$67,169<sup>12</sup>, and 80% of that was \$53,735. LAFCO staff utilized the ArcGIS mapping program to locate potential DUCs in the County. Based on the criteria set forth by SB 244, staff's analysis indicates that there are no areas in CSA 20 designated as a disadvantaged unincorporated community.

### Services & Operations

CSA 20 has a wastewater collection and treatment plant that treats the domestic wastewater from the Trestle Beach community. Based on staff's analysis, CSA 20 has 21 connections with 0.3 miles of sewer lines and 1 pump station. Annual sewer charges are the District's primary source of revenue.

<sup>12</sup> 2013-2017 American Community Survey 5-year Estimates

## Sewer Rates

At present, CSA 20's annual sewer rates derive from single family units in the Trestle Beach community. **Table 56** shows the gradual increase in annual rates during the last seven years.

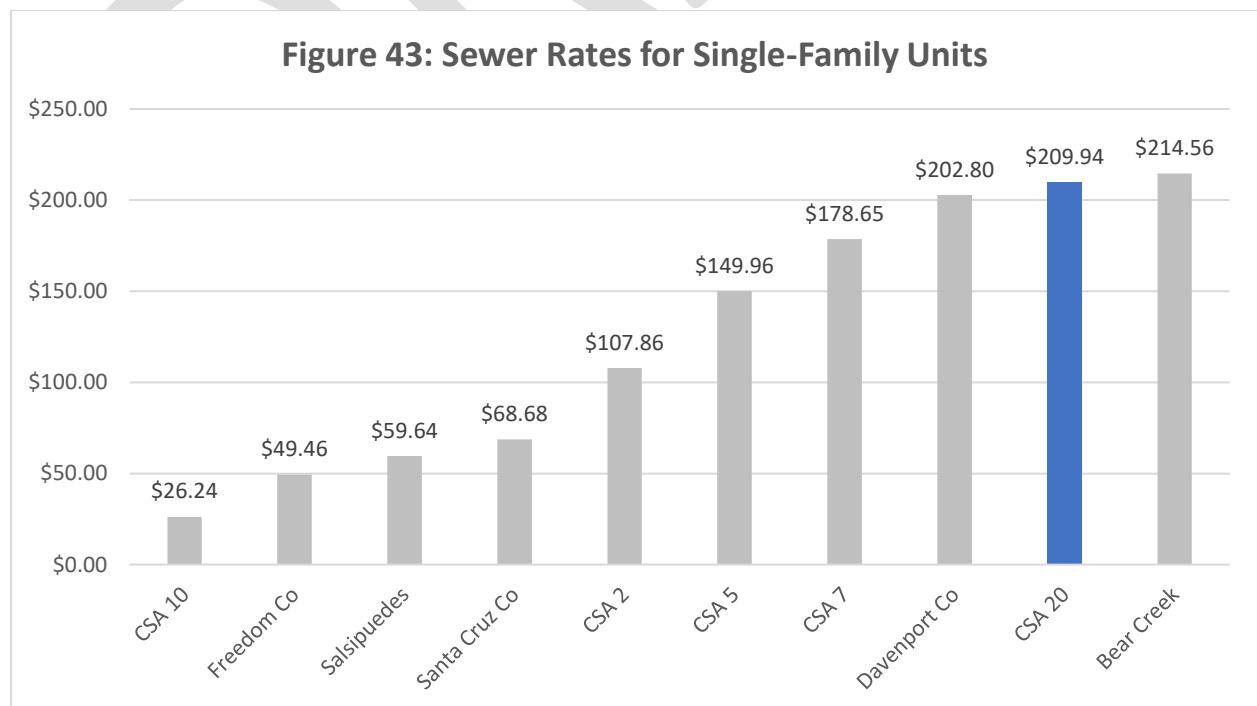
**Table 56: Annual Sewer Rates**

|                      | FY 13-14          | FY 14-15          | FY 15-16          | FY 16-17          | FY 17-18          | FY 18-19          | FY 19-20          | Average Change    |
|----------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| <b>Single Family</b> | <b>\$2,100.00</b> | <b>\$2,146.20</b> | <b>\$2,206.28</b> | <b>\$2,263.64</b> | <b>\$2,342.87</b> | <b>\$2,410.81</b> | <b>\$2,519.29</b> | <b>\$2,284.16</b> |
| <i>Change (\$)</i>   |                   | \$46.20           | \$60.08           | \$57.36           | \$79.23           | \$67.94           | \$108.48          | \$69.88           |
| <i>Change (%)</i>    |                   | 2%                | 3%                | 3%                | 4%                | 3%                | 4%                | 3%                |

Pursuant to Santa Cruz County Code Section 4.26, the Director of Public Works must annually compute the benefit assessment/service charge rates for CSAs and submit a report to the Board of Supervisors describing each parcel of real property receiving the special benefit and the amount of the charge per CSA for each parcel for the upcoming fiscal year.

CSA fees are considered benefit assessments, and any rate increase (except for preapproved annual Consumer Price Index (CPI) increases) must comply with Proposition 218 procedures. These procedures require that an increase is approved by at least half of the votes cast by the property owners, with the votes weighted according to the amount of the proposed assessment of each parcel. Furthermore, a public hearing must be held to consider any protests to the proposed increase.

When comparing the sewer rates with the other sanitation districts analyzed in this report, CSA 20 is ranked the second highest in charges towards single family units (\$209.94/month), as shown in the figure below.





### Infrastructure Summary

CSA 20 operates a collection and treatment plant and serves about 40 residents. It currently has 21 connections and approximately 0.3 miles of sewer line. **Table 57** provides an overview of the type of service and current infrastructure:

**Table 57: Infrastructure Summary**

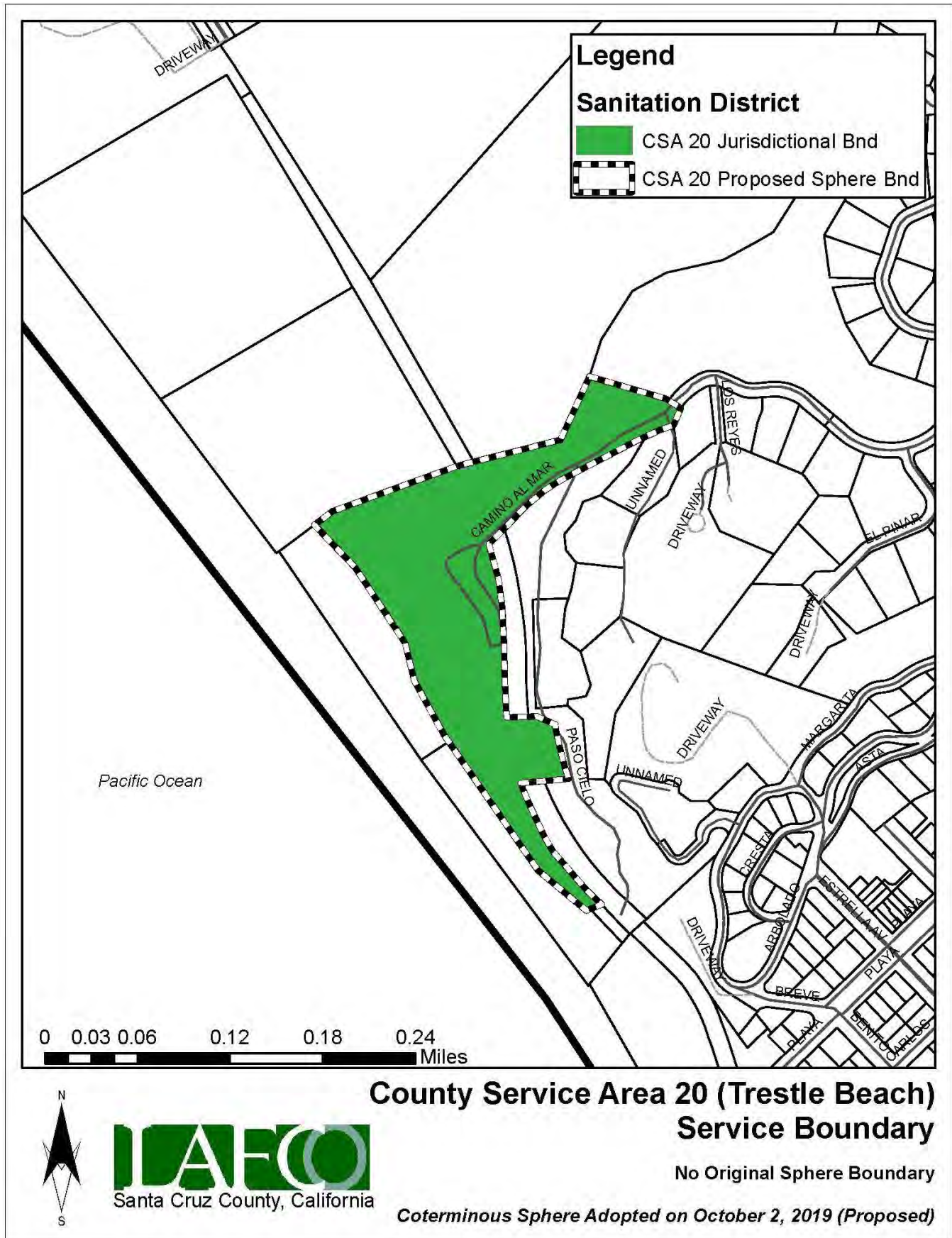
|        | Type of System           | Treatment Level | No. of Connections | No. of Lift Stations | Miles of Sewer Line |
|--------|--------------------------|-----------------|--------------------|----------------------|---------------------|
| CSA 20 | Collection and Treatment | Secondary       | 21                 | 1                    | 0.3                 |

The Public Works Department has indicated that the current infrastructure is aging, deteriorating, and in need of repair. The wastewater treatment plant currently requires approximately \$95,000 in repairs. If there is a system failure that occurs and must be fixed on an emergency basis, depending on the size of the required repair, the CSA may require additional funds.



*CSA 20's collection and treatment*

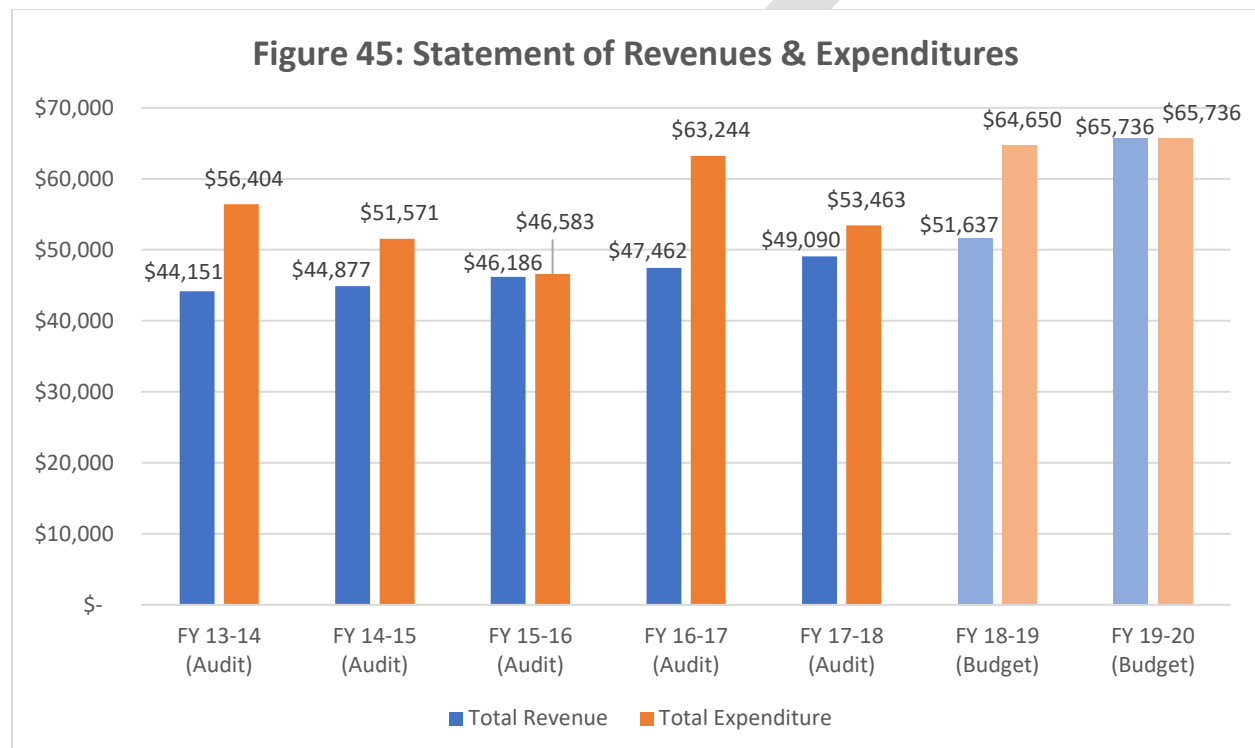
### Figure 44: CSA 20's Vicinity Map



## Finances

This section will highlight the District's audited financial performance during the most recent fiscal years. Fiscal Year 2017-18 is the latest audited financial statement available. A comprehensive analysis of the District's financial performance during the past 5 years is shown in **Tables 60** and **61**, on pages 126 and 127.

At the end of Fiscal Year 2017-18, total revenue collected was \$49,090, representing a 3% increase from the previous year (\$47,462 in FY 16-17). Total expenses for FY 17-18 were \$53,463, which decreased from the previous year by approximately \$9,700 (\$63,244 in FY 16-17). As shown in the figure below, the District's total revenues were not enough to cover total expenditures for the past five years (refer to **Figure 45**). Based on the two most recently adopted budgets, LAFCO staff believes this negative trend will continue.



### District Revenues

CSA 20's primary source of revenue is from Charges for Services. In FY 17-18, the District received revenue from two different sources: Charges for Services (\$48,708) and Interest and Investment Income (\$382). On average, the District receives approximately \$46,000 each year in service fees. **Table 58** highlights the total revenue received since 2013.

**Table 58: Total Revenue (FY 13-14 to FY 17-18)**

|                            | FY 13-14        | FY 14-15        | FY 15-16        | FY 16-17        | FY 17-18        | Average         |
|----------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Charges for Services       | \$43,659        | \$44,620        | \$45,859        | \$47,061        | \$48,708        | \$45,983        |
| Interest Investment Income | <u>\$492</u>    | <u>\$257</u>    | <u>\$317</u>    | <u>\$401</u>    | <u>\$382</u>    | <u>\$370</u>    |
| <b>Total Revenue</b>       | <b>\$44,151</b> | <b>\$44,877</b> | <b>\$46,186</b> | <b>\$47,462</b> | <b>\$49,090</b> | <b>\$47,850</b> |



## District Expenditures

CSA 20's only budgetary expense is associated with operational and management costs, under Services and Supplies. Based on staff's analysis of the County's audited financial statements, no other expenses have been reported for the past four years.

## Assets & Liabilities

The following is an overview of CSA 20's assets and liabilities:

- District Assets: As of June 30, 2018, the District has \$34,078 in total assets. Cash and Investments represent 100% of total assets.
- District Liabilities: As of June 30, 2018, the District has \$651 in total liabilities. Accounts Payable is currently the only liability associated with CSA 20.

## Fund Balance/Net Position

As of June 30, 2018, the total fund balance is approximately \$33,427. The fund balance has decreased each year since 2013, as shown in the following table. A full review of the District's assets, liabilities, and net position is shown in page 127 (refer to **Table 61**).

**Table 59: Fund Balance/Net Position**

|                                   | <b>FY 13-14<br/>(Audited)</b> | <b>FY 14-15<br/>(Audited)</b> | <b>FY 15-16<br/>(Audited)</b> | <b>FY 16-17<br/>(Audited)</b> | <b>FY 17-18<br/>(Audited)</b> |
|-----------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| <b>Net Position</b>               | <b>\$60,673</b>               | <b>\$53,979</b>               | <b>\$53,582</b>               | <b>\$37,800</b>               | <b>\$33,427</b>               |
| Change in (\$) from previous year |                               | \$(6,694)                     | \$(397)                       | \$(15,782)                    | \$(4,373)                     |
| Change in (%) from previous year  |                               | -11%                          | -1%                           | -29%                          | -12%                          |

**Table 60: Total Revenues & Expenditures**

|                                    | <b>FY 13-14<br/>(Audit)</b> | <b>FY 14-15<br/>(Audit)</b> | <b>FY 15-16<br/>(Audit)</b> | <b>FY 16-17<br/>(Audit)</b> | <b>FY 17-18<br/>(Audit)</b> | <b>FY 18-19<br/>(Budget)</b> | <b>FY 19-20<br/>(Budget)</b> |
|------------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|------------------------------|------------------------------|
| <b>REVENUE</b>                     |                             |                             |                             |                             |                             |                              |                              |
| Charges for Services               | \$ 43,659                   | \$ 44,620                   | \$ 45,869                   | \$ 47,061                   | \$ 48,708                   | \$ 51,387                    | \$ -                         |
| Intergovernmental                  | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ -                         | \$ -                         |
| Interest and Investment Income     | \$ 492                      | \$ 257                      | \$ 317                      | \$ 401                      | \$ 382                      | \$ 250                       | \$ -                         |
| Property Taxes                     | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ -                         | \$ -                         |
| Gain on Disposal of Capital Assets | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ -                         | \$ -                         |
| <b>Total Revenue</b>               | <b>\$ 44,151</b>            | <b>\$ 44,877</b>            | <b>\$ 46,186</b>            | <b>\$ 47,462</b>            | <b>\$ 49,090</b>            | <b>\$ 51,637</b>             | <b>\$ 65,736</b>             |
| <b>EXPENDITURE</b>                 |                             |                             |                             |                             |                             |                              |                              |
| Services and Supplies              | \$ 55,738                   | \$ 50,893                   | \$ 46,583                   | \$ 63,244                   | \$ 53,463                   | \$ 64,650                    | \$ -                         |
| Depreciation and Amortization      | \$ 666                      | \$ 678                      | \$ -                        | \$ -                        | \$ -                        | \$ -                         | \$ -                         |
| Loss on Disposal of Capital Assets | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ -                         | \$ -                         |
| <b>Total Expenditure</b>           | <b>\$ 56,404</b>            | <b>\$ 51,571</b>            | <b>\$ 46,583</b>            | <b>\$ 63,244</b>            | <b>\$ 53,463</b>            | <b>\$ 64,650</b>             | <b>\$ 65,736</b>             |
| <b>Surplus/(Deficit)</b>           | <b>\$ (12,253)</b>          | <b>\$ (6,694)</b>           | <b>\$ (397)</b>             | <b>\$ (15,782)</b>          | <b>\$ (4,373)</b>           | <b>\$ (13,013)</b>           | <b>\$ -</b>                  |
| Net Position - Beginning           | \$ 72,926                   | \$ 60,673                   | \$ 53,979                   | \$ 53,582                   | \$ 37,800                   | \$ 33,427                    | \$ 20,414                    |
| <b>Net Position - Ending</b>       | <b>\$ 60,673</b>            | <b>\$ 53,979</b>            | <b>\$ 53,582</b>            | <b>\$ 37,800</b>            | <b>\$ 33,427</b>            | <b>\$ 20,414</b>             | <b>\$ 20,414</b>             |

**Table 61: Total Assets & Liabilities**

|  | <b>FY 13-14<br/>(Audit)</b> | <b>FY 14-15<br/>(Audit)</b> | <b>FY 15-16<br/>(Audit)</b> | <b>FY 16-17<br/>(Audit)</b> | <b>FY 17-18<br/>(Audit)</b> |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| <b>ASSETS</b>                            |                             |                             |                             |                             |                             |
| <u>Current Assets</u>                    |                             |                             |                             |                             |                             |
| Cash and Investments                     | \$ 59,995                   | \$ 54,013                   | \$ 53,765                   | \$ 38,623                   | \$ 34,078                   |
| Restricted Cash                          | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ -                        |
| Receivables                              | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ -                        |
| <u>Non-Current Assets</u>                |                             |                             |                             |                             |                             |
| Loans Receivable                         | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ -                        |
| Capital Assets:                          |                             |                             |                             |                             |                             |
| Construction in Progress                 | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ -                        |
| Buildings and Structures                 | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ -                        |
| Equipment                                | \$ 13,569                   | \$ 13,569                   | \$ -                        | \$ -                        | \$ -                        |
| Accumulated Depreciation                 | \$ (12,891)                 | \$ (13,569)                 | \$ -                        | \$ -                        | \$ -                        |
| <b>Total Assets</b>                      | <b>\$ 60,673</b>            | <b>\$ 54,013</b>            | <b>\$ 53,765</b>            | <b>\$ 38,623</b>            | <b>\$ 34,078</b>            |
| <b>LIABILITIES</b>                       |                             |                             |                             |                             |                             |
| <u>Current Liabilities</u>               |                             |                             |                             |                             |                             |
| Payables                                 | \$ -                        | \$ 34                       | \$ 183                      | \$ 823                      | \$ 651                      |
| Current Portion of Long-term Liabilities | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ -                        |
| <u>Non-Current Liabilities</u>           |                             |                             |                             |                             |                             |
| Long-term Liabilities                    | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ -                        |
| <b>Total Liabilities</b>                 | <b>\$ -</b>                 | <b>\$ 34</b>                | <b>\$ 183</b>               | <b>\$ 823</b>               | <b>\$ 651</b>               |
| <b>NET POSITION</b>                      |                             |                             |                             |                             |                             |
| Net Investment in Capital Assets         | \$ 678                      | \$ -                        | \$ -                        | \$ -                        | \$ -                        |
| Restricted for Debt Service              | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ -                        |
| Unrestricted                             | \$ 59,995                   | \$ 53,979                   | \$ 53,582                   | \$ 37,800                   | \$ 33,427                   |
| <b>Total Net Position</b>                | <b>\$ 60,673</b>            | <b>\$ 53,979</b>            | <b>\$ 53,582</b>            | <b>\$ 37,800</b>            | <b>\$ 33,427</b>            |



## Governance

County Service Area 20 is a dependent special district governed by the County Board of Supervisors and managed by the Public Works Department. The current Board is as follows:

**Table 62: Board of Directors**

| Board Member    | Title    | Years of Service | Term of Office Expiration |
|-----------------|----------|------------------|---------------------------|
| Zach Friend     | Director | 7 years          | 1/2/2020                  |
| John Leopold    | Director | 11 years         | 1/2/2020                  |
| Ryan Coonerty   | Director | 5 years          | 1/2/2021                  |
| Greg Caput      | Director | 8 years          | 1/2/2021                  |
| Bruce McPherson | Director | 3 years          | 1/2/2020                  |

The Board of Directors meets on most Tuesdays in the Board of Supervisors' Chambers, 701 Ocean Street, Room 525. Meetings generally begin at 9:00am. Public notice is provided through posting. The County contracts for independent audits.

The County of Santa Cruz Public Works Department is responsible for the administration, engineering, maintenance, emergency response and construction of all County sanitation services. The department also manages various Board-governed special districts and CSAs. The Sanitation Operations unit is one of six organizational units within the Special Services Division of Public Works and provides operation and maintenance services to County sanitation districts and CSAs. Sanitation operations employees work in all Districts and CSAs. Each sanitation district is governed according to its specific code of regulations. The Districts' codes are very similar, and some sections are adopted by reference from the Santa Cruz County Sanitation District Code. CSAs are governed according to the Santa Cruz County Code of Regulations. Most of the County Code pertaining to sanitary sewer collection systems is adopted by reference from the SCCSD Code.

### Website Requirements

Senate Bill 929 was signed into law in September 2018 and requires all independent special districts to have and maintain a website by January 1, 2020. It outlines minimum website data requirements, including contact information, financial reports, and meeting agendas/minutes. While this new law does not apply to county service areas, the County should consider following the requirements outlined in the new law. The County's water and sewer webpage offers a number of useful resources including formation resolutions, service maps, and current sewer charges for each CSA that delivers sanitary services: <http://dpw.co.santa-cruz.ca.us/Home/SewerWater.aspx>. However, it is difficult to locate certain information and material. For example, there is no reference to staff reports or other supporting documents that provide background information on the CSA's annual sewer rates.

**LAFCO Staff Recommendation:** *It may be beneficial for the County to include links to staff reports or other supporting documents related to the annual sewer rates. Additionally, the webpage should include all past and future LAFCO service reviews involving CSA 20 as additional resource material.*

### Capital Improvement Plan

There is no specific capital improvement plan for CSA 20. The County has a countywide CIP to address the replacement of the aging sewer system, however, CSA 20 lacks funds to make all the improvements. The County of Public Works continually seek grant or loan funding to help finance these improvements.

***LAFCO Staff Recommendation:*** *The County should consider developing a specific capital improvement plan that covers the sanitation districts managed and operated by the Public Works Department – Davenport, Freedom, Santa Cruz County Sanitation Districts, and CSAs 2, 5, 7, 10, and 20.*

### Sewer System Management Plan

The State Water Resources Control Board regulates wastewater discharges to surface water (rivers, ocean, etc.) and to groundwater (via land). The State Water Board requires sanitation districts to follow the Statewide General Waste Discharge Requirements for Sanitary Sewer Systems. These requirements include the following:

- Sanitary Sewer Overflows are prohibited, and
- All Sanitary Sewer Overflow (SSOs), with the exception of Private Sewer Lateral Discharge (PLSDs), irrespective of size, must be reported to the State Water Board electronically using the California Integrated Water Quality System, and the Districts/CSAs must prepare and implement a Sewer System Management Plan (SSMP).

In 2017, the County adopted a Sewer System Management Plan to cover the management, operation and maintenance, design, construction and emergency response of the Davenport Sanitation District, Freedom Sanitation District, Santa Cruz County Sanitation District and County Service Areas sanitary sewer systems. However, it is LAFCO staff's understanding that CSA 20 is excluded from the County SSMP due to the fact that CSA 20 does not meet the minimum requirements to enroll under the Waste Discharge Requirements.

***LAFCO Staff Recommendation:*** *The County should consider including CSA 20 in the County's Sewer System Management Plan to ensure that the Trestle Beach community's sewer infrastructure has proper management and oversight for current and future needs.*

## **Opportunities & Challenges**

County Service Area 20 is significantly affected by aging infrastructure, escalating operational costs, and changes to state laws and regulations that may introduce new requirements without additional funding. These issues are common with other sanitation districts in Santa Cruz County. The following section discusses these challenges and identifies possible opportunities to ensure the delivery of wastewater services in an efficient and effective manner.

## Revenue Deficiencies

Between 2013 to 2018, CSA 20 has ended each fiscal year with a deficit. During this time period, the sewer rate increased, on average, by 3% or \$60/year. As shown in **Table 63**, LAFCO staff determined that sewer rates for the District should have been raised by 17% or \$380/year to cover total expenses. Under this scenario, CSA 20 would have had enough funds to cover total expenses each year. Additionally, if the County continues to increase sewer rates based on historical expenses rather than the Consumer Price Index going forward, CSA 20 should have enough funds to cover future expenses.

**Table 63: Review of Annual Sewer Rates (Hypothetical Scenario)**

|  | FY 13-14       | FY 14-15       | FY 15-16       | FY 16-17       | FY 17-18       | Average        |
|--|----------------|----------------|----------------|----------------|----------------|----------------|
| Charges for Services                     | \$43,659       | \$44,620       | \$45,869       | \$47,061       | \$48,708       | -              |
| Annual Deficit                           | -\$12,253      | -\$6,694       | -\$397         | -\$15,782      | -\$4,373       | -              |
| Required Revenue to Cover Total Expenses | \$55,912       | \$51,314       | \$46,266       | \$62,843       | \$53,081       | -              |
| Proposed Annual Sewer Rate               | \$2,689        | \$2,468        | \$2,225        | \$3,023        | \$2,553        | -              |
|  |                |                |                |                |                |                |
| Annual Sewer Rates (Actual)              | \$2,100        | \$2,146        | \$2,206        | \$2,264        | \$2,343        | \$2,212        |
| <b>Annual Sewer Rates (Proposed)</b>     | <b>\$2,689</b> | <b>\$2,468</b> | <b>\$2,225</b> | <b>\$3,023</b> | <b>\$2,553</b> | <b>\$2,592</b> |
| <i>Proposed Increase (\$)</i>            | <i>\$589</i>   | <i>\$322</i>   | <i>\$19</i>    | <i>\$759</i>   | <i>\$210</i>   | <i>\$380</i>   |
| <i>Proposed Increase (%)</i>             | <i>28%</i>     | <i>15%</i>     | <i>1%</i>      | <i>34%</i>     | <i>9%</i>      | <i>17%</i>     |

It is important to reiterate that CSA fees are considered benefit assessments, and any rate increase (except for preapproved annual Consumer Price Index increases) must comply with Proposition 218 procedures. These procedures require that an increase is approved by at least half of the votes cast by the property owners, with the votes weighted according to the amount of the proposed assessment of each parcel. Furthermore, a public hearing must be held to consider any protests to the proposed increase.

**LAFCO Staff Recommendation:** *The County should consider increasing future sewer rates based on historical costs and estimated projections, rather than the standard preapproved annual Consumer Price Index. This approach will ensure that CSA 20 has enough funds to cover future expenses and potential increase its net position for imminent capital improvement needs.*

## **Regional Collaboration**

Several sanitation districts, including entities managed and operated by the County, have expressed interest in transferring sewer responsibilities to another agency due to funding issues, limited long-term planning, or lack of economies of scale. Establishment of a countywide memorandum of understanding or a joint powers authority may unify the already-established collaboration set by the sanitation providers in the county. Such agreements may also lay the foundation for future changes of organization, including but not limited to annexations, consolidations, or mergers.

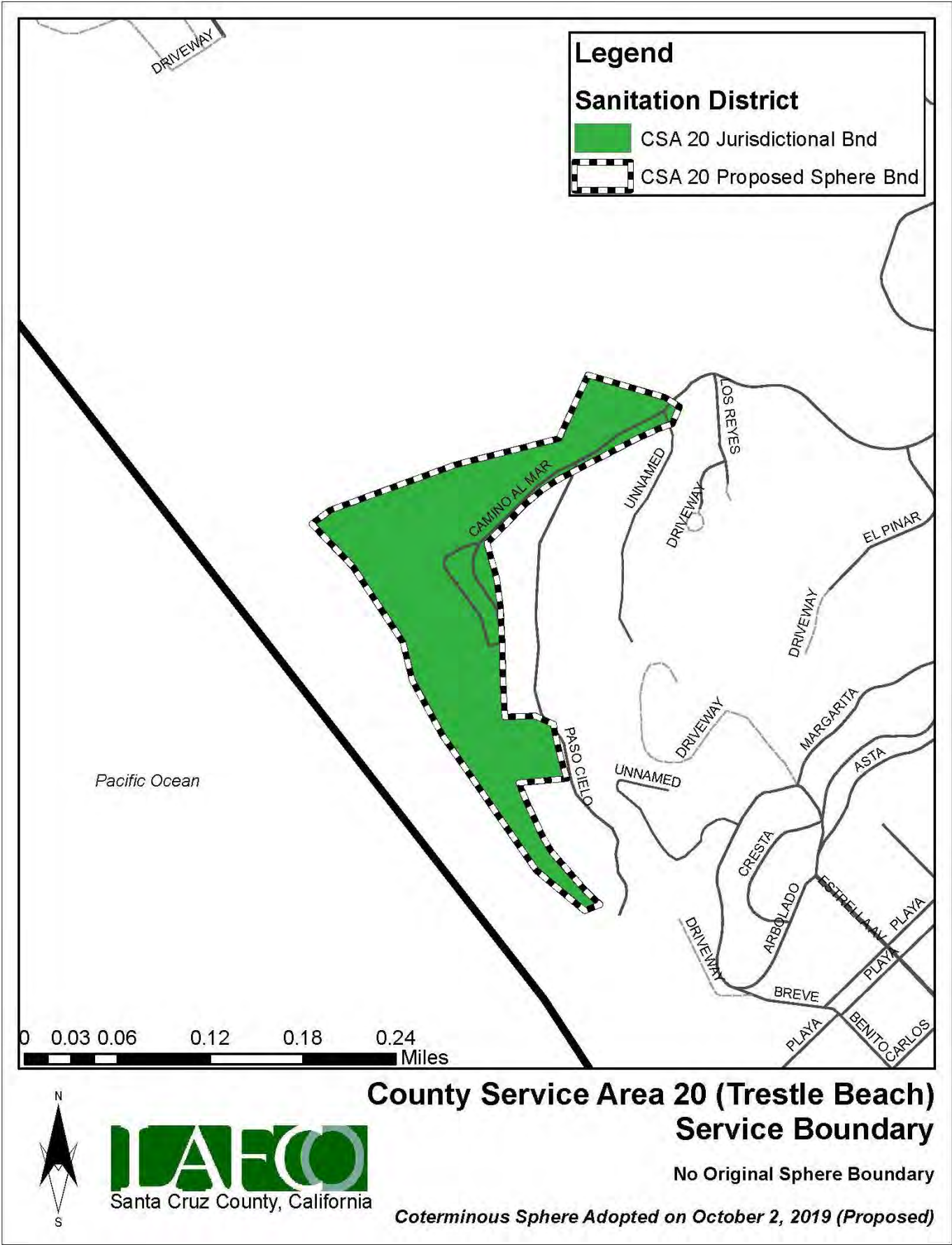
## **Sphere of Influence**

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LAFCO originally adopted spheres of influence for a number of CSAs back in the 1980s. Based on staff's analysis and research, it was determined that there is no sphere of influence for CSA 20. In accordance to Government Code Section 56425, the Commission shall adopt a sphere of influence for cities, special districts, and county service areas.

During the months of August and September, LAFCO staff met with representatives of CSA 20 to discuss the sphere designation. While the CSA is currently experiencing a financial shortage, the County will be working to make CSA 20 economically sustainable. As a result of our ongoing discussions, LAFCO staff and CSA 20 representatives recommend that the Commission adopt a coterminous sphere of influence. If the financial shortage continues, the Commission should consider a zero sphere during the next service review cycle.

Figure 46: CSA 20 (Proposed “Coterminous” Sphere of Influence)



## District Summary

| County Service Area 20 (Trestle Beach) |  |
|--|--|
| <b>Formation</b>                       | California Government Code, section 25210.1 et seq. (County Service Area Law)  |
| <b>Board of Directors</b>              | 5 members, elected at-large to four-year terms   |
| <b>Contact Person</b>                  | Beatriz Barranco, Senior Engineer, Sanitation Operations   |
| <b>Employees</b>                       | 1 full-time employee (approximately)   |
| <b>Facilities</b>                      | Collection and Treatment Plant; 1 pump station; 21 connections   |
| <b>District Area</b>                   | 12.8 acres (0.02 square mile)  |
| <b>Sphere of Influence</b>             | <b><i>Proposed Designation:</i></b> Coterminous with District (i.e. no sphere beyond existing jurisdictional boundary)   |
| <b>FY 2019-20 Budget</b>               | <p>Total Revenue = \$65,736</p> <p>Total Expenditure = \$65,736</p> <p>Projected Net Position (Beginning Balance) = \$20,414</p>   |
| <b>Contact Information</b>             | <p>Mailing Address: 701 Ocean Street, Santa Cruz CA 95060</p> <p>Phone Number: (831) 477-3907</p> <p>Email Address: <a href="mailto:Beatriz.Barranco@santacruzcounty.us">Beatriz.Barranco@santacruzcounty.us</a></p> <p>Website: <a href="http://dpw.co.santa-cruz.ca.us/Home/SewerWater.aspx">http://dpw.co.santa-cruz.ca.us/Home/SewerWater.aspx</a></p> |
| <b>Public Meetings</b>                 | The Board regularly meets on most Tuesdays in the Board of Supervisors' Chambers, 701 Ocean St, Rm. 525. Meetings generally begin at 9:00 am.  |
| <b>Mission Statement</b>               | The CSA does not have a published mission statement. However, their mission aligns with the published mission statement for the Santa Cruz County Sanitation District.   |



## **Service and Sphere Review Determinations**

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The following service and sphere review determinations fulfill the requirements outlined in the Cortese-Knox-Hertzberg Act. The County was instrumental in addressing the determinations by responding to a survey sent by LAFCO in June 2019. **Appendix F** provides a copy of the District's survey response.

### **Service Provision Determinations**

Government Code Section 56430 requires LAFCO to conduct a municipal service review before, or in conjunction with, an action to establish or update a sphere of influence. Written statements of determination must be prepared with respect to each of the following:

**1. Growth and population projections for the affected area.**

The Trestle Beach subdivision is built-out with low-density single-family homes. There are no growth projections available for CSA 20. In general, the Santa Cruz County unincorporated area is projected to have slow growth over the next fifteen years. The County Public Works Department estimates that the population within the total area is currently 42. Based on the growth rate of approximately 1% for the unincorporated areas in the County, LAFCO staff projects that CSA 20's entire population in 2020 will be remain at 42.

**2. The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence.**

In 2017, the California statewide median household income was \$67,169, and 80% of that was \$53,735. LAFCO staff utilized the ArcGIS mapping program to locate potential DUCs in the County. Based on the criteria set forth by SB 244, staff's analysis indicates that there are no areas in CSA 20 designated as a disadvantaged unincorporated community.

**3. 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.**

CSA 20 has a wastewater collection and treatment plant that treats the domestic wastewater from the Trestle Beach community. Based on staff's analysis, CSA 20 has 21 connections with 0.3 miles of sewer lines and 1 pump station. Annual sewer charges are the District's primary source of revenue.

**4. Financial ability of agencies to provide services.**

County Service Area 20 has experienced an annual deficit over the past six years. Audited financial statements from Fiscal Years 2013 to 2018 indicate that the annual shortage has ranged from \$400 to \$16,000. As of June 30, 2018, CSA 20 is operating with a net position of approximately \$33,000. LAFCO staff projects that this negative trend will continue unless the CSA increases its overall revenue stream or decreases annual expenses.

**5. Status of, and opportunities for, shared facilities.**

Several sanitation districts, including entities managed and operated by the County, have expressed interest in transferring sewer responsibilities to another agency due to funding issues, limited long-term planning, or lack of economies of scale. Establishment of a countywide memorandum of understanding or a joint powers authority may unify the already-established collaboration set by the sanitation providers in the county. Such agreements may also lay the foundation for future changes of organization, including but not limited to annexations, consolidations, or mergers.

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

The County currently has a countywide capital improvement plan and a specific capital improvement plan for the Santa Cruz County Sanitation District. Additionally, the County has adopted a Sewer System Management Plan. However, CSA 20 does not have any current or proposed sewer-related capital improvement projects scheduled at this time.

The County has indicated that the existing treatment plant requires approximately \$95,000 in repairs. CSA 20 does not have the reserves to pay for the required repairs. The County should consider developing a long-term maintenance plan to identify adequate funding in order to address current and future maintenance, replacement, and/or upgrades to an aging infrastructure.

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

No additional local LAFCO policies are specifically relevant to this service and sphere review.

## **Sphere of Influence Determinations**

Government Code Section 56425 requires LAFCO to periodically review and update spheres of influence in concert with conducting municipal service reviews. Spheres are used as regional planning tools to discourage urban sprawl and encourage orderly growth. Written statements of determination must be prepared with respect to each of the following:

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

There are no agricultural or open-space lands within the service area.

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

CSA 20 operates a collection and treatment plant located in the Trestle Beach subdivision near La Selva Beach. The wastewater system provides on-site treatment to a secondary level and serves a small community of around 40 residents. The Public Works Department has indicated that the current infrastructure is aging, deteriorating, and in need of repair.

Based on staff's analysis and research, it was determined that there is no sphere of influence for CSA 20. While the CSA is currently experiencing a financial shortage, the County will be working to make CSA 20 economically sustainable. LAFCO staff, in conjunction with CSA 20 representatives, recommend that the Commission adopt a coterminous sphere of influence. If the financial shortage continues, the Commission should consider a zero sphere during the next service review cycle.

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

County Service Area 20 operates a collection and treatment plant located in the Trestle Beach subdivision near La Selva Beach. The wastewater system provides on-site treatment to a secondary level and serves a small community of around 40 residents. The Public Works Department has indicated that the current infrastructure is aging, deteriorating, and in need of repair. The wastewater treatment plant currently requires approximately \$95,000 in repairs.

**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.**

LAFCO staff is not aware of any social or economic communities of interest in the area. The CSA's service area is primarily residential units.

**5. For an update of a 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, that occurs pursuant to subdivision (g) on or after July 1, 2012, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.**

Neither the County nor LAFCO has identified any sub-area within or contiguous to the District's service or sphere boundaries that meet the definition of a disadvantaged unincorporated community. That said, CSA 20 has adequate transmission and treatment capacity for the present and planned facilities within the sphere of influence. The CSA's principal needs are repair and replacement of aging infrastructure.

# DAVENPORT COUNTY SANITATION DISTRICT

## District Overview

The Davenport County Sanitation District (District) owns and operates a wastewater treatment facility serving the community of Davenport, which includes a domestic wastewater collection system, influent headworks, aerated lagoon, sand filter, and a chlorine contact tank. The District provides service to approximately 108 sewer connections. More recently, the District now operates a recycled water treatment plant, with a recycled water fill station and a recycled water storage pond. **Figure 50**, on page 142, is a vicinity map of the service area.

The Davenport County Sanitation District serves 114 water connections in the Old Town, New Town, and San Vicente areas of Davenport. The District relies on surface water diverted from Mill Creek and San Vicente Creek for supply. The District is managed by the County Department of Public Works and infrastructure needs are funded by water and sewer rates and grants. For purposes of this report, staff's analysis will focus on the sanitation services provided by the District.

## Population & Growth

The Davenport community is generally built-out with residential and commercial use. There are no growth projections available for the District. In general, the Santa Cruz County unincorporated area is projected to have slow growth over the next fifteen years. The County Public Works Department estimates that the population within the total area is currently 215. Based on the growth rate of approximately 1% for the unincorporated areas in the County, LAFCO staff projects that the District's entire population in 2020 will be 217. The projected population for the Davenport County Sanitation District are as follows:

**Table 64: Projected Population**

|   | 2020       | 2025       | 2030       | 2035       | Growth Rate |
|---|------------|------------|------------|------------|-------------|
| Santa Cruz County (unincorporated)          | 136,891    | 137,896    | 139,105    | 140,356    | 1%          |
| <b>Davenport County Sanitation District</b> | <b>217</b> | <b>219</b> | <b>222</b> | <b>224</b> | <b>1%</b>   |

*Source: AMBAG 2018 Regional Growth Forecast*

## Disadvantaged Unincorporated Communities

State law requires LAFCO to identify and describe all "disadvantaged unincorporated communities" (DUC) located within or contiguous to the existing spheres of influence of cities and special districts that provide fire protection, sewer, and/or water services. DUCs are defined as inhabited unincorporated areas with an annual median household income that is 80% or less than the statewide annual median household income.

In 2017, the California statewide median household income was \$67,169<sup>13</sup>, and 80% of that was \$53,735. LAFCO staff utilized the ArcGIS mapping program to locate potential DUCs in the County. Based on the criteria set forth by SB 244, staff's analysis indicates that there are no areas in the Davenport County Sanitation District designated as a DUC.

<sup>13</sup> 2013-2017 American Community Survey 5-year Estimates

## Services & Operations

The Davenport County Sanitation District has an aging collection and treatment plant that serves residential units in the Davenport Community. The District also operates a recycled water system. The infrastructure is maintained by the County of Santa Cruz. Based on the County's 2017 Sewer System Management Plan, Davenport County Sanitation District has 108 connections with 3.0 miles of gravity sewer lines, 1.30 miles of force main lines, and 3 pump stations. Revenues to operate the District are collected yearly from residents and businesses that are connected to either the waterworks or the sanitary sewer system.

The volume of wastewater is determined from records of water usage as metered by the Davenport Water Facility. Due to the lead time involved in getting the yearly sewer charges placed on the County property tax statements, the current fiscal year's charges are based on water use and strength factors from the previous calendar year.

Prior to its closure in 2008, CEMEX Cement Plant was the primary user of effluent from the wastewater treatment facility. The existing facility treats about 28 acre-feet of water annually to Title 22 disinfected tertiary level and the treated water is spray irrigated onto un-mowed turf adjacent to the treatment plant. The wastewater is treated in a 4-million-gallon capacity aerated lagoon where it undergoes primary and secondary treatment. Coagulant and hypochlorite are added to lagoon effluent prior to tertiary treatment in an up-flow sand filter. The filter has an area of 19 square feet; this equates to a maximum capacity of 95 gpm (136,800 gpd) at the maximum allowable loading rate under Title 22 requirements.

The treated wastewater then passes through a 3,000-gallon chlorine contact chamber for disinfection. For disinfected tertiary quality water Title 22 requires 90 minutes of contact time and a CT of not less than 450 mg-min/L; to meet this requirement the flow rate would need to be no more than 48,000 gpd with a chlorine residual of 5 mg/L. Sodium bisulfite is injected after the chlorine contact chamber for de-chlorination and the treated effluent is pumped to a spray field adjacent to the plant for application to un-mowed grass.

### Sewer Rates

At present, the District's annual sewer rates derive from three areas: Single Family Dwelling, Commercial, and Schools. Each area has its own sewer rate. **Table 65** shows the gradual increase in annual rates during the last seven years.

**Table 65: Annual Sewer Rates**

|                    | FY 13-14   | FY 14-15   | FY 15-16   | FY 16-17   | FY 17-18   | FY 18-19   | FY 19-20   |
|--------------------|------------|------------|------------|------------|------------|------------|------------|
| Residential        | \$2,140.04 | \$2,175.60 | \$2,234.96 | \$2,293.22 | \$2,293.22 | \$2,333.00 | \$2,433.56 |
| Commercial         | \$714.60   | \$727.86   | \$748.46   | \$766.86   | \$766.86   | \$759.76   | \$803.26   |
| Additional Charge* | \$17.47    | \$17.47    | \$18.22    | \$18.71    | \$18.71    | \$19.28    | \$19.98    |
| School*            | \$714.60   | \$727.86   | \$748.46   | \$766.86   | \$766.86   | \$759.76   | \$803.26   |
| Additional Charge* | \$46.64    | \$47.37    | \$48.64    | \$49.84    | \$49.84    | \$51.48    | \$53.34    |

*Note: Additional Charge is for "Commercial" is based on Hundred Cubic Feet of Water (HCF); Additional Charge is for "School" is based on Average Daily Attendance (ADA)*

Revenues to operate the Davenport County Sanitation District are collected annual from residents, businesses and schools that are connected to the sanitary sewer system through property taxes and manual bills. Sewer service rates are established through hearings held with the Santa Cruz County Board of Supervisors.

Using information supplied by District staff, the rates are reviewed each year by an independent engineering firm which specializes in revenue studies for utility districts and are subject to final approval by the Board. Before the rates are set, a notice of public hearing is mailed to all owners of property within the Sanitation District boundaries, another notice is published in the Santa Cruz Sentinel, and the public hearing is held. The public hearing is normally scheduled in April or May of each year, with the rates becoming effective on the first of July. The following tables (**Tables 66 to 68**) show the gradual increase in annual rates for each area.

**Table 66: Residential's Annual Sewer Rates Review**

|                    | FY 13-14          | FY 14-15          | FY 15-16          | FY 16-17          | FY 17-18          | FY 18-19          | FY 19-20          | Average Change |
|--------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|----------------|
| <b>Residential</b> | <b>\$2,140.04</b> | <b>\$2,175.60</b> | <b>\$2,234.96</b> | <b>\$2,293.22</b> | <b>\$2,293.22</b> | <b>\$2,333.00</b> | <b>\$2,433.56</b> |                |
| <i>Change (\$)</i> |                   | \$35.56           | \$59.36           | \$58.26           | \$0               | \$39.78           | \$100.56          | \$48.92        |
| <i>Change (%)</i>  |                   | 2%                | 3%                | 3%                | 0%                | 2%                | 4%                | 2%             |

**Table 67: Commercial's Annual Sewer Rates Review**

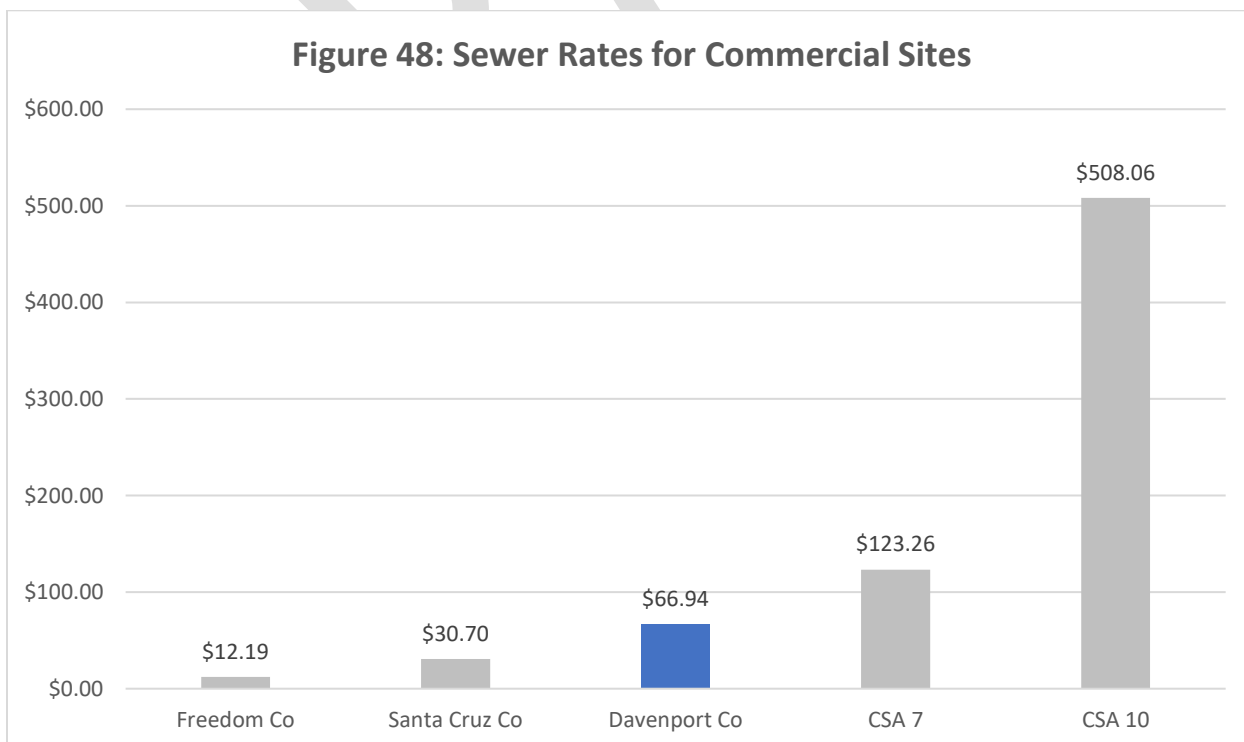
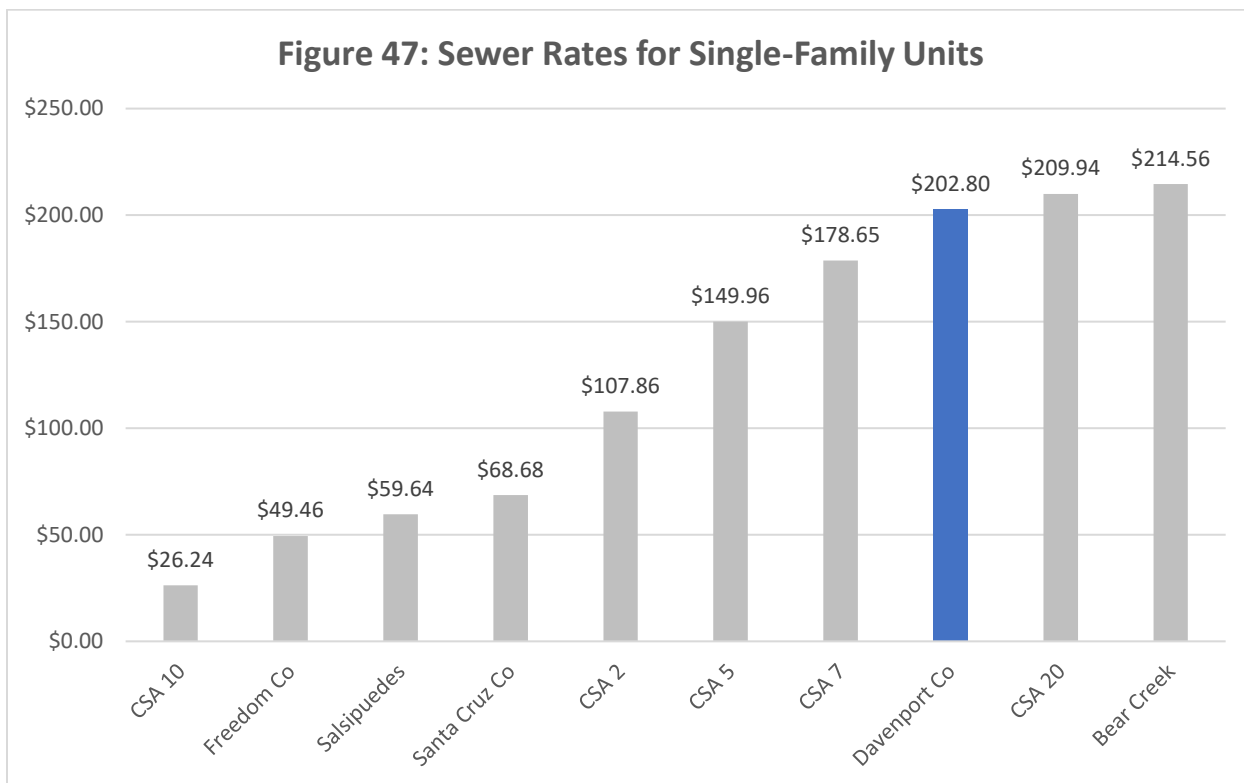
|                    | FY 13-14        | FY 14-15        | FY 15-16        | FY 16-17        | FY 17-18        | FY 18-19        | FY 19-20        | Average Change |
|--------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|----------------|
| <b>Commercial</b>  | <b>\$714.60</b> | <b>\$727.86</b> | <b>\$748.46</b> | <b>\$766.86</b> | <b>\$766.86</b> | <b>\$759.76</b> | <b>\$803.26</b> |                |
| <i>Change (\$)</i> |                 | \$13.26         | \$20.60         | \$18.40         | \$0             | -\$7.10         | \$43.50         | \$14.78        |
| <i>Change (%)</i>  |                 | 2%              | 3%              | 2%              | 0%              | -1%             | 6%              | 2%             |

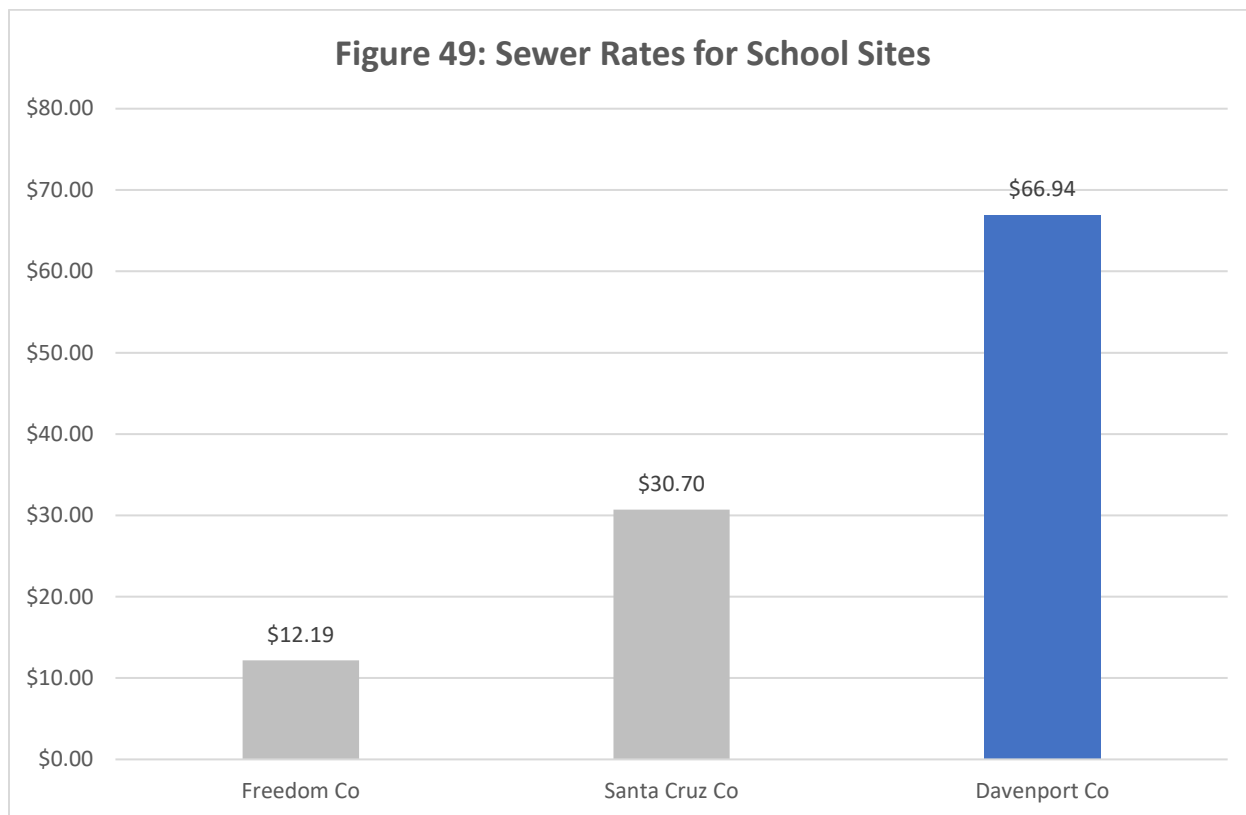
**Table 68: School's Annual Sewer Rates Review**

|                    | FY 13-14        | FY 14-15        | FY 15-16        | FY 16-17        | FY 17-18        | FY 18-19        | FY 19-20        | Average Change |
|--------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|----------------|
| <b>School</b>      | <b>\$714.60</b> | <b>\$727.86</b> | <b>\$748.46</b> | <b>\$766.86</b> | <b>\$766.86</b> | <b>\$759.76</b> | <b>\$803.26</b> |                |
| <i>Change (\$)</i> |                 | \$13.26         | \$20.60         | \$18.40         | \$0             | -\$7.10         | \$43.50         | \$14.78        |
| <i>Change (%)</i>  |                 | 2%              | 3%              | 2%              | 0%              | -1%             | 6%              | 2%             |



When comparing the sewer rates with the other sanitation districts analyzed in this report, Davenport County Sanitation District is ranked the third highest in charges towards single family units (\$202.80/month), ranked third highest in charges towards commercial units (\$66.94/month), and ranked highest in charges towards school sites (\$66.94/month). Sewer rate comparisons are shown in the following figures (**Figures 47 to 49**).





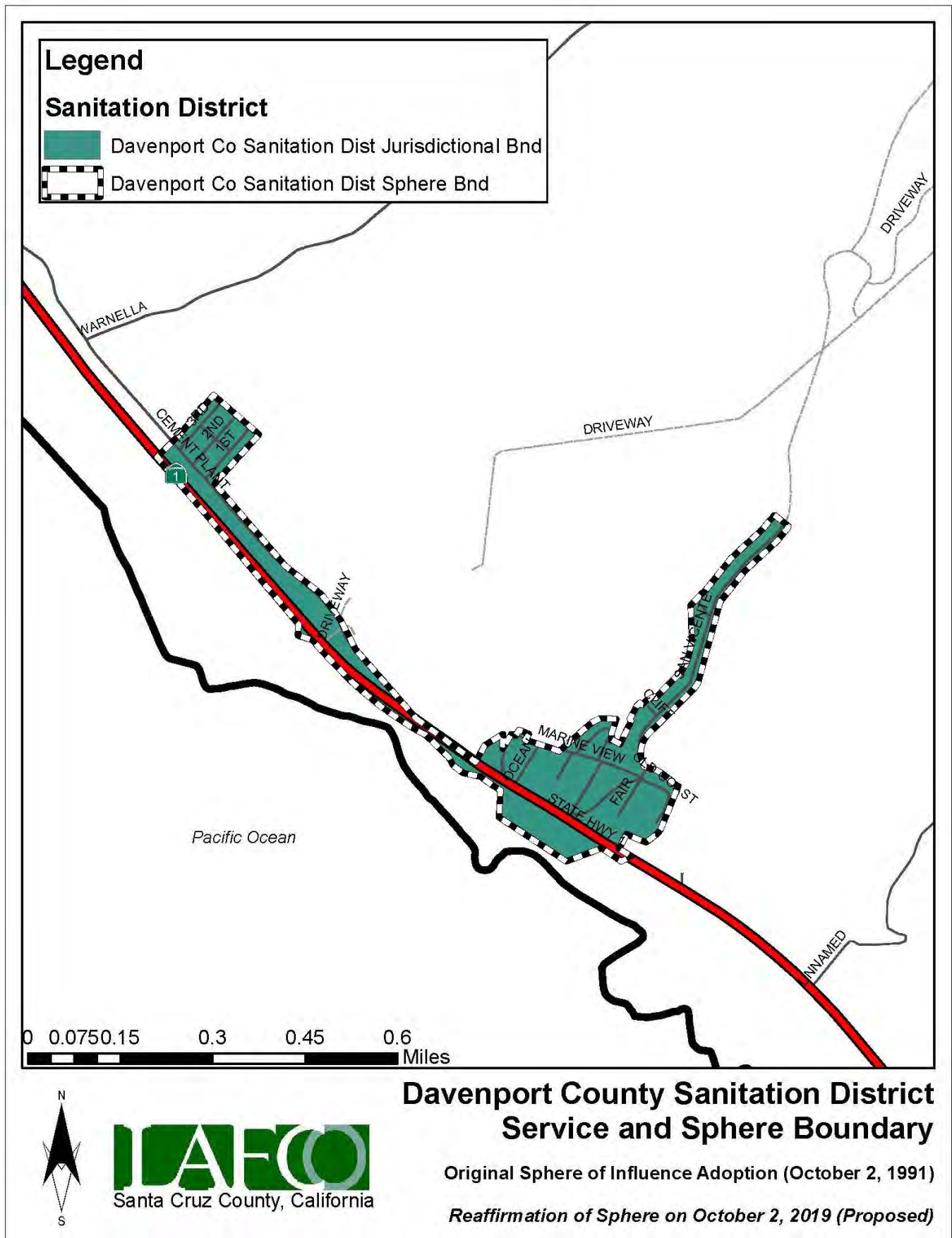
#### Infrastructure Summary

Davenport County Sanitation District provides treated drinking water and sewage collection, treatment and disposal services to the town of Davenport. It currently has 108 connections and approximately 3.2 miles of sewer line. **Table 69** provides an overview of the type of service and current infrastructure:

**Table 69: Infrastructure Summary**

|                                      | Type of System                            | Treatment Level | No. of Connections | No. of Lift Stations | Miles of Sewer Line |
|--------------------------------------|---|-----------------|--------------------|----------------------|---------------------|
| Davenport County Sanitation District | Collection, Treatment, and Recycled Water | Tertiary        | 108                | 3                    | 3.0                 |

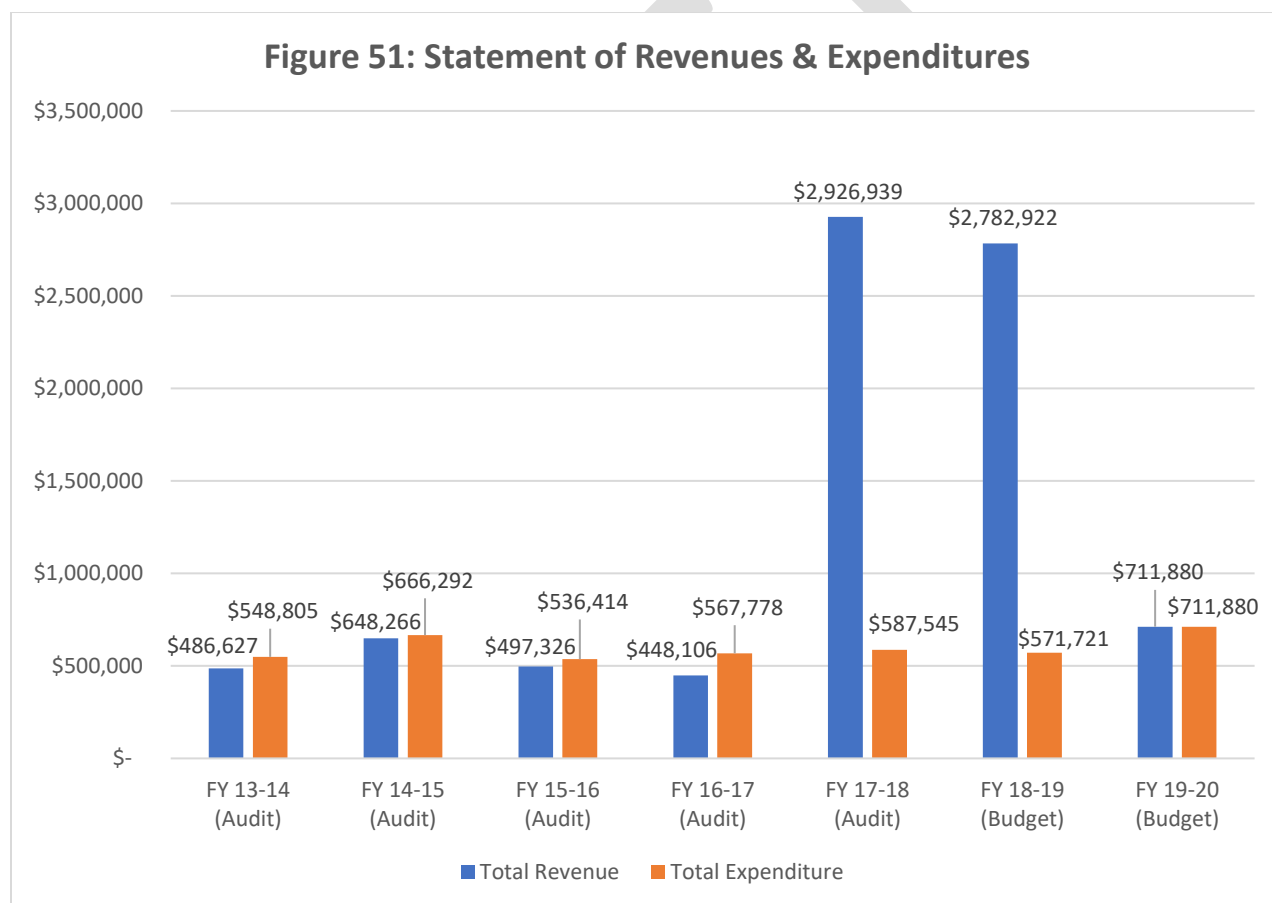
**Figure 50: Davenport County Sanitation District's Vicinity Map**



## Finances

This section will highlight the District's audited financial performance during the most recent fiscal years. Fiscal Year 2017-18 is the latest audited financial statement available. A comprehensive analysis of the District's financial performance during the past 5 years is shown in **Tables 72** and **73**, on pages 146 and 147.

At the end of Fiscal Year 2017-18, total revenue collected was \$2,926,939, representing a 553% increase from the previous year (\$448,106 in FY 16-17). This significant increase is primary due to grants award for the scheduled Davenport Recycled Water Project. Total expenses for FY 17-18 were \$587,545, which increased from the previous year by approximately \$20,000 (\$567,778 in FY 16-17). As shown in the figure below, the District's total revenues did not cover total expenditures each year since 2013 (refer to **Figure 51**). However, based on the two most recently adopted budgets, it appears that the District will have the necessary funds to operate in an efficient manner. This budgetary surplus may be temporary due to the recent influx of grant funding.



### District Revenues

The District's primary source of revenue is from Charges for Services. In FY 17-18, the District received revenue from three different sources: Charges for Services (\$493,281), Intergovernmental (\$2,402,811), and Property Taxes (\$34,923). On average, the District receives approximately \$462,000 each year in service fees. **Table 70** highlights the total revenue received since 2013.

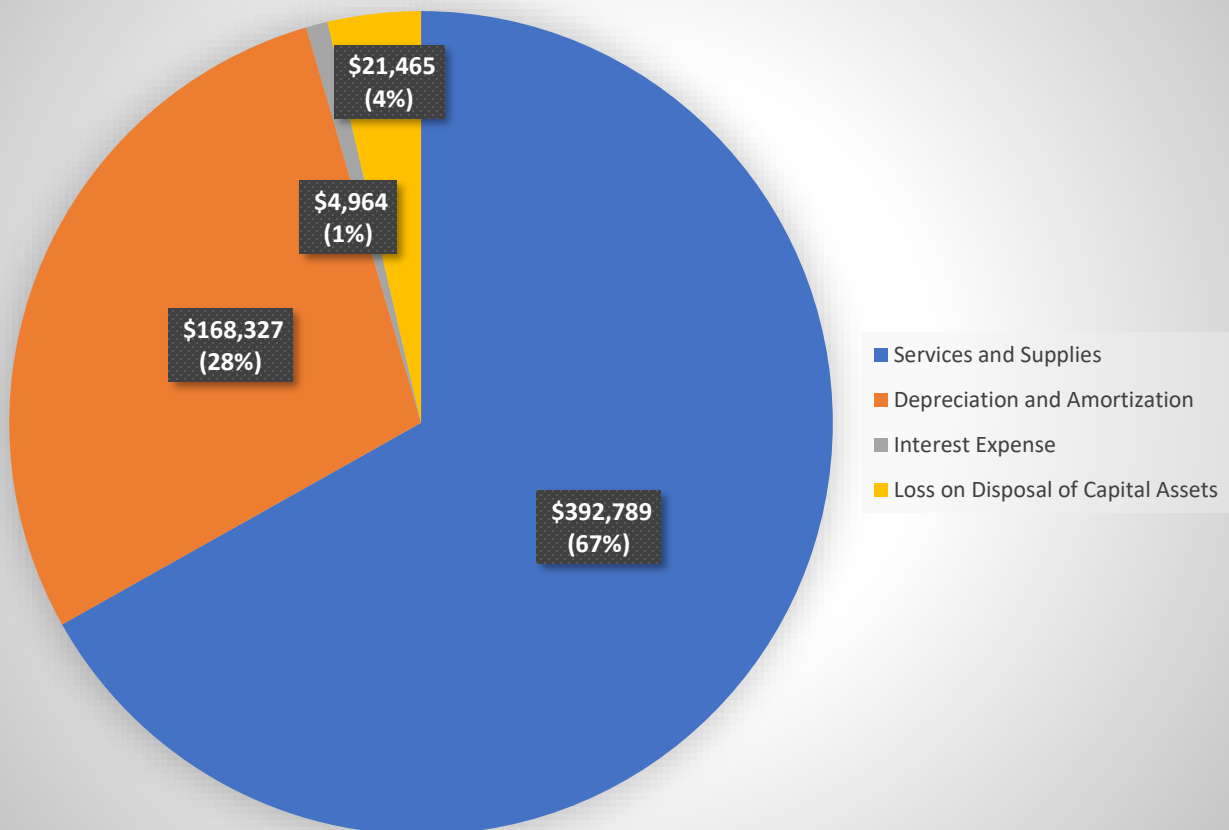
**Table 70: Total Revenue (FY 13-14 to FY 17-18)**

|                            | FY 13-14         | FY 14-15         | FY 15-16         | FY 16-17         | FY 17-18           |
|----------------------------|------------------|------------------|------------------|------------------|--------------------|
| Charges for Services       | \$429,398        | \$503,507        | \$466,953        | \$414,993        | \$493,281          |
| Intergovernmental          | \$33,439         | \$117,753        | \$203            | -                | \$2,402,811        |
| Interest Investment Income | -\$740           | -\$150           | \$1,165          | \$1,252          | -\$4,076           |
| Property Taxes             | <u>\$24,530</u>  | <u>\$27,156</u>  | <u>\$29,005</u>  | <u>\$31,861</u>  | <u>\$34,923</u>    |
| <b>Total Revenue</b>       | <b>\$486,627</b> | <b>\$648,266</b> | <b>\$497,326</b> | <b>\$448,106</b> | <b>\$2,926,939</b> |

### District Expenditures

The District's total expenditures can be categorized into 4 budgetary groups: Services & Supplies, Depreciation & Amortization, Interest Expense, and Loss on Disposal of Capital Assets. The figure below depicts the how funding is distributed by category. The District's primary expenditure is associated with operational and management costs, under Services and Supplies.

**Figure 52: FY 2017-18 Expenditure Breakdown**



## Assets & Liabilities

The following is an overview of the District's assets and liabilities:

- District Assets: As of June 30, 2018, the District has \$7,677,912 in total assets.
- District Liabilities: As of June 30, 2018, the District has \$841,712 in total liabilities.

## Fund Balance/Net Position

As of June 30, 2018, the total fund balance is approximately \$6,836,200. The fund balance has increased each year since 2015, as shown in the following table. Between 2013 to 2017, the District ended each fiscal year with a deficit. However, the net position increased during that time due to capital contributions ranging from \$195 to \$327,585.

A full review of the District's assets, liabilities, and net position is shown in page 147 (refer to **Table 73**).

**Table 71: Fund Balance/Net Position**

|                                   | FY 13-14<br>(Audited) | FY 14-15<br>(Audited) | FY 15-16<br>(Audited) | FY 16-17<br>(Audited) | FY 17-18<br>(Audited) |
|-----------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>Net Position</b>               | <b>\$4,244,057</b>    | <b>\$4,226,031</b>    | <b>\$4,288,893</b>    | <b>\$4,496,806</b>    | <b>\$6,836,200</b>    |
| Change in (\$) from previous year |                       | -\$18,026             | \$62,862              | \$207,913             | \$2,339,394           |
| Change in (%) from previous year  |                       | -0.42%                | 1.49%                 | 4.85%                 | 52.02%                |



**Table 72: Total Revenues & Expenditures**

|                                    | <b>FY 13-14<br/>(Audit)</b> | <b>FY 14-15<br/>(Audit)</b> | <b>FY 15-16<br/>(Audit)</b> | <b>FY 16-17<br/>(Audit)</b> | <b>FY 17-18<br/>(Audit)</b> | <b>FY 18-19<br/>(Budget)</b> | <b>FY 19-20<br/>(Budget)</b> |
|------------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|------------------------------|------------------------------|
| <b>REVENUE</b>                     |                             |                             |                             |                             |                             |                              |                              |
| Charges for Services               | \$ 429,398                  | \$ 503,507                  | \$ 466,953                  | \$ 414,993                  | \$ 493,281                  | \$ 480,625                   | \$ -                         |
| Intergovernmental                  | \$ 33,439                   | \$ 117,753                  | \$ 203                      | \$ -                        | \$ 2,402,811                |                              | \$ -                         |
| Interest and Investment Income     | \$ (740)                    | \$ (150)                    | \$ 1,165                    | \$ 1,252                    | \$ (4,076)                  | \$ 363                       | \$ -                         |
| Property Taxes                     | \$ 24,530                   | \$ 27,156                   | \$ 29,005                   | \$ 31,861                   | \$ 34,923                   | \$ 31,157                    | \$ -                         |
| St-Homeowners' Prop Tax Relief     | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ 204                       | \$ -                         |
| Other Revenue                      | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ 1,000,000                 | \$ -                         |
| St-Water Resources Control Board   | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ 1,270,573                 | \$ -                         |
| Gain on Disposal of Capital Assets | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ -                         | \$ -                         |
| <b>Total Revenue</b>               | <b>\$ 486,627</b>           | <b>\$ 648,266</b>           | <b>\$ 497,326</b>           | <b>\$ 448,106</b>           | <b>\$ 2,926,939</b>         | <b>\$ 2,782,922</b>          | <b>\$ 711,880</b>            |
| <b>EXPENDITURE</b>                 |                             |                             |                             |                             |                             |                              |                              |
| Services and Supplies              | \$ 375,274                  | \$ 492,564                  | \$ 365,397                  | \$ 396,568                  | \$ 392,789                  | \$ 389,600                   | \$ -                         |
| Depreciation and Amortization      | \$ 165,390                  | \$ 165,390                  | \$ 165,390                  | \$ 165,390                  | \$ 168,327                  | \$ 169,281                   | \$ -                         |
| Interest Expense                   | \$ 8,141                    | \$ 8,338                    | \$ 5,627                    | \$ 5,820                    | \$ 4,964                    | \$ 2,840                     | \$ -                         |
| Operating Transfers Out            | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ 10,000                    | \$ -                         |
| Loss on Disposal of Capital Assets | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ 21,465                   | \$ -                         | \$ -                         |
| <b>Total Expenditure</b>           | <b>\$ 548,805</b>           | <b>\$ 666,292</b>           | <b>\$ 536,414</b>           | <b>\$ 567,778</b>           | <b>\$ 587,545</b>           | <b>\$ 571,721</b>            | <b>\$ 711,880</b>            |
| <b>Surplus/(Deficit)</b>           | <b>\$ (62,178)</b>          | <b>\$ (18,026)</b>          | <b>\$ (39,088)</b>          | <b>\$ (119,672)</b>         | <b>\$ 2,339,394</b>         | <b>\$ 2,211,201</b>          | <b>\$ -</b>                  |
| Capital Contributions              | \$ 195                      | \$ -                        | \$ 101,950                  | \$ 327,585                  | \$ -                        | \$ -                         | \$ -                         |
| Net Position - Beginning           | \$ 4,306,040                | \$ 4,244,057                | \$ 4,226,031                | \$ 4,288,893                | \$ 4,496,806                | \$ 6,826,256                 | \$ 9,037,457                 |
| <b>Net Position - Ending</b>       | <b>\$ 4,244,057</b>         | <b>\$ 4,226,031</b>         | <b>\$ 4,288,893</b>         | <b>\$ 4,496,806</b>         | <b>\$ 6,836,200</b>         | <b>\$ 9,037,457</b>          | <b>\$ 9,037,457</b>          |

**Table 73: Total Assets & Liabilities**

|  | <b>FY 13-14<br/>(Audit)</b> | <b>FY 14-15<br/>(Audit)</b> | <b>FY 15-16<br/>(Audit)</b> | <b>FY 16-17<br/>(Audit)</b> | <b>FY 17-18<br/>(Audit)</b> |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| <b>ASSETS</b>                            |                             |                             |                             |                             |                             |
| <u>Current Assets</u>                    |                             |                             |                             |                             |                             |
| Cash and Investments                     | \$ 13,819                   | \$ 99,095                   | \$ 114,421                  | \$ 11,062                   | \$ (909,815)                |
| Restricted Cash                          | \$ 16,427                   | \$ 16,509                   | \$ 16,585                   | \$ 16,668                   | \$ 16,752                   |
| Receivables                              | \$ -                        | \$ -                        | \$ -                        | \$ 170,269                  | \$ 1,873,846                |
| <u>Non-Current Assets</u>                |                             |                             |                             |                             |                             |
| Loans Receivable                         | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ -                        |
| Capital Assets:                          |                             |                             |                             |                             |                             |
| Construction in Progress                 | \$ -                        | \$ -                        | \$ 227,530                  | \$ 548,082                  | \$ 2,605,578                |
| Buildings and Structures                 | \$ 6,606,034                | \$ 6,606,034                | \$ 6,606,034                | \$ 6,606,034                | \$ 6,738,157                |
| Equipment                                | \$ 17,345                   | \$ 17,345                   | \$ 17,345                   | \$ 17,345                   | \$ -                        |
| Accumulated Depreciation                 | \$ (2,054,404)              | \$ (2,219,794)              | \$ (2,385,184)              | \$ (2,550,574)              | \$ (2,646,606)              |
| <b>Total Assets</b>                      | <b>\$ 4,599,221</b>         | <b>\$ 4,519,189</b>         | <b>\$ 4,596,731</b>         | <b>\$ 4,818,886</b>         | <b>\$ 7,677,912</b>         |
| <b>LIABILITIES</b>                       |                             |                             |                             |                             |                             |
| <u>Current Liabilities</u>               |                             |                             |                             |                             |                             |
| Payables                                 | \$ 21,900                   | \$ 24,677                   | \$ 97,398                   | \$ 142,349                  | \$ 693,459                  |
| Due to Other Funds                       | \$ 63,755                   | \$ 28,123                   | \$ -                        | \$ -                        | \$ -                        |
| Current Portion of Long-term Liabilities | \$ 29,150                   | \$ 29,919                   | \$ 30,709                   | \$ 31,519                   | \$ 32,352                   |
| <u>Non-Current Liabilities</u>           |                             |                             |                             |                             |                             |
| Long-term Liabilities                    | \$ 240,359                  | \$ 210,439                  | \$ 179,731                  | \$ 148,212                  | \$ 115,901                  |
| <b>Total Liabilities</b>                 | <b>\$ 355,164</b>           | <b>\$ 293,158</b>           | <b>\$ 307,838</b>           | <b>\$ 322,080</b>           | <b>\$ 841,712</b>           |
| <b>NET POSITION</b>                      |                             |                             |                             |                             |                             |
| Net Investment in Capital Assets         | \$ 4,299,467                | \$ 4,163,227                | \$ 4,255,285                | \$ 4,441,156                | \$ 6,422,963                |
| Restricted for Debt Service              | \$ 43,427                   | \$ 43,427                   | \$ 43,427                   | \$ 43,427                   | \$ 43,427                   |
| Unrestricted                             | \$ (98,837)                 | \$ 19,377                   | \$ (9,819)                  | \$ 12,223                   | \$ 369,810                  |
| <b>Total Net Position</b>                | <b>\$ 4,244,057</b>         | <b>\$ 4,226,031</b>         | <b>\$ 4,288,893</b>         | <b>\$ 4,496,806</b>         | <b>\$ 6,836,200</b>         |

## Governance

The Davenport County Sanitation District is governed by a District Board comprised of members of the Santa Cruz County Board of Supervisors. The DCSD is a nonprofit public agency providing treated drinking water and sewage collection, treatment and disposal services to the town of Davenport. The current Board is as follows:

**Table 74: Board of Directors**

| Board Member    | Title    | Years of Service | Term of Office Expiration |
|-----------------|----------|------------------|---------------------------|
| Zach Friend     | Director | 7 years          | 1/2/2020                  |
| John Leopold    | Director | 11 years         | 1/2/2020                  |
| Ryan Coonerty   | Director | 5 years          | 1/2/2021                  |
| Greg Caput      | Director | 8 years          | 1/2/2021                  |
| Bruce McPherson | Director | 3 years          | 1/2/2020                  |

The Board of Directors meets on most Tuesdays in the Board of Supervisors' Chambers, 701 Ocean Street, Room 525. Meetings generally begin at 9:00am. Public notice is provided through posting. The District contracts for independent audits.

The County of Santa Cruz Public Works Department is responsible for the administration, engineering, maintenance, emergency response and construction of all County sanitation services. The department also manages various Board-governed special districts and CSAs. The Sanitation Operations unit is one of six organizational units within the Special Services Division of Public Works and provides operation and maintenance services to County sanitation districts and CSAs. Sanitation operations employees work in all Districts and CSAs. Each sanitation district is governed according to its specific code of regulations. The Districts' codes are very similar, and some sections are adopted by reference from the Santa Cruz County Sanitation District Code. CSAs are governed according to the Santa Cruz County Code of Regulations. Most of the County Code pertaining to sanitary sewer collection systems is adopted by reference from the SCCSD Code.

### Website Requirements

Senate Bill 929 was signed into law in September 2018 and requires all independent special districts to have and maintain a website by January 1, 2020. It outlines minimum website data requirements, including contact information, financial reports, and meeting agendas/minutes. While this new law does not apply to county service areas, the County should consider following the requirements outlined in the new law. The County's water and sewer webpage offers a number of useful resources including formation resolutions, service maps, and current sewer charges for each County-operated sewer agency: <http://dpw.co.santa-cruz.ca.us/Home/SewerWater.aspx>. However, it is difficult to locate certain information and material.

**LAFCO Staff Recommendation:** *It may be beneficial for the County to include links to staff reports or other supporting documents related to the annual sewer rates. Additionally, the webpage should include all past and future LAFCO service reviews involving the District as additional resource material.*

### Capital Improvement Plan

The Davenport County Sanitation District is part of the County's 2019/20 Capital Improvement Program. The 2019/20 Capital Improvement Program (CIP) presents a five-year financing implementation plan for capital improvements within the unincorporated County; Parks, Open Space and Cultural Services; and County Facility projects located Countywide. The CIP is an outgrowth of cooperative planning, programming and financing efforts through the County Administrative Office and by the County's land use departments including Planning, Public Works, and Parks, Open Space and Cultural Services, as well as non-land use departments including the Health Services Agency, General Services Department, Probation, and the Sheriff's Department. Unprogrammed road, roadside, sanitation, flood control, parks, and recycling and solid waste projects (which funding is not anticipated for in the coming five years, or longer, and meets requirements of unincorporated County service level needs at build-out under the 1994 General Plan) are also identified in the CIP.

The 2019/20 CIP currently identifies one project within the Davenport County Sanitation District, the ***Davenport Recycled Water Project***. This construction project upgraded the treatment facility to disinfected tertiary treated water, constructed a new storage pond and truck fill station and dredged the existing wastewater storage lagoon. The existing treatment plant used spray fields to discharge treated effluent and when the fields were overly saturated in the rainy season, runoff could occur which had potential to create a violation of permit requirements. Construction of a new recycled water pond and truck fill station allows for a local farmer to use the recycled water, thus removing the need for the spray fields. Additionally, dredging the lagoon allows for approximately 8 feet of additional storage. This project was officially completed in October 2018.

***LAFCO Staff Recommendation:*** *The County should consider developing a specific capital improvement plan that covers the sanitation districts managed and operated by the Public Works Department – Davenport, Freedom, Santa Cruz County Sanitation Districts, and CSAs 2, 5, 7, 10, and 20.*

### Sewer System Management Plan

The State Water Resources Control Board regulates wastewater discharges to surface water (rivers, ocean, etc.) and to groundwater (via land). The State Water Board requires sanitation districts to follow the Statewide General Waste Discharge Requirements for Sanitary Sewer Systems. These requirements include the following:

- Sanitary Sewer Overflows are prohibited, and
- All Sanitary Sewer Overflow (SSOs), with the exception of Private Sewer Lateral Discharge (PLSDs), irrespective of size, must be reported to the State Water Board electronically using the California Integrated Water Quality System, and the Districts/CSAs must prepare and implement a Sewer System Management Plan (SSMP).

In 2017, the County adopted a Sewer System Management Plan to cover the management, operation and maintenance, design, construction and emergency response of the Davenport Sanitation District, Freedom Sanitation District, Santa Cruz County Sanitation District and County Service Areas sanitary sewer systems.

## Opportunities & Challenges

The Davenport County Sanitation District is significantly affected by aging infrastructure, escalating operational costs, and changes to state laws and regulations that may introduce new requirements without additional funding. These issues are common with other sanitation districts in Santa Cruz County. The following section discusses these challenges and identifies possible opportunities to ensure the delivery of wastewater services in an efficient and effective manner.

### Revenue Deficiencies

Between 2013 to 2017, Davenport County Sanitation District ended each fiscal year with a deficit. During this time period, the sewer rate increased, on average, by 2% or \$51/year. As shown in the table below, LAFCO staff determined that sewer rates for the District should have been raised by 9% or \$309/year to cover total expenses. Under this scenario, the District would have had enough funds to cover total expenses each year. Additionally, if the County continues to increase sewer rates based on historical expenses rather than the Consumer Price Index going forward, the District should have enough funds to cover future expenses.

**Table 75: Review of Annual Sewer Rates (Hypothetical Scenario)**

|  | <b>FY 13-14</b>  | <b>FY 14-15</b>  | <b>FY 15-16</b>  | <b>FY 16-17</b>   | <b>Average</b> |
|--|------------------|------------------|------------------|-------------------|----------------|
| Charges for Services                     | \$429,398        | \$503,507        | \$466,953        | \$414,993         | -              |
| Annual Deficit                           | <b>-\$62,178</b> | <b>-\$18,026</b> | <b>-\$39,088</b> | <b>-\$119,672</b> | -              |
| Required Revenue to Cover Total Expenses | \$491,576        | \$521,533        | \$506,041        | \$534,665         | -              |
| Proposed Annual Sewer Rate               | <b>\$2,450</b>   | <b>\$2,253</b>   | <b>\$2,422</b>   | <b>\$2,955</b>    | -              |
|  |                  |                  |                  |                   |                |
| Annual Sewer Rates (Actual)              | \$2,140          | \$2,176          | \$2,235          | \$2,293           | \$2,211        |
| <b>Annual Sewer Rates (Proposed)</b>     | <b>\$2,450</b>   | <b>\$2,253</b>   | <b>\$2,422</b>   | <b>\$2,955</b>    | <b>\$2,520</b> |
| <i>Proposed Increase (\$)</i>            | <i>\$310</i>     | <i>\$78</i>      | <i>\$187</i>     | <i>\$661</i>      | <i>\$309</i>   |
| <i>Proposed Increase (%)</i>             | <i>14%</i>       | <i>4%</i>        | <i>8%</i>        | <i>29%</i>        | <i>9%</i>      |

It is important to reiterate that District fees are considered benefit assessments, and any rate increase (except for preapproved annual Consumer Price Index increases) must comply with Proposition 218 procedures. These procedures require that an increase is approved by at least half of the votes cast by the property owners, with the votes weighted according to the amount of the proposed assessment of each parcel. Furthermore, a public hearing must be held to consider any protests to the proposed increase.

***LAFCO Staff Recommendation:*** *The County should consider increasing future sewer rates based on historical costs and estimated projections, rather than the standard preapproved annual Consumer Price Index. This approach will ensure that the Davenport County Sanitation District has enough funds to cover future expenses and potential increase its net position for imminent capital improvement needs.*

### **Infrastructure Deficiencies**

Older infrastructure is aging, deteriorating, and in need of repair. The County has indicated that one undersized sewer trunk requires upsizing to lift a sanitary sewer moratorium: this project is scheduled for 2020-2021. The District would also like to relocate the existing water line from the intake at San Vicente Creek and through the creek bed to a more secure location in the adjacent roadway. This would take significant funds to study viable options, complete the necessary studies, obtain permits, and construct the new pump station and pipeline. Infrastructure improvements continues to be an ongoing issue for not only the District, but rather, most of the sanitation districts throughout the County.

### **Regional Collaboration**

Several sanitation districts, including entities managed and operated by the County, have expressed interest in transferring sewer responsibilities to another agency due to funding issues, limited long-term planning, or lack of economies of scale. Establishment of a countywide memorandum of understanding or a joint powers authority may unify the already-established collaboration set by the sanitation providers in the county. Such agreements may also lay the foundation for future changes of organization, including but not limited to annexations, consolidations, or mergers.

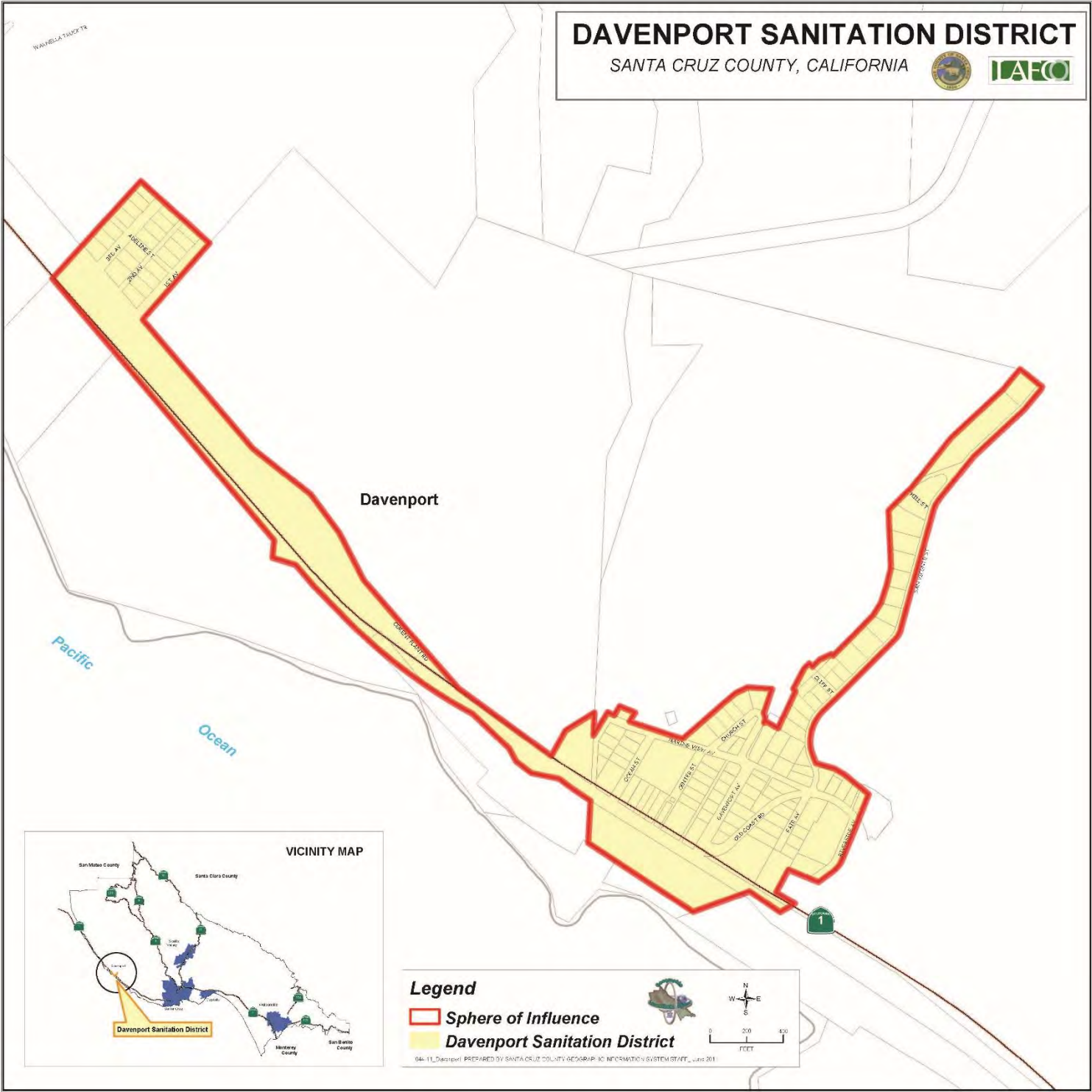
### **Sphere of Influence**

LAFCO originally adopted a coterminous sphere of influence for the District in 1991. A coterminous sphere of influence is identical to the agency's jurisdictional boundary. For the past 28 years, the sphere boundary has remained unchanged. Although the CEMEX site is and has been served by the District, the sphere of influence boundary does not include the CEMEX property.

It is yet to be determined how or when the CEMEX site will be developed. At this time, LAFCO staff, along with representatives of the District, do not recommend any changes to the sphere of influence. **Figure 53** shows the current sphere of influence boundary for the Davenport County Sanitation District.



Figure 53: Davenport County Sanitation District's Current Sphere Map



## District Summary

| Davenport County Sanitation District |  |
|--------------------------------------|--|
| <b>Formation</b>                     | County Sanitation District Act (Health and Safety Code Sections 4700-4858)   |
| <b>Board of Directors</b>            | 5 members, elected at-large to four-year terms   |
| <b>Contact Person</b>                | Beatriz Barranco, Senior Engineer, Sanitation Operations   |
| <b>Employees</b>                     | 1 full-time employee (approximately)   |
| <b>Facilities</b>                    | Collection, Treatment, and Recycled Water Plant; 3 pump stations; 108 connections  |
| <b>District Area</b>                 | 64 acres (0.1 square mile)   |
| <b>Sphere of Influence</b>           | Coterminous with District (i.e. no sphere beyond existing jurisdictional boundary)   |
| <b>FY 2019-20 Budget</b>             | <p>Total Revenue = \$711,880</p> <p>Total Expenditure = \$711,880</p> <p>Projected Net Position (Beginning Balance) = \$9,037,457</p>  |
| <b>Contact Information</b>           | <p>Mailing Address: 701 Ocean Street, Santa Cruz CA 95060</p> <p>Phone Number: (831) 477-3907</p> <p>Email Address: <a href="mailto:Beatriz.Barranco@santacruzcounty.us">Beatriz.Barranco@santacruzcounty.us</a></p> <p>Website: <a href="http://dpw.co.santa-cruz.ca.us/Home/SewerWater.aspx">http://dpw.co.santa-cruz.ca.us/Home/SewerWater.aspx</a></p> |
| <b>Public Meetings</b>               | The Board regularly meets on most Tuesdays in the Board of Supervisors' Chambers, 701 Ocean St, Rm. 525. Meetings generally begin at 9:00 am.  |
| <b>Mission Statement</b>             | The District does not have a published mission statement. However, their mission aligns with the published mission statement for the Santa Cruz County Sanitation District.  |

## **Service and Sphere Review Determinations**

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The following service and sphere review determinations fulfill the requirements outlined in the Cortese-Knox-Hertzberg Act. The County was instrumental in addressing the determinations by responding to a survey sent by LAFCO in June 2019. **Appendix G** provides a copy of the District's survey response.

### **Service Provision Determinations**

Government Code Section 56430 requires LAFCO to conduct a municipal service review before, or in conjunction with, an action to establish or update a sphere of influence. Written statements of determination must be prepared with respect to each of the following:

**1. Growth and population projections for the affected area.**

The Davenport community is generally built-out with residential and commercial use. There are no growth projections available for the District. In general, the Santa Cruz County unincorporated area is projected to have slow growth over the next fifteen years. The County Public Works Department estimates that the population within the total area is currently 215. Based on the growth rate of approximately 1% for the unincorporated areas in the County, LAFCO staff projects that the District's entire population in 2020 will be 217.

**2. The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence.**

In 2017, the California statewide median household income was \$67,169, and 80% of that was \$53,735. LAFCO staff utilized the ArcGIS mapping program to locate potential DUCs in the County. Based on the criteria set forth by SB 244, staff's analysis indicates that there are no areas in the Davenport County Sanitation District designated as a disadvantaged unincorporated community.

**3. 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.**

The Davenport County Sanitation District has an aging collection and treatment plant that serves residential units in the Davenport Community. The District also operates a recycled water system. The infrastructure is maintained by the County of Santa Cruz. Based on the County's 2017 Sewer System Management Plan, Davenport County Sanitation District has 108 connections with 3.0 miles of gravity sewer lines, 1.30 miles of force main lines, and 3 pump stations. Revenues to operate the District are collected yearly from residents and businesses that are connected to either the waterworks or the sanitary sewer system.

**4. Financial ability of agencies to provide services.**

The Davenport County Sanitation District has recently experienced annual deficits. Audited financial statements from Fiscal Years 2013 to 2017 indicate that the annual shortage has ranged from \$18,000 to \$120,000. As of June 30, 2018, the District is operating with a net position of approximately \$6.8 million. However, cash and investments, on average, has represented only 1% of total net position. LAFCO staff

projects that this negative trend will continue unless the CSA increases its overall revenue stream or decreases annual expenses.

**5. Status of, and opportunities for, shared facilities.**

Several sanitation districts, including entities managed and operated by the County, have expressed interest in transferring sewer responsibilities to another agency due to funding issues, limited long-term planning, or lack of economies of scale. Establishment of a countywide memorandum of understanding or a joint powers authority may unify the already-established collaboration set by the sanitation providers in the county. Such agreements may also lay the foundation for future changes of organization, including but not limited to annexations, consolidations, or mergers.

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

The CEMEX plant closed in 2008. The County has indicated that if the CEMEX plant is sold and developed, it could add a significant population to the Davenport County Sanitation District's service area. Any added commercial or residential use would be beneficial to the District, as the revenue generated from the sewer and water rates could fund necessary infrastructure improvements that are too expensive for the small population of the District to fund. If the CEMEX site were to be developed, the water treatment plant and recycled water plant would need to be expanded to meet the new demands. There would also be a need for new transmission lines and possibly pump stations to serve the new development.

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

No additional local LAFCO policies are specifically relevant to this service and sphere review.

## **Sphere of Influence Determinations**

Government Code Section 56425 requires LAFCO to periodically review and update spheres of influence in concert with conducting municipal service reviews. Spheres are used as regional planning tools to discourage urban sprawl and encourage orderly growth. Written statements of determination must be prepared with respect to each of the following:

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

There are no agricultural or open-space lands within the service area.

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

The Davenport County Sanitation District owns and operates a wastewater treatment facility serving the community of Davenport, which includes a domestic wastewater collection system, influent headworks, aerated lagoon, sand filter, and a chlorine contact tank. More recently, the District now operates a recycled water treatment plant, with a recycled water fill station and a recycled water storage pond. The District currently has 108 connections and serves over 200 residents.

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

The CEMEX plant closed in 2008. The County has indicated that if the CEMEX plant is sold and developed, it could add a significant population to the Davenport County Sanitation District's service area.

LAFCO originally adopted a coterminous sphere of influence for the District in 1991. A coterminous sphere of influence is identical to the agency's jurisdictional boundary. For the past 28 years, the sphere boundary has remained unchanged. Although the CEMEX site is and has been served by the District, the sphere of influence boundary does not include the CEMEX property. It is yet to be determined how or when the CEMEX site will be developed.

**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.**

LAFCO staff is not aware of any social or economic communities of interest in the area. The District's service area is primarily residential units.

**5. For an update of a 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, that occurs pursuant to subdivision (g) on or after July 1, 2012, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.**

Neither the County nor LAFCO has identified any sub-area within or contiguous to the District's service or sphere boundaries that meet the definition of a disadvantaged unincorporated community. That said, the District has adequate transmission and treatment capacity for the present and planned facilities within the sphere of influence. The District's principal needs are repair and replacement of aging infrastructure.

# FREEDOM COUNTY SANITATION DISTRICT

## District Overview

The Freedom County Sanitation District provides wastewater collection service for the Buena Vista/Calabasas area of Freedom and the Green Valley Road corridor outside the Watsonville city limits. The District also serves three connections outside its boundaries, including one duplex, one single family dwelling, and the Pinto Lake County Park ranger's residence. **Figure 60**, on page 164, is a vicinity map of the service area.

The Santa Cruz County Board of Supervisors acts as the Board of Directors to the District. The County Public Works Department operates the District's sewage collection system. The District contracts with the City of Watsonville to treat, recycle, and dispose of the District's wastewater at the city treatment plant.

## Population & Growth

The Freedom area is substantially built-out. There are no growth projections available for the District. In general, the Santa Cruz County unincorporated area is projected to have slow growth over the next fifteen years. The Public Works Department has indicated that the estimated population within the total area was approximately 4,100. Based on the growth rate of approximately 1% for the unincorporated areas in the County, LAFCO staff projects that the District's entire population in 2020 will be around 4,200. The projected population for the Freedom County Sanitation District are as follows:

**Table 76: Projected Population**

|   | 2020         | 2025         | 2030         | 2035         | Growth Rate |
|---|--------------|--------------|--------------|--------------|-------------|
| Santa Cruz County (unincorporated)        | 136,891      | 137,896      | 139,105      | 140,356      | 1%          |
| <b>Freedom County Sanitation District</b> | <b>4,200</b> | <b>4,242</b> | <b>4,284</b> | <b>4,327</b> | <b>1%</b>   |

*Source: AMBAG 2018 Regional Growth Forecast*

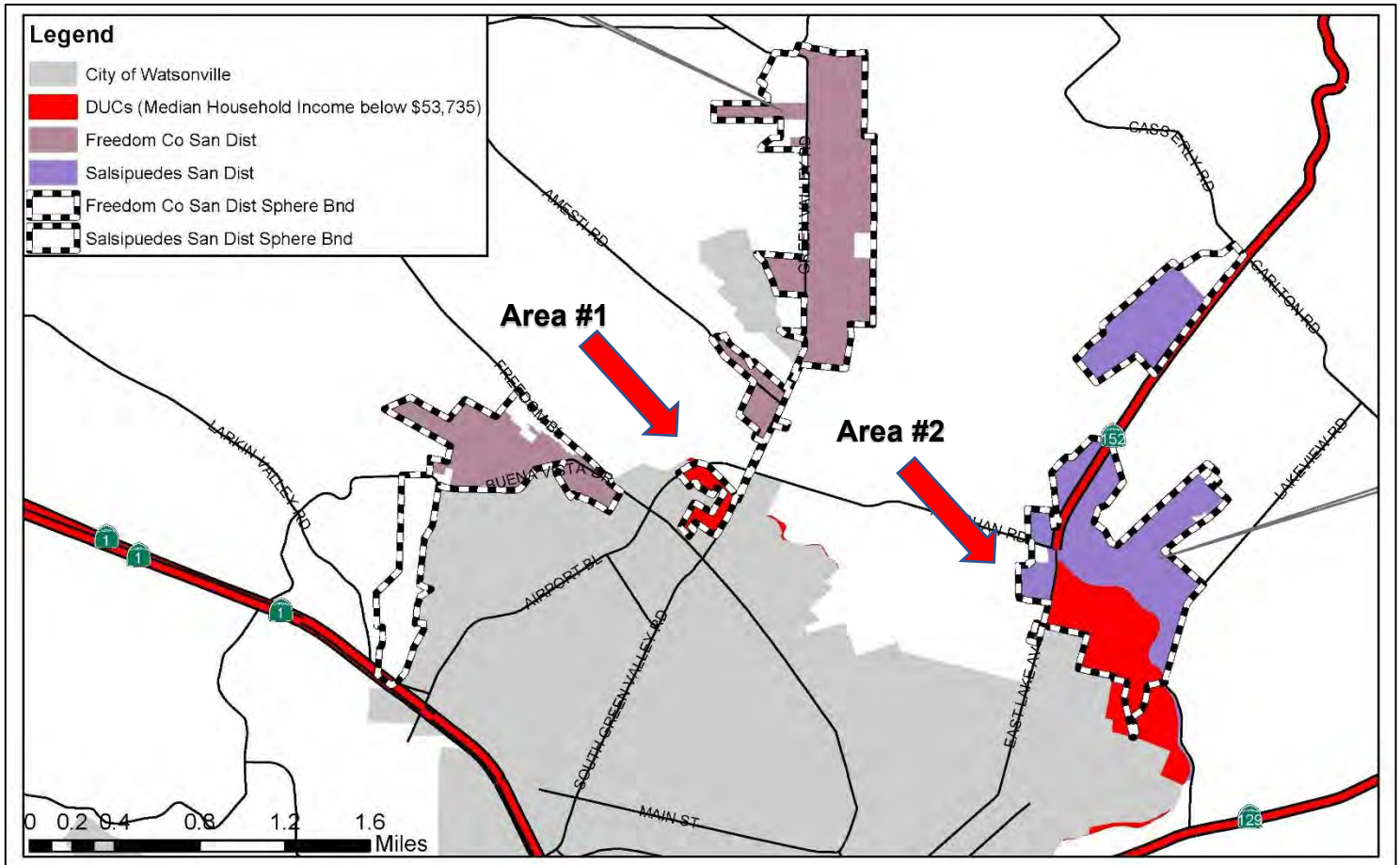
## Disadvantaged Unincorporated Communities

State law requires LAFCO to identify and describe all "disadvantaged unincorporated communities" (DUC) located within or contiguous to the existing spheres of influence of cities and special districts that provide fire protection, sewer, and/or water services. DUCs are defined as inhabited unincorporated areas with an annual median household income that is 80% or less than the statewide annual median household income.

LAFCO staff utilized the ArcGIS mapping program to locate potential DUCs in the County. Based on the criteria set forth by SB 244, staff's initial analysis located one DUC within the Freedom County Sanitation District's service and sphere boundaries (Area #1). This area is located near Airport Boulevard and is built-out with single-family homes. While Area #1 is located within Freedom County Sanitation District's service and sphere boundaries, it is an unincorporated community immediately outside Watsonville's city limits. LAFCO staff should evaluate Area #1 in more detail if a proposed reorganization or future boundary adjustment is considered within or adjacent to this DUC.



**Figure 54: Areas #1 and #2 (near Freedom Co and Salsipuedes Sanitary Districts)**



### **Services & Operations**

The Freedom County Sanitation District has two non-contiguous service zones. The western zone serves the neighborhoods of the Watsonville Airport off Freedom Boulevard, Buena Vista Drive, Calabasas Road, and Bowker Road. The northern service zone serves the Green Valley Road corridor, including neighborhoods off Steward Street, Pajaro Lane, Amesti Road, Paulsen Road, Melody Lane, and Mesa Verde. The District collection system is pumped to the wastewater treatment plant on Beach Street, owned and operated by the City of Watsonville. The District is required to comply with the City of Watsonville's NPDES permit NO. CA0048216.

The volume of wastewater is determined from records of water usage as metered by the Watsonville Water Department. Due to the lead time involved in getting the yearly sewer charges placed on the County property tax statements, the current fiscal year's charges are based on water use and strength factors from the previous calendar year.

Based on the County's 2017 Sewer System Management Plan, Freedom County Sanitation District has 1,859 connections with 15.30 miles of gravity sewer lines, 1.20 miles of force main lines, and 9 pump stations. Annual sewer charges are the District's primary source of revenue.

Since the City of Watsonville operates a municipal sewage system, any annexation to Watsonville 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.

### Sewer Rates

At present, the District's annual sewer rates derive from five areas: Single-Family Units, Multi-Family Units, Mobile Homes, Commercial, and Schools. Each area has its own sewer rate. **Table 77** shows the gradual increase in annual rates during the last seven years.

**Table 77: Annual Sewer Rates**

|                                 | FY 13-14 | FY 14-15 | FY 15-16 | FY 16-17 | FY 17-18 | FY 18-19 | FY 19-20 |
|---------------------------------|----------|----------|----------|----------|----------|----------|----------|
| Single-Family                   | \$436.48 | \$443.90 | \$496.86 | \$482.38 | \$526.68 | \$559.80 | \$593.54 |
| Multi-Family                    | \$342.80 | \$348.02 | \$367.28 | \$376.40 | \$409.92 | \$418.22 | \$471.70 |
| Mobile Homes                    | \$346.92 | \$352.24 | \$371.80 | \$381.08 | \$415.08 | \$415.08 | \$546.64 |
| Commercial                      | \$149.18 | \$148.12 | \$148.08 | \$144.62 | \$144.64 | \$142.74 | \$146.26 |
| <i>Additional Charge (HCF)*</i> | \$2.82   | \$2.89   | \$3.09   | \$3.19   | \$3.52   | \$4.14   | \$4.80   |
| School*                         | \$149.18 | \$148.12 | \$148.08 | \$144.62 | \$144.64 | \$142.74 | \$146.26 |
| <i>Additional Charge (ADA)*</i> | \$7.54   | \$7.71   | \$8.25   | \$8.53   | \$9.40   | \$11.05  | \$12.83  |

*Note: Additional Charge is for "Commercial" is based on Hundred Cubic Feet of Water (HCF); Additional Charge is for "School" is based on Average Daily Attendance (ADA)*

Revenues to operate the Freedom County Sanitation District are collected annually from residents, businesses and schools that are connected to the sanitary sewer system through property taxes and manual bills. Sewer service rates are established through hearings held with the Santa Cruz County Board of Supervisors.

Using information supplied by District staff, the rates are reviewed each year by an independent engineering firm which specializes in revenue studies for utility districts and are subject to final approval by the Board. Before the rates are set, a notice of public hearing is mailed to all owners of property within the Sanitation District boundaries, another notice is published in the Santa Cruz Sentinel, and the public hearing is held. The public hearing is normally scheduled in April or May of each year, with the rates becoming effective on the first of July. The following tables (**Tables 78 to 82**) show the gradual increase in annual rates for each area.

**Table 78: Single-Family Unit's Annual Sewer Rates Review**

|                      | FY 13-14        | FY 14-15        | FY 15-16        | FY 16-17        | FY 17-18        | FY 18-19        | FY 19-20        | Average Change |
|----------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|----------------|
| <b>Single Family</b> | <b>\$436.48</b> | <b>\$443.90</b> | <b>\$496.86</b> | <b>\$482.38</b> | <b>\$526.68</b> | <b>\$559.80</b> | <b>\$593.54</b> |                |
| <i>Change (\$)</i>   |                 | <b>\$7.42</b>   | <b>\$52.96</b>  | <b>-\$14.48</b> | <b>\$44.30</b>  | <b>\$33.12</b>  | <b>\$33.74</b>  | <b>\$26.18</b> |
| <i>Change (%)</i>    |                 | <b>2%</b>       | <b>12%</b>      | <b>-3%</b>      | <b>9%</b>       | <b>6%</b>       | <b>6%</b>       | <b>5.37%</b>   |

**Table 79: Multi-Family Unit's Annual Sewer Rates Review**

|                     | FY 13-14        | FY 14-15        | FY 15-16        | FY 16-17        | FY 17-18        | FY 18-19        | FY 19-20        | Average Change |
|---------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|----------------|
| <b>Multi-Family</b> | <b>\$342.80</b> | <b>\$348.02</b> | <b>\$367.28</b> | <b>\$376.40</b> | <b>\$409.92</b> | <b>\$418.22</b> | <b>\$471.70</b> |                |
| <i>Change (\$)</i>  |                 | <b>\$5.22</b>   | <b>\$19.26</b>  | <b>\$9.12</b>   | <b>\$33.52</b>  | <b>\$8.30</b>   | <b>\$53.48</b>  | <b>\$21.48</b> |
| <i>Change (%)</i>   |                 | <b>2%</b>       | <b>6%</b>       | <b>2%</b>       | <b>9%</b>       | <b>2%</b>       | <b>13%</b>      | <b>5.37%</b>   |

**Table 80: Mobile Home Unit's Annual Sewer Rates Review**

|                     | FY 13-14        | FY 14-15        | FY 15-16        | FY 16-17        | FY 17-18        | FY 18-19        | FY 19-20        | Average Change |
|---------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|----------------|
| <b>Mobile Homes</b> | <b>\$346.92</b> | <b>\$352.24</b> | <b>\$371.80</b> | <b>\$381.08</b> | <b>\$415.08</b> | <b>\$415.08</b> | <b>\$546.64</b> |                |
| <i>Change (\$)</i>  |                 | <b>\$5.32</b>   | <b>\$19.56</b>  | <b>\$9.28</b>   | <b>\$34.00</b>  | <b>\$0.00</b>   | <b>\$131.56</b> | <b>\$33.29</b> |
| <i>Change (%)</i>   |                 | <b>2%</b>       | <b>6%</b>       | <b>2%</b>       | <b>9%</b>       | <b>0%</b>       | <b>32%</b>      | <b>8.37%</b>   |

**Table 81: Commercial's Annual Sewer Rates Review**

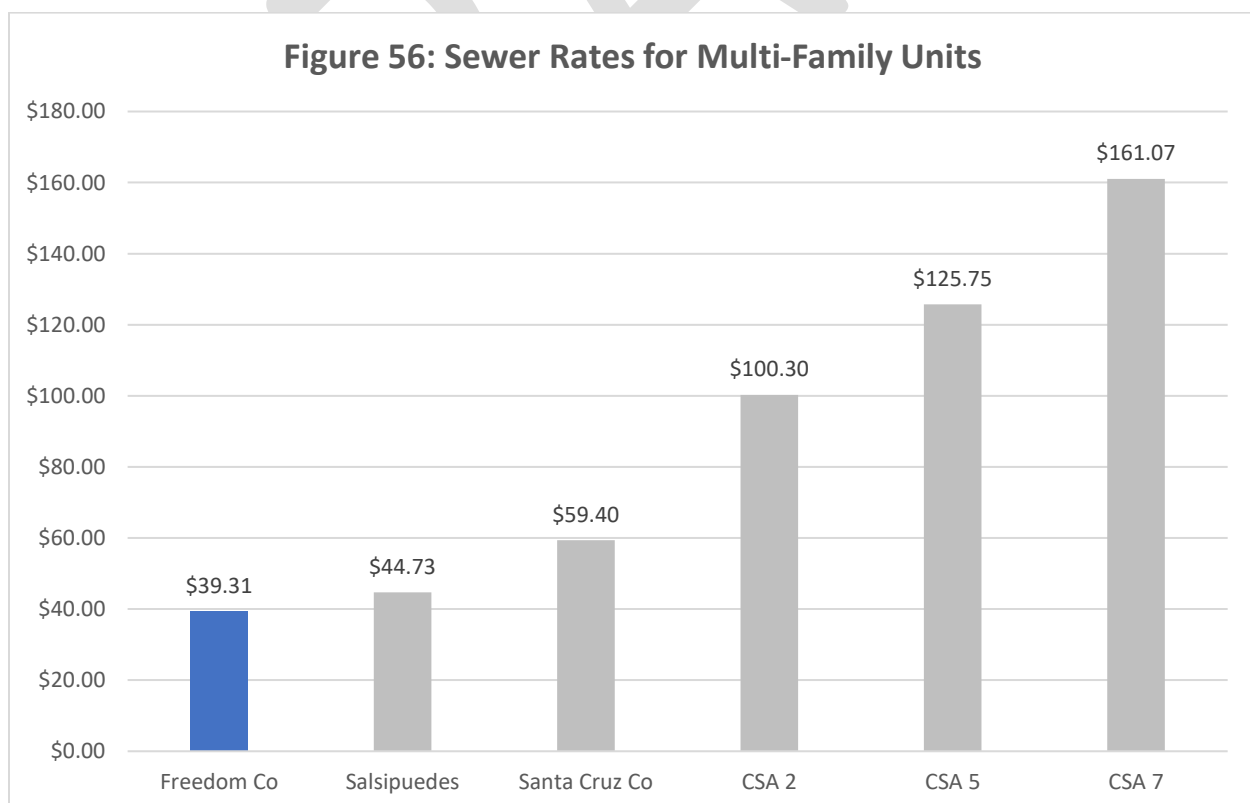
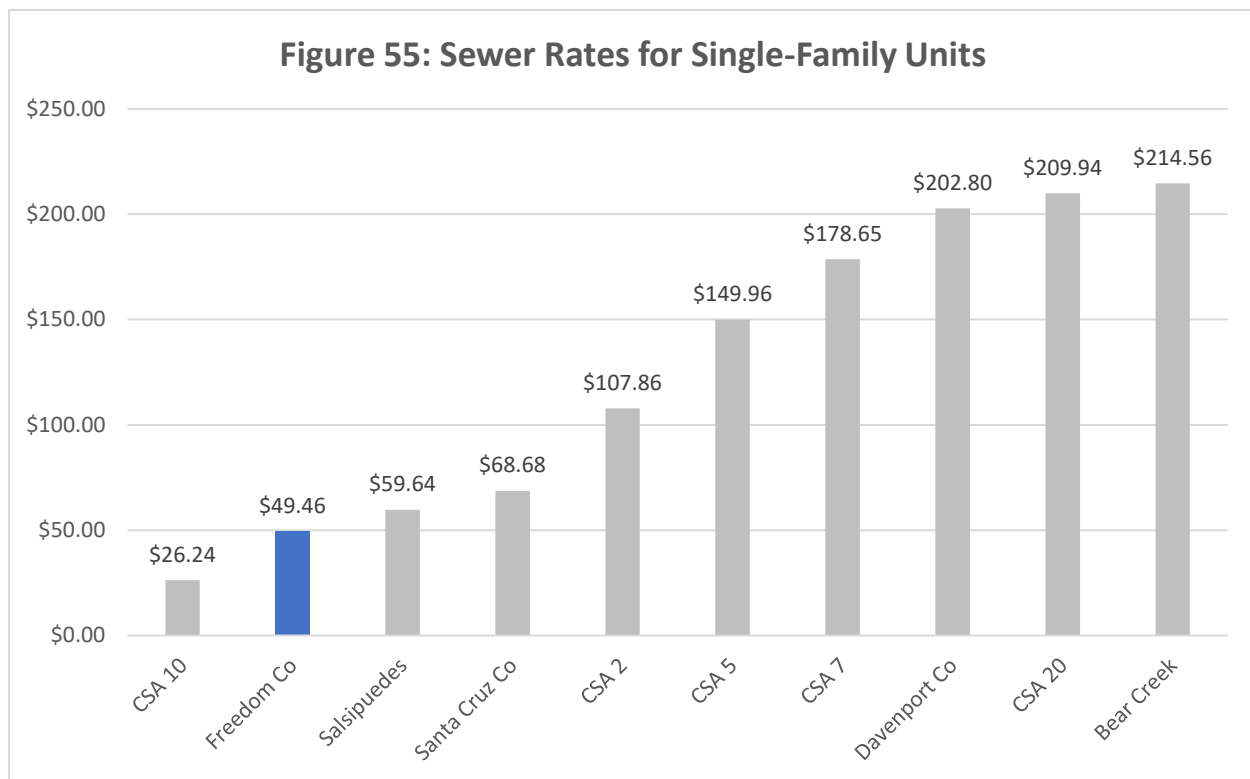
|                    | FY 13-14        | FY 14-15        | FY 15-16        | FY 16-17        | FY 17-18        | FY 18-19        | FY 19-20        | Average Change |
|--------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|----------------|
| <b>Commercial</b>  | <b>\$149.18</b> | <b>\$148.12</b> | <b>\$148.08</b> | <b>\$144.62</b> | <b>\$144.64</b> | <b>\$142.74</b> | <b>\$146.26</b> |                |
| <i>Change (\$)</i> |                 | <b>-\$1.06</b>  | <b>-\$0.04</b>  | <b>-\$3.46</b>  | <b>\$0.02</b>   | <b>-\$1.90</b>  | <b>\$3.52</b>   | <b>-\$0.49</b> |
| <i>Change (%)</i>  |                 | <b>-1%</b>      | <b>0%</b>       | <b>-2%</b>      | <b>0%</b>       | <b>-1%</b>      | <b>2%</b>       | <b>-0.32%</b>  |

**Table 82: School's Annual Sewer Rates Review**

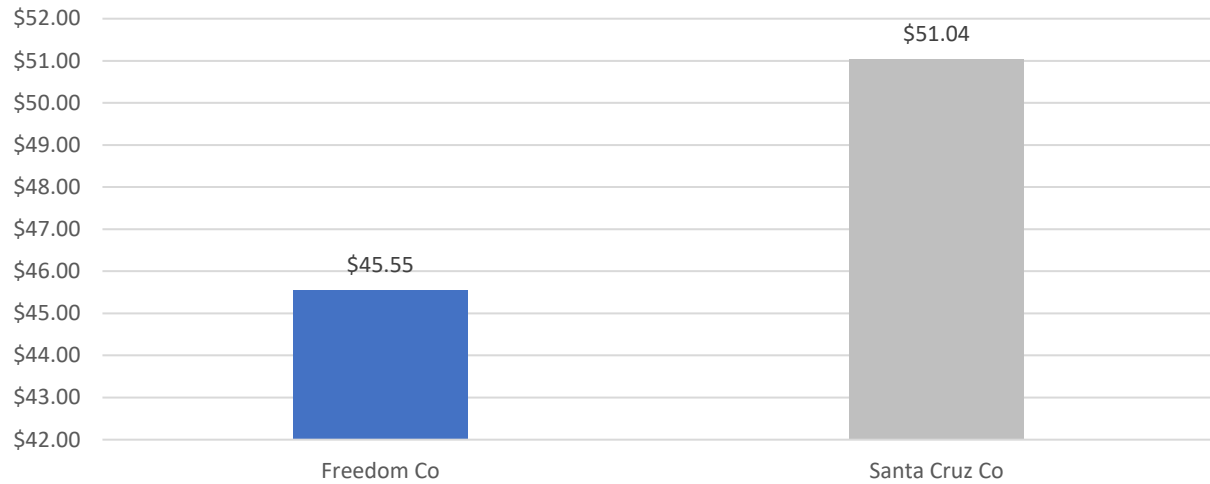
|                    | FY 13-14        | FY 14-15        | FY 15-16        | FY 16-17        | FY 17-18        | FY 18-19        | FY 19-20        | Average Change |
|--------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|----------------|
| <b>School</b>      | <b>\$149.18</b> | <b>\$148.12</b> | <b>\$148.08</b> | <b>\$144.62</b> | <b>\$144.64</b> | <b>\$142.74</b> | <b>\$146.26</b> |                |
| <i>Change (\$)</i> |                 | <b>-\$1.06</b>  | <b>-\$0.04</b>  | <b>-\$3.46</b>  | <b>\$0.02</b>   | <b>-\$1.90</b>  | <b>\$3.52</b>   | <b>-\$0.49</b> |
| <i>Change (%)</i>  |                 | <b>-1%</b>      | <b>0%</b>       | <b>-2%</b>      | <b>0%</b>       | <b>-1%</b>      | <b>2%</b>       | <b>-0.32%</b>  |

When comparing the sewer rates with the other sanitation districts analyzed in this report, Freedom County Sanitation District is ranked the second lowest in charges towards single family units (\$49.46/month), ranked lowest in charges towards multi-family units

(\$39.31/month), ranked lowest in charges towards mobile home units (\$45.55/month), ranked lowest in charges to commercial units (\$12.19/month), and ranked lowest in charges towards school sites (\$12.19/month). Sewer rate comparisons are shown in the following figures (**Figures 55 to 59**).



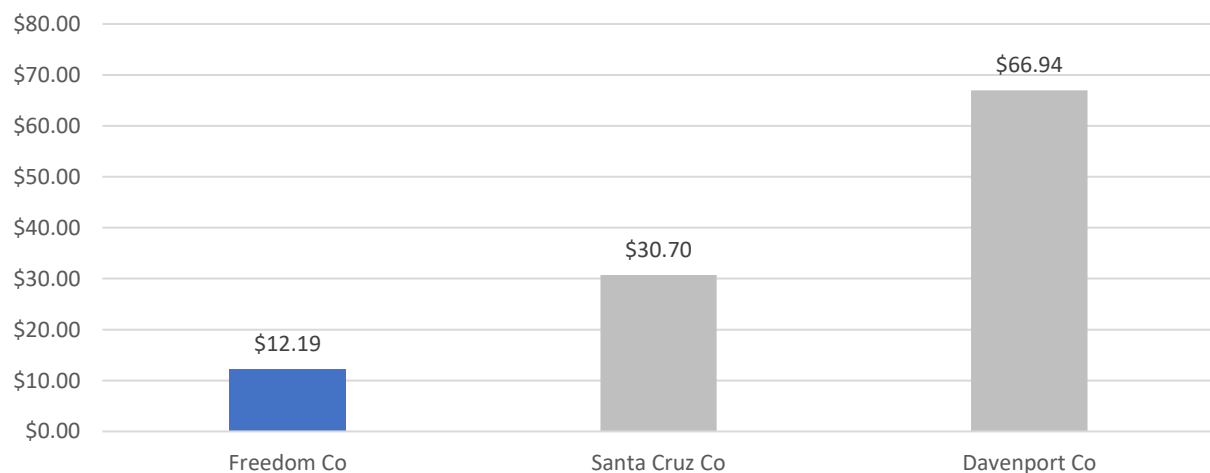
**Figure 57: Sewer Rates for Mobile Home Units**



**Figure 58: Sewer Rates for Commercial Sites**



**Figure 59: Sewer Rates for School Sites**





### Infrastructure Summary

Freedom County Sanitation District provides wastewater collection the unincorporated community of Freedom. It currently has over 1,800 connections and approximately 25 miles of sewer line. **Table 83** provides an overview of the type of service and current infrastructure:

**Table 83: Infrastructure Summary**

|                                    | Type of System | Treatment Level | No. of Connections | No. of Lift Stations | Miles of Sewer Line |
|------------------------------------|----------------|-----------------|--------------------|----------------------|---------------------|
| Freedom County Sanitation District | Collection     | N/A             | 1,859              | 9                    | 15.30               |

The Public Works Department has indicated that older infrastructure is aging, deteriorating, and in need of repair. The District also must share in any improvements required at the City's sewer treatment plant which treats the District's wastewater. The District is also partially responsible for the transmission facility improvements related to the City's trunk lines that carry the City's wastewater flows combined with the District's lines.





**Legend**

**Sanitation District**

Freedom Co Sanitation Dist Jurisdictional Bnd

Freedom Co Sanitation Dist Sphere Bnd

0 0.125 0.25 0.5 0.75 Miles

**Freedom County Sanitation District Service and Sphere Boundary**

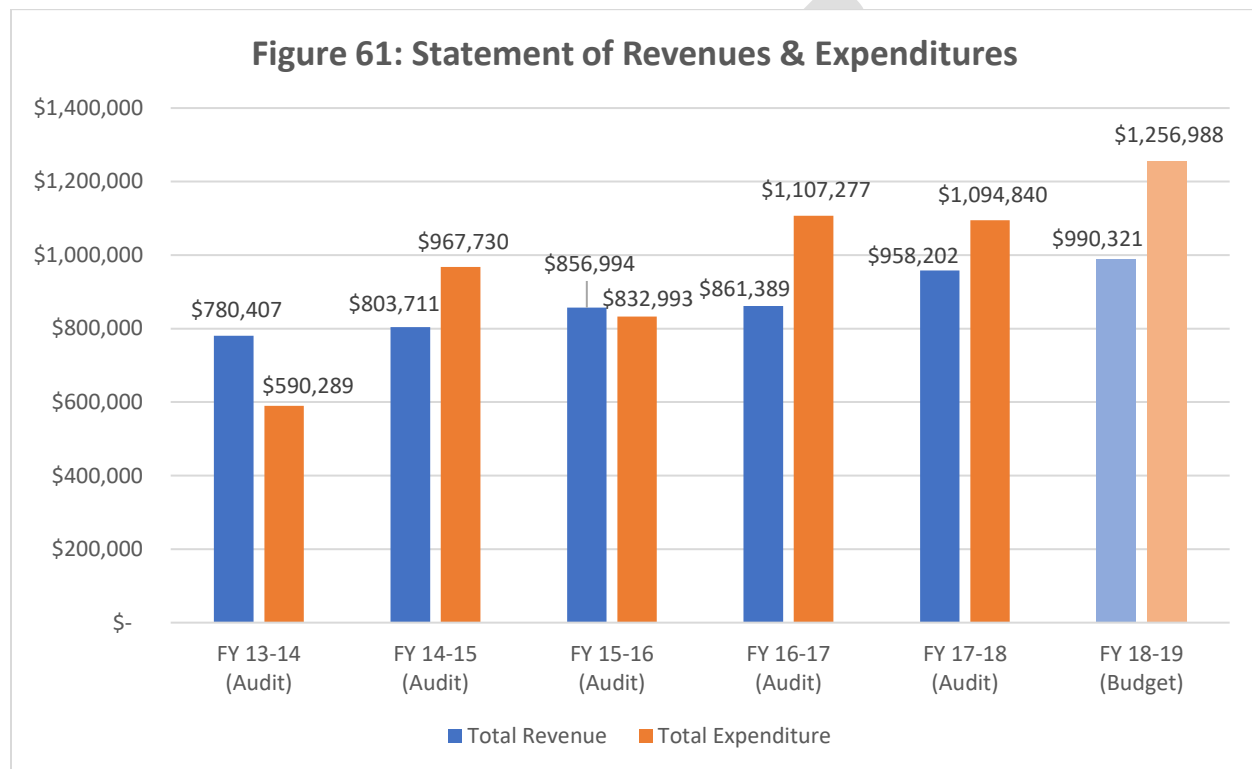
Original Sphere of Influence Adoption (October 1, 1975)

Reaffirmation of Sphere on October 2, 2019 (Proposed)

## Finances

This section will highlight the District's audited financial performance during the most recent fiscal years. Fiscal Year 2017-18 is the latest audited financial statement available. A comprehensive analysis of the District's financial performance during the past 5 years is shown in **Tables 86** and **87**, on pages 168 and 169.

At the end of Fiscal Year 2017-18, total revenue collected was \$958,202, representing a 11% increase from the previous year (\$861,389 in FY 16-17). Total expenses for FY 17-18 were \$1,094,840, which decreased from the previous year by approximately \$12,000 (\$1,107,277 in FY 16-17). As shown in the figure below, the District's total revenues exceeded total expenditures only twice during the last five years (refer to **Figure 61**).



### District Revenues

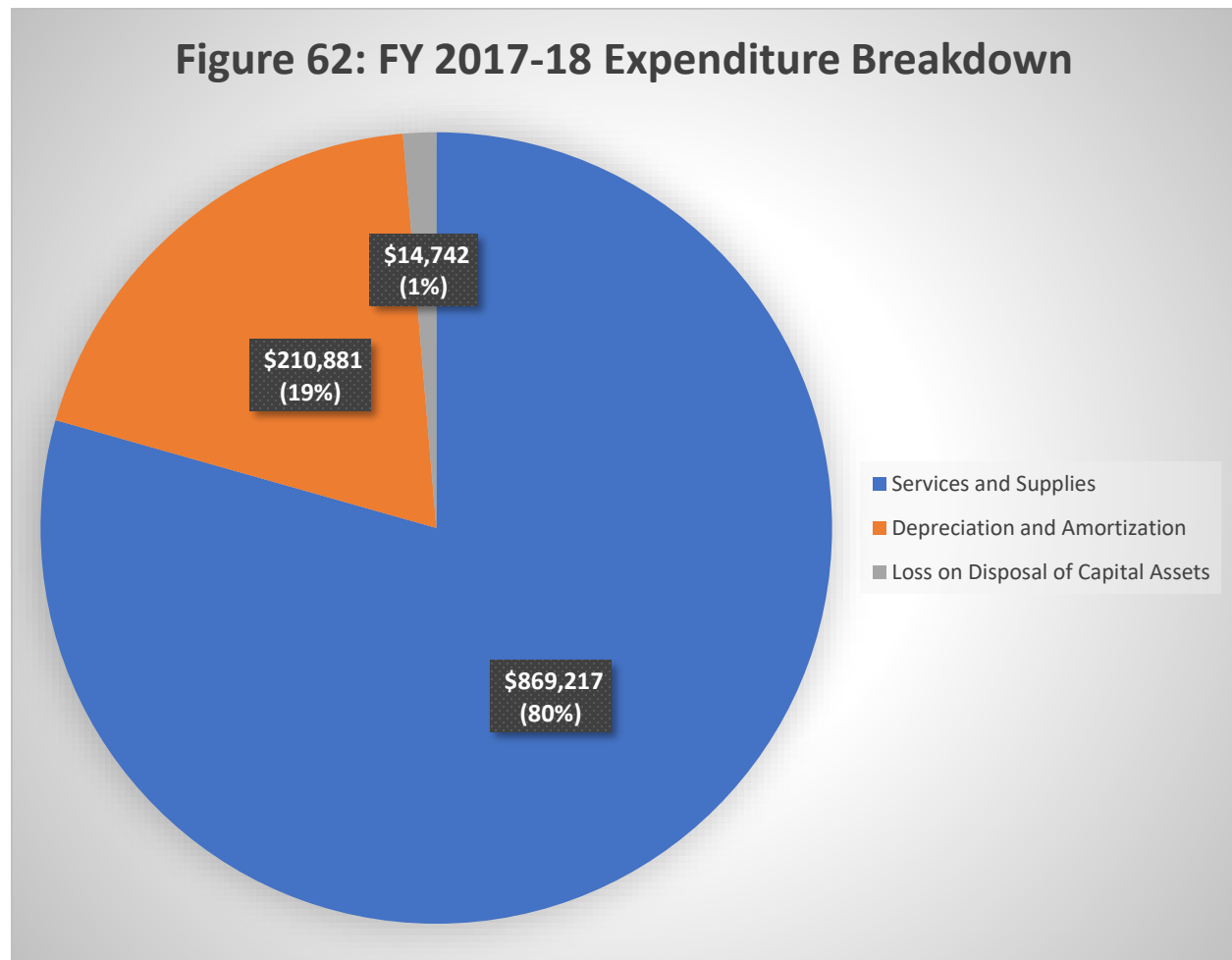
Freedom County Sanitation District's primary source of revenue is from Charges for Services. In FY 17-18, the District received revenue from two different sources: Charges for Services (\$935,805) and Interest and Investment Income (\$22,397). On average, the District receives approximately \$837,000 each year in service fees. **Table 84** highlights the total revenue received since 2013.

**Table 84: Total Revenue (FY 13-14 to FY 17-18)**

|                            | FY 13-14         | FY 14-15         | FY 15-16         | FY 16-17         | FY 17-18         | Average          |
|----------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Charges for Services       | \$765,831        | \$795,227        | \$845,074        | \$844,752        | \$935,805        | \$837,338        |
| Interest Investment Income | <u>\$14,576</u>  | <u>\$8,484</u>   | <u>\$11,920</u>  | <u>\$16,637</u>  | <u>\$22,397</u>  | <u>\$14,803</u>  |
| <b>Total Revenue</b>       | <b>\$780,407</b> | <b>\$803,711</b> | <b>\$856,994</b> | <b>\$861,389</b> | <b>\$958,202</b> | <b>\$852,141</b> |

## District Expenditures

The District's total expenditures can be categorized into 3 budgetary groups: Services & Supplies, Depreciation & Amortization, and Loss on Disposal of Capital Assets. The figure below depicts the how funding is distributed by category. The District's primary expenditure is associated with operational and management costs, under Services and Supplies.



## Assets & Liabilities

The following is an overview of the District's assets and liabilities:

- District Assets: As of June 30, 2018, the District has \$6,281,313 in total assets. Cash and Investments represent 30% of total assets.
- District Liabilities: As of June 30, 2018, the District has \$14,834 in total liabilities. Accounts Payable is currently the only liability associated with the District.

### Fund Balance/Net Position

As of June 30, 2018, the total fund balance is approximately \$6,266,479. The fund balance has only increased once in the past 5 years, as shown in the following table. A full review of the District's assets, liabilities, and net position is shown in page 169 (refer to **Table 87**).

**Table 85: Fund Balance/Net Position**

|                                   | <b>FY 13-14<br/>(Audited)</b> | <b>FY 14-15<br/>(Audited)</b> | <b>FY 15-16<br/>(Audited)</b> | <b>FY 16-17<br/>(Audited)</b> | <b>FY 17-18<br/>(Audited)</b> |
|-----------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| <b>Net Position</b>               | <b>\$6,789,023</b>            | <b>\$6,625,004</b>            | <b>\$6,649,005</b>            | <b>\$6,403,117</b>            | <b>\$6,266,479</b>            |
| Change in (\$) from previous year |                               | -\$164,019                    | \$24,001                      | -\$245,888                    | -\$136,638                    |
| Change in (%) from previous year  |                               | -2.42%                        | 0.36%                         | -3.70%                        | -2.13%                        |

**Table 86: Total Revenues & Expenditures**

|                                    | <b>FY 13-14<br/>(Audit)</b> | <b>FY 14-15<br/>(Audit)</b> | <b>FY 15-16<br/>(Audit)</b> | <b>FY 16-17<br/>(Audit)</b> | <b>FY 17-18<br/>(Audit)</b> | <b>FY 18-19<br/>(Budget)</b> | <b>FY 19-20<br/>(Budget)</b> |
|------------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|------------------------------|------------------------------|
| <b>REVENUE</b>                     |                             |                             |                             |                             |                             |                              |                              |
| Charges for Services               | \$ 765,831                  | \$ 795,227                  | \$ 845,074                  | \$ 844,752                  | \$ 935,805                  | \$ 988,221                   | \$ -                         |
| Intergovernmental                  | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ -                         | \$ -                         |
| Interest and Investment Income     | \$ 14,576                   | \$ 8,484                    | \$ 11,920                   | \$ 16,637                   | \$ 22,397                   | \$ 2,100                     | \$ -                         |
| Property Taxes                     | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ -                         | \$ -                         |
| Gain on Disposal of Capital Assets | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ -                         | \$ -                         |
| <b>Total Revenue</b>               | <b>\$ 780,407</b>           | <b>\$ 803,711</b>           | <b>\$ 856,994</b>           | <b>\$ 861,389</b>           | <b>\$ 958,202</b>           | <b>\$ 990,321</b>            | <b>\$ 10,943,461</b>         |
| <b>EXPENDITURE</b>                 |                             |                             |                             |                             |                             |                              |                              |
| Services and Supplies              | \$ 402,847                  | \$ 759,792                  | \$ 627,096                  | \$ 899,002                  | \$ 869,217                  | \$ 884,100                   | \$ -                         |
| Depreciation and Amortization      | \$ 187,442                  | \$ 207,938                  | \$ 205,897                  | \$ 208,275                  | \$ 210,881                  | \$ 231,010                   | \$ -                         |
| Operating Transfers Out            | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ 141,878                   | \$ -                         |
| Loss on Disposal of Capital Assets | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ 14,742                   | \$ -                         | \$ -                         |
| <b>Total Expenditure</b>           | <b>\$ 590,289</b>           | <b>\$ 967,730</b>           | <b>\$ 832,993</b>           | <b>\$ 1,107,277</b>         | <b>\$ 1,094,840</b>         | <b>\$ 1,256,988</b>          | <b>\$ 10,943,461</b>         |
| <b>Surplus/(Deficit)</b>           | <b>\$ 190,118</b>           | <b>\$ (164,019)</b>         | <b>\$ 24,001</b>            | <b>\$ (245,888)</b>         | <b>\$ (136,638)</b>         | <b>\$ (266,667)</b>          | <b>\$ -</b>                  |
| Net Position - Beginning           | \$ 6,598,905                | \$ 6,789,023                | \$ 6,625,004                | \$ 6,649,005                | \$ 6,403,117                | \$ 6,316,036                 | \$ 6,049,369                 |
| <b>Net Position - Ending</b>       | <b>\$ 6,789,023</b>         | <b>\$ 6,625,004</b>         | <b>\$ 6,649,005</b>         | <b>\$ 6,403,117</b>         | <b>\$ 6,266,479</b>         | <b>\$ 6,049,369</b>          | <b>\$ 6,049,369</b>          |

**Table 87: Total Assets & Liabilities**

|  | <b>FY 13-14<br/>(Audit)</b> | <b>FY 14-15<br/>(Audit)</b> | <b>FY 15-16<br/>(Audit)</b> | <b>FY 16-17<br/>(Audit)</b> | <b>FY 17-18<br/>(Audit)</b> |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| <b>ASSETS</b>                            |                             |                             |                             |                             |                             |
| <u>Current Assets</u>                    |                             |                             |                             |                             |                             |
| Cash and Investments                     | \$ 1,986,632                | \$ 1,833,738                | \$ 1,866,706                | \$ 1,868,205                | \$ 1,908,260                |
| Restricted Cash                          | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ -                        |
| Receivables                              | \$ -                        | \$ -                        | \$ 156,611                  | \$ -                        | \$ -                        |
| <u>Non-Current Assets</u>                |                             |                             |                             |                             |                             |
| Loans Receivable                         | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ -                        |
| Capital Assets:                          |                             |                             |                             |                             |                             |
| Construction in Progress                 | \$ 160,326                  | \$ 218,363                  | \$ 129,572                  | \$ -                        | \$ 60,667                   |
| Buildings and Structures                 | \$ 8,698,378                | \$ 8,750,998                | \$ 8,873,465                | \$ 9,089,310                | \$ 9,033,563                |
| Equipment                                | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ -                        |
| Accumulated Depreciation                 | \$ (3,929,191)              | \$ (4,137,129)              | \$ (4,343,026)              | \$ (4,551,301)              | \$ (4,721,177)              |
| <b>Total Assets</b>                      | <b>\$ 6,916,145</b>         | <b>\$ 6,665,970</b>         | <b>\$ 6,683,328</b>         | <b>\$ 6,406,214</b>         | <b>\$ 6,281,313</b>         |
| <b>LIABILITIES</b>                       |                             |                             |                             |                             |                             |
| <u>Current Liabilities</u>               |                             |                             |                             |                             |                             |
| Payables                                 | \$ 127,122                  | \$ 40,966                   | \$ 34,323                   | \$ 3,097                    | \$ 14,834                   |
| Current Portion of Long-term Liabilities | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ -                        |
| <u>Non-Current Liabilities</u>           |                             |                             |                             |                             |                             |
| Long-term Liabilities                    | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ -                        |
| <b>Total Liabilities</b>                 | <b>\$ 127,122</b>           | <b>\$ 40,966</b>            | <b>\$ 34,323</b>            | <b>\$ 3,097</b>             | <b>\$ 14,834</b>            |
| <b>NET POSITION</b>                      |                             |                             |                             |                             |                             |
| Net Investment in Capital Assets         | \$ 4,929,513                | \$ 4,832,231                | \$ 4,660,011                | \$ 4,538,009                | \$ 4,373,053                |
| Restricted for Debt Service              | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ -                        |
| Unrestricted                             | \$ 1,859,510                | \$ 1,792,773                | \$ 1,988,994                | \$ 1,865,108                | \$ 1,893,426                |
| <b>Total Net Position</b>                | <b>\$ 6,789,023</b>         | <b>\$ 6,625,004</b>         | <b>\$ 6,649,005</b>         | <b>\$ 6,403,117</b>         | <b>\$ 6,266,479</b>         |



## Governance

The Freedom County Sanitation District is governed by a District Board comprised of members of the Santa Cruz County Board of Supervisors. The current Board is as follows:

**Table 88: Board of Directors**

| Board Member    | Title    | Years of Service | Term of Office Expiration |
|-----------------|----------|------------------|---------------------------|
| Zach Friend     | Director | 7 years          | 1/2/2020                  |
| John Leopold    | Director | 11 years         | 1/2/2020                  |
| Ryan Coonerty   | Director | 5 years          | 1/2/2021                  |
| Greg Caput      | Director | 8 years          | 1/2/2021                  |
| Bruce McPherson | Director | 3 years          | 1/2/2020                  |

The Board of Directors meets on most Tuesdays in the Board of Supervisors' Chambers, 701 Ocean Street, Room 525. Meetings generally begin at 9:00am. Public notice is provided through posting. The District contracts for independent audits.

The County of Santa Cruz Public Works Department is responsible for the administration, engineering, maintenance, emergency response and construction of all County sanitation services. The department also manages various Board-governed special districts and CSAs. The Sanitation Operations unit is one of six organizational units within the Special Services Division of Public Works and provides operation and maintenance services to County sanitation districts and CSAs. Sanitation operations employees work in all Districts and CSAs. Each sanitation district is governed according to its specific code of regulations. The Districts' codes are very similar, and some sections are adopted by reference from the Santa Cruz County Sanitation District Code. CSAs are governed according to the Santa Cruz County Code of Regulations. Most of the County Code pertaining to sanitary sewer collection systems is adopted by reference from the SCCSD Code.

### Website Requirements

Senate Bill 929 was signed into law in September 2018 and requires all independent special districts to have and maintain a website by January 1, 2020. It outlines minimum website data requirements, including contact information, financial reports, and meeting agendas/minutes. While this new law does not apply to county service areas, the County should consider following the requirements outlined in the new law. The County's water and sewer webpage offers a number of useful resources including formation resolutions, service maps, and current sewer charges for each County-operated sewer agency: <http://dpw.co.santa-cruz.ca.us/Home/SewerWater.aspx>. However, it is difficult to locate certain information and material.

**LAFCO Staff Recommendation:** *It may be beneficial for the County to include links to staff reports or other supporting documents related to the annual sewer rates. Additionally, the webpage should include all past and future LAFCO service reviews involving the District as additional resource material.*

### Capital Improvement Plan

The Freedom County Sanitation District is part of the County's 2019/20 Capital Improvement Program. The 2019/20 Capital Improvement Program (CIP) presents a five-year financing implementation plan for capital improvements within the unincorporated County; Parks, Open Space and Cultural Services; and County Facility projects located Countywide. The CIP is an outgrowth of cooperative planning, programming and financing efforts through the County Administrative Office and by the County's land use departments including Planning, Public Works, and Parks, Open Space and Cultural Services, as well as non-land use departments including the Health Services Agency, General Services Department, Probation, and the Sheriff's Department. Unprogrammed road, roadside, sanitation, flood control, parks, and recycling and solid waste projects (which funding is not anticipated for in the coming five years, or longer, and meets requirements of unincorporated County service level needs at build-out under the 1994 General Plan) are also identified in the CIP.

The 2019/20 CIP currently identifies one project within the Freedom County Sanitation District, the ***Freedom Sewer Rehabilitation Project***. The project rehabilitates gravity sewer collection pipes that are beyond their useful life and rehabilitates sewer manholes within the project area. The project has two distinct areas: one is the neighborhood located north of the Watsonville Municipal Airport (near Buena Vista Drive and Freedom Boulevard), and the second is within a portion of Green Valley Road (GVR). Rehabilitating the sewer mains and manholes will serve to reduce infiltration and inflow, thus reducing flows and debris that could lead to sanitary sewer overflows. The amount of flow and debris discharged to the Watsonville treatment plant will likely be reduced, providing the District with lower treatment costs. All 6" mains will be increased to 8" mains, which are easier to inspect and maintain. The main in GVR will be upsized to channel current flows. The total project cost is estimated to be approximately \$8.9 million and is funded by state and federal grants and loans. The project is scheduled to be completed by December 2021.

***LAFCO Staff Recommendation:*** *The County should consider developing a specific capital improvement plan that covers the sanitation districts managed and operated by the Public Works Department – Davenport, Freedom, Santa Cruz County Sanitation Districts, and CSAs 2, 5, 7, 10, and 20.*

### Sewer System Management Plan

The State Water Resources Control Board regulates wastewater discharges to surface water (rivers, ocean, etc.) and to groundwater (via land). The State Water Board requires sanitation districts to follow the Statewide General Waste Discharge Requirements for Sanitary Sewer Systems. These requirements include the following:

- Sanitary Sewer Overflows are prohibited, and
- All Sanitary Sewer Overflow (SSOs), with the exception of Private Sewer Lateral Discharge (PLSDs), irrespective of size, must be reported to the State Water Board electronically using the California Integrated Water Quality System, and the Districts/CSAs must prepare and implement a Sewer System Management Plan.

In 2017, the County adopted a Sewer System Management Plan to cover the management, operation and maintenance, design, construction and emergency response of the Davenport Sanitation District, Freedom Sanitation District, Santa Cruz County Sanitation District and County Service Areas sanitary sewer systems.

## Opportunities & Challenges

The Freedom County Sanitation District is significantly affected by aging infrastructure, escalating operational costs, and changes to state laws and regulations that may introduce new requirements without additional funding. These issues are common with other sanitation districts in Santa Cruz County. The following section discusses these challenges and identifies possible opportunities to ensure the delivery of wastewater services in an efficient and effective manner.

### Revenue Deficiencies

Between 2013 to 2018, Freedom County Sanitation District ended three of its last five fiscal years with a deficit. During this time period, the sewer rate increased, on average, by 4% or \$16/year. As shown in the table below, LAFCO staff determined that sewer rates for the District should have been raised by 21% or \$103/year to cover total expenses. Under this scenario, the District would have had enough funds to cover total expenses each year. Additionally, if the County continues to increase sewer rates based on historical expenses rather than the Consumer Price Index going forward, the District should have enough funds to cover future expenses.

**Table 89: Review of Annual Sewer Rates (Hypothetical Scenario)**

|  | <b>FY 14-15</b>   | <b>FY 16-17</b>   | <b>FY 17-18</b>   | <b>Average</b> |
|--|-------------------|-------------------|-------------------|----------------|
| Charges for Services                     | \$795,227         | \$844,752         | \$935,805         | -              |
| Annual Deficit                           | <b>-\$164,019</b> | <b>-\$245,888</b> | <b>-\$136,638</b> | -              |
| Required Revenue to Cover Total Expenses | \$959,246         | \$1,090,640       | \$1,072,443       | -              |
| Proposed Annual Sewer Rate               | <b>\$535</b>      | <b>\$623</b>      | <b>\$604</b>      | -              |
| Annual Sewer Rates (Actual)              | \$444             | \$482             | \$527             | \$477          |
| <b>Annual Sewer Rates (Proposed)</b>     | <b>\$535</b>      | <b>\$623</b>      | <b>\$604</b>      | <b>\$587</b>   |
| <i>Proposed Increase (\$)</i>            | \$92              | \$140             | \$77              | \$103          |
| <i>Proposed Increase (%)</i>             | 21%               | 29%               | 15%               | 21%            |

It is important to reiterate that District fees are considered benefit assessments, and any rate increase (except for preapproved annual Consumer Price Index increases) must comply with Proposition 218 procedures. These procedures require that an increase is approved by at least half of the votes cast by the property owners, with the votes weighted according to the amount of the proposed assessment of each parcel. Furthermore, a public hearing must be held to consider any protests to the proposed increase.

***LAFCO Staff Recommendation:*** *The County should consider increasing future sewer rates based on historical costs and estimated projections, rather than the standard preapproved annual Consumer Price Index. This approach will ensure that Freedom County Sanitation District has enough funds to cover future expenses and potential increase its net position for imminent capital improvement needs.*

### **Regional Collaboration**

Several sanitation districts, including entities managed and operated by the County, have expressed interest in transferring sewer responsibilities to another agency due to funding issues, limited long-term planning, or lack of economies of scale. Establishment of a countywide memorandum of understanding or a joint powers authority may unify the already-established collaboration set by the sanitation providers in the county. Such agreements may also lay the foundation for future changes of organization, including but not limited to annexations, consolidations, or mergers.

### **Sphere of Influence**

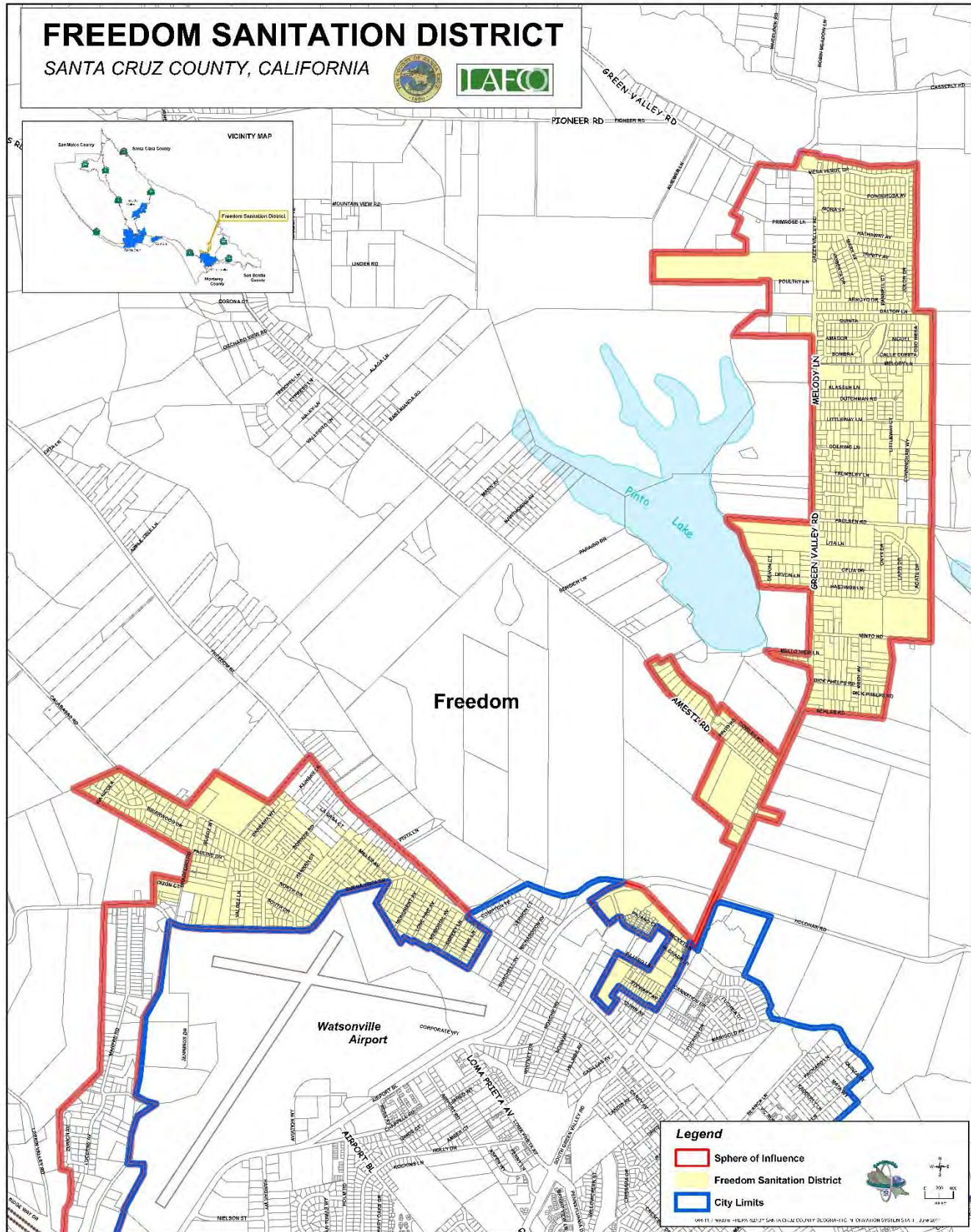
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The Freedom County Sanitation District was formed in 1958, before the establishment of LAFCOs. Santa Cruz LAFCO adopted the first sphere of influence for the District in 1975, and performed a major review of the District's sphere boundary in 1990. Since then, the City of Watsonville has annexed over 300 acres of the District involving thousands of residents at the time of annexation. The last sphere update for the Freedom County Sanitation District was in March 2011.

LAFCO staff, along with District representatives, do not recommend any changes to the sphere of influence at this time. **Figure 63** shows the current sphere of influence boundary for the Freedom County Sanitation District.



Figure 63: Freedom County Sanitation District's Current Sphere Map



## District Summary

| Freedom County Sanitation District |  |
|------------------------------------|--|
| <b>Formation</b>                   | County Sanitation District Act (Health and Safety Code Sections 4700-4858)   |
| <b>Board of Directors</b>          | 5 members, elected at-large to four-year terms   |
| <b>Contact Person</b>              | Beatriz Barranco, Senior Engineer, Sanitation Operations   |
| <b>Employees</b>                   | 8 full-time employees (approximately)  |
| <b>Facilities</b>                  | Collection Plant; 9 pump stations; 1,859 connections   |
| <b>District Area</b>               | 704 acres (1.1 square mile)  |
| <b>Sphere of Influence</b>         | Larger than District (i.e. sphere goes beyond existing jurisdictional boundary)  |
| <b>FY 2019-20 Budget</b>           | <p>Total Revenue = \$10,943</p> <p>Total Expenditure = \$10,943,461</p> <p>Projected Net Position (Beginning Balance) = \$6,049,369</p>  |
| <b>Contact Information</b>         | <p>Mailing Address: 701 Ocean Street, Santa Cruz CA 95060</p> <p>Phone Number: (831) 477-3907</p> <p>Email Address: <a href="mailto:Beatriz.Barranco@santacruzcounty.us">Beatriz.Barranco@santacruzcounty.us</a></p> <p>Website: <a href="http://dpw.co.santa-cruz.ca.us/Home/SewerWater.aspx">http://dpw.co.santa-cruz.ca.us/Home/SewerWater.aspx</a></p> |
| <b>Public Meetings</b>             | The Board regularly meets on most Tuesdays in the Board of Supervisors' Chambers, 701 Ocean St, Rm. 525. Meetings generally begin at 9:00 am.  |
| <b>Mission Statement</b>           | The District does not have a published mission statement. However, their mission aligns with the published mission statement for the Santa Cruz County Sanitation District.  |



## **Service and Sphere Review Determinations**

The following service and sphere review determinations fulfill the requirements outlined in the Cortese-Knox-Hertzberg Act. The County was instrumental in addressing the determinations by responding to a survey sent by LAFCO in June 2019. **Appendix H** provides a copy of the District's survey response.

### **Service Provision Determinations**

Government Code Section 56430 requires LAFCO to conduct a municipal service review before, or in conjunction with, an action to establish or update a sphere of influence. Written statements of determination must be prepared with respect to each of the following:

**1. Growth and population projections for the affected area.**

The Freedom area is substantially built-out. There are no growth projections available for the District. In general, the Santa Cruz County unincorporated area is projected to have slow growth over the next fifteen years. The Public Works Department has indicated that the estimated population within the total area was approximately 4,100. Based on the growth rate of approximately 1% for the unincorporated areas in the County, LAFCO staff projects that the District's entire population in 2020 will be around 4,200.

**2. The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence.**

Based on the criteria set forth by SB 244, staff's initial analysis located one DUC within the Freedom County Sanitation District's service and sphere boundaries (Area #1). This area is located near Airport Boulevard and is built-out with single-family homes. While Area #1 is located within Freedom County Sanitation District's service and sphere boundaries, it is an unincorporated community immediately outside Watsonville's city limits. LAFCO staff should evaluate Area #1 in more detail if a proposed reorganization or future boundary adjustment is considered within or adjacent to this DUC.

**3. 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.**

Based on the criteria set forth by SB 244, staff's analysis located one DUC within the Freedom County Sanitation District's service and sphere boundaries. The DUC, located near Airport Boulevard, is built-out with single-family homes. LAFCO staff should evaluate this DUC in more detail if a proposed reorganization or future boundary adjustment is considered within or adjacent to this disadvantaged community.

**4. Financial ability of agencies to provide services.**

The Freedom County Sanitation District has recently experienced annual deficits. Audited financial statements from Fiscal Years 2013 to 2018 indicate that the District has experienced a fiscal shortage in three separate years (FYs 14-15, 16-17, and 17-18). As of June 30, 2018, the District is operating with a net position of approximately \$6.2 million, of which \$2 million is in cash and investments.

**5. Status of, and opportunities for, shared facilities.**

Several sanitation districts, including entities managed and operated by the County, have expressed interest in transferring sewer responsibilities to another agency due to funding issues, limited long-term planning, or lack of economies of scale. Establishment of a countywide memorandum of understanding or a joint powers authority may unify the already-established collaboration set by the sanitation providers in the county. Such agreements may also lay the foundation for future changes of organization, including but not limited to annexations, consolidations, or mergers.

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

The Freedom County Sanitation District provides wastewater collection service for the Buena Vista/Calabasas area of Freedom and the Green Valley Road corridor outside the Watsonville city limits. The District also serves three connections outside its boundaries, including one duplex, one single family dwelling, and the Pinto Lake County Park ranger's residence. The District currently has over 1,800 connections and serves approximately 4,000 residents.

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

No additional local LAFCO policies are specifically relevant to this service and sphere review.

## **Sphere of Influence Determinations**

Government Code Section 56425 requires LAFCO to periodically review and update spheres of influence in concert with conducting municipal service reviews. Spheres are used as regional planning tools to discourage urban sprawl and encourage orderly growth. Written statements of determination must be prepared with respect to each of the following:

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

There are no agricultural or open-space lands within the service area.

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

The Freedom County Sanitation District provides wastewater collection service for the Buena Vista/Calabasas area of Freedom and the Green Valley Road corridor outside the Watsonville city limits. The District also serves three connections outside its boundaries, including one duplex, one single family dwelling, and the Pinto Lake County Park ranger's residence. The District currently has over 1,800 connections and serves approximately 4,000 residents.

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

The Freedom County Sanitation District was formed in 1958, before the establishment of LAFCOs. Santa Cruz LAFCO adopted the first sphere of influence for the District in 1975, and performed a major review of the District's sphere boundary in 1990. Since then, the City of Watsonville has annexed over 300 acres of the District involving thousands of residents at the time of annexation. The last sphere update for the Freedom County Sanitation District was in March 2011. LAFCO staff, along with District representatives, do not recommend any changes to the sphere of influence at this time.

**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.**

LAFCO staff is not aware of any social or economic communities of interest in the area. The District's service area is primarily residential units.

**5. For an update of a 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, that occurs pursuant to subdivision (g) on or after July 1, 2012, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.**

Based on the criteria set forth by SB 244, staff's analysis located one DUC within the Freedom County Sanitation District's service and sphere boundaries. The DUC, located near Airport Boulevard, is built-out with single-family homes. LAFCO staff should evaluate this DUC in more detail if a proposed reorganization or future boundary adjustment is considered within or adjacent to this disadvantaged community.

# SALSIPUEDES SANITARY DISTRICT

## District Overview

The Salsipuedes Sanitary District provides wastewater collection services to the unincorporated area northeast of Watsonville since 1965. The service area of the District encompasses about 800 acres. Today, the District provides services to residential properties, as well as Lakeview Middle School, St. Francis High School, Our Lady Help of Christians Catholic Church, the Santa Cruz County Fairgrounds, and several commercial businesses.

The main streets in Salsipuedes Sanitary District's jurisdictional boundary include East Lake Avenue (Highway 152) and College Road. The District has 512 connections, and rents an office at 739 East Lake Avenue in Watsonville. The District has a five-person board of directors and employs a part-time Secretary-Manager. The District has a contract with the City of Watsonville to treat, recycle, and/or dispose sewage at the City's plant on Beach Road. **Figure 68**, on page 186, is a vicinity map of the service area.

## District History

Salsipuedes Sanitary District was formed in 1965 following an election. Prior to the formation of the Salsipuedes Sanitary District, the Interlocken County Sanitary District provided limited sanitary sewer service to the unincorporated area in southern Santa Cruz County, northeast of the City of Watsonville. Upon formation, the District boundary extended from the Watsonville city limits at Hushbeck Avenue to the north end of Cutter Drive. The District has experienced a series of boundary changes of which the principal annexations were along East Lake Avenue (Highway 152) to include what is now Lakeview Middle School, Our Lady Help of Christians Catholic Church, St. Francis High School, two cemeteries, and the Santa Cruz County Fairgrounds.

Detachments involving the District have also occurred as land was annexed to the City of Watsonville, which took over the sanitary sewer service responsibilities. A significant detachment occurred in 1987, in which LAFCO conditioned the Fairgrounds Reorganization to detach 200 acres of commercial agricultural land. This land was previous annexed into the District in the 1960s but was unlikely to need sewer service due to the agricultural land preservation policies enacted by the County in the 1970s and 1980s.

## Population & Growth

There are no growth projections available for the Salsipuedes Sanitary District. In general, the Santa Cruz County unincorporated area is projected to have slow growth over the next fifteen years. Staff estimates that the population in the District is approximately 2,135. Based on the growth rate of approximately 1% for the unincorporated areas in the County, LAFCO staff projects that the District's population in 2020 will be around 2,153. In the daytime, the population in the District increases from attendance at the schools, churches, and fairgrounds.

The projected population for the Salsipuedes Sanitary District is as follows:

**Table 90: Projected Population**

|                                      | 2020         | 2025         | 2030         | 2035         | Growth Rate |
|--------------------------------------|--------------|--------------|--------------|--------------|-------------|
| Santa Cruz County (unincorporated)   | 136,891      | 137,896      | 139,105      | 140,356      | 1%          |
| <b>Salsipuedes Sanitary District</b> | <b>2,153</b> | <b>2,171</b> | <b>2,189</b> | <b>2,207</b> | <b>1%</b>   |

*Source: AMBAG 2018 Regional Growth Forecast*

In recent years, the Salsipuedes Sanitary District has grown slowly with 3 new connections occurring in over a decade. A similar slow rate of new connections can be projected for the next ten years, unless the St. Francis Subdivision (Delaney and Massei Streets) passes an assessment to pay for a collection system and main extension along East Lake Avenue to the current Salsipuedes main pipeline at the entrance to the Fairgrounds. The subdivision property owners considered an assessment district in 1999-2005, however, no action was taken.

The County General Plan applies in this area. The County General Plan anticipates only a small amount of additional growth within the District. The County General Plan designates some of the larger parcels in the southern portion of the District for agricultural uses. The agricultural parcels along Condit Lane were included within the District's sphere of influence because the residences and businesses there already had sanitary sewer service connections from the Salsipuedes Sanitary District prior to LAFCO adopting the District's first sphere of influence in 1987.

#### St. Francis Subdivision

The 24-acre St. Francis Subdivision contains 37 lots. 33 lots are developed with houses using septic systems, one is developed with a small business using a septic system, and four are vacant. The soil conditions allow only slow percolation. Septic failures are common, and the repairs require expensive engineered systems. In 1999, the St. Francis Subdivision was outside the boundary of the Salsipuedes Sanitary District, and inside the District's Sphere of Influence adopted by LAFCO. LAFCO authorized the St. Francis Subdivision Annexation (Delaney Ave., Massei Ave., and a few adjacent small parcels). There were no sewer mains to collect sewage in the subdivision, and the closest Salsipuedes Sanitary District main was located at the main entrance to the Fairgrounds on East Lake Avenue. A condition of the authorization was that the property owners in the annexation area needed to approve an assessment district to pay for the collection system and main extension.

The engineering plans for the proposed assessment district provided for the installation of 5,750 feet of sewer mains. In 1999, the estimated cost was \$744,347, or over \$20,000 per parcel. The consensus of the property owners in the subdivision was that the assessment would not pass at an election unless a state or federal grant could be obtained to partially offset the cost of the project and to lower the assessment amount per parcel. After more than five years of being unsuccessful in securing a grant, the St. Francis assessment district and annexation were abandoned in 2005. LAFCO never recorded the annexation. The subdivision remains within the District's sphere of influence. This is the biggest known sewer related capital need in the areas adjacent to the District.

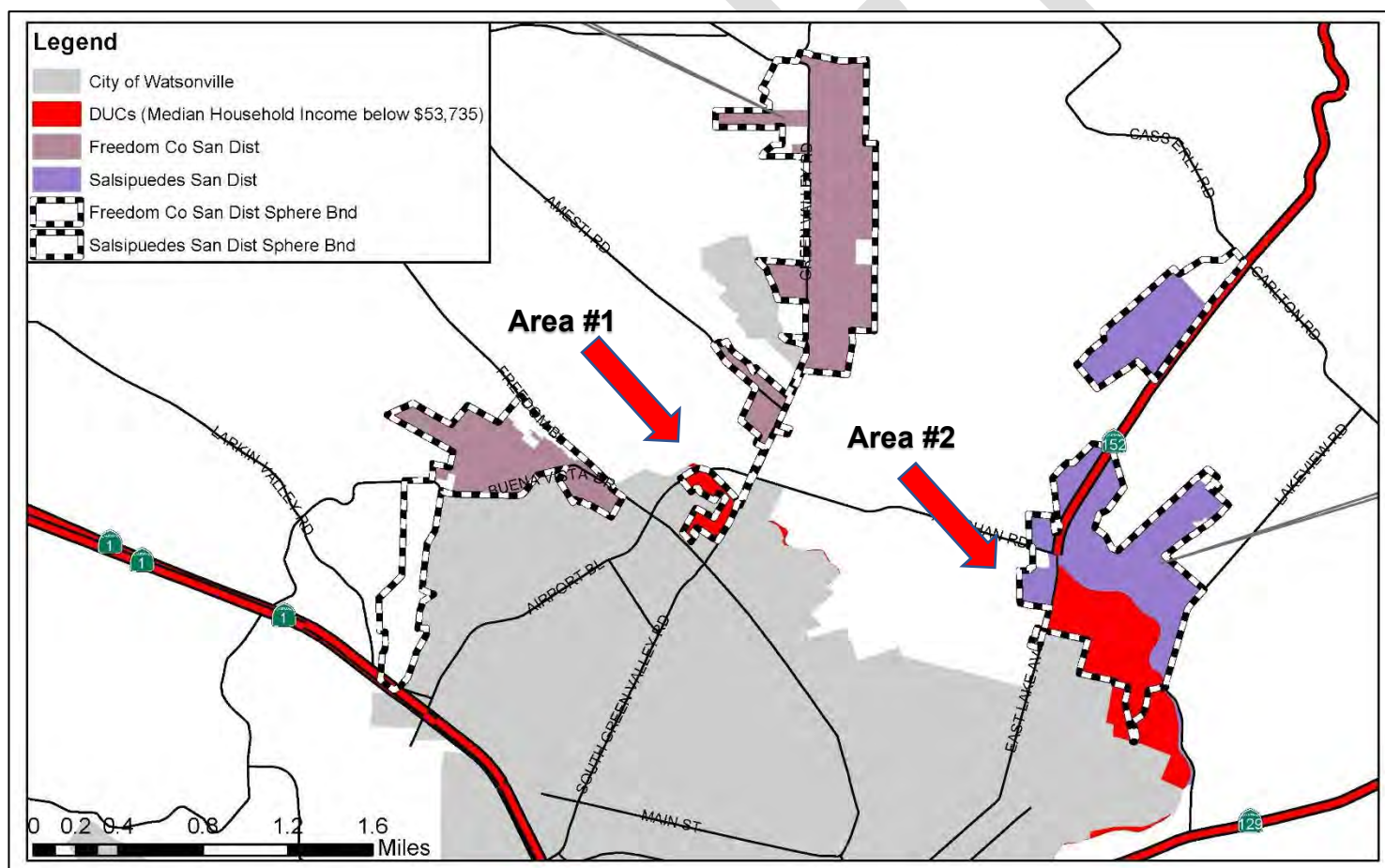
The District was willing to accept and serve the subdivision in 1999, but only if the affected property owners paid for the system improvements.

#### Disadvantaged Unincorporated Communities

State law requires LAFCO to identify and describe all “disadvantaged unincorporated communities” (DUC) located within or contiguous to the existing spheres of influence of cities and special districts that provide fire protection, sewer, and/or water services. DUCs are defined as inhabited unincorporated areas with an annual median household income that is 80% or less than the statewide annual median household income.

LAFCO staff utilized the ArcGIS mapping program to locate potential DUCs in the County. Based on the criteria set forth by SB 244, staff’s initial analysis located one DUC outside Salsipuedes Sanitary District’s service and sphere boundaries (Area #2). This area is located south of Holohan Road, it is currently uninhabited, and it is designated as Commercial Agriculture<sup>14</sup> in the County’s General Plan. Since Area #2 is undeveloped and uninhabited, the Commission should not consider this area as a DUC in future boundary changes.

**Figure 64: Areas #1 and #2 (near Freedom Co and Salsipuedes Sanitary Districts)**



<sup>14</sup> Commercial agriculture, farm buildings, livestock raising, greenhouses, farm worker camps. One single-family dwelling.



## Services & Operations

Salsipuedes Sanitary District provides wastewater collection services for 512 connections within an unincorporated area northeast of Watsonville. Treatment of collected wastewater is provided by the Watsonville Wastewater Treatment Plant. The District has two lift stations and seven miles of sewer pipeline. The only reported sewer spill in the last ten years occurred in May 2014 when forty gallons spilled in the Beverly Drive neighborhood. To avoid a repeat spill, the district added that sewer segment to its preventive maintenance program. The District utilizes a private contractor, Green Line, to perform the maintenance on the mains and pump stations.

**Table 91: Current Infrastructure**

|                               | Type of System | Treatment Level | No. of Connections | No. of Lift Stations | Miles of Sewer Line |
|-------------------------------|----------------|-----------------|--------------------|----------------------|---------------------|
| Salsipuedes Sanitary District | Collection     | N/A             | 512                | 2                    | 7.0                 |

In 2009, in cooperation with the Pajaro Valley Water Management Agency, the City of Watsonville began treating part of its effluent flow to an advanced tertiary level, and providing it to the Pajaro Valley Water Management Agency to mix with inland well water and distribute through its Coastal Distribution System to irrigate farms in the coastal area of the Pajaro Valley. This recycled water use is a major component in reducing saltwater intrusion into the groundwater aquifers. The tertiary plant has a capacity of 7.7 million gallons per day. On October 1, 2015, the Pajaro Valley Water Management Agency broke ground on a 1.5-million-gallon storage tank that will increase tertiary water deliveries during the peak irrigation periods.<sup>9</sup>

### Contractual Agreement with the City of Watsonville

The District has acquired certain capacity rights in the City of Watsonville's Wastewater Treatment Facilities under an agreement dated March 28, 1985. The agreement provides for the apportionment of the costs of construction, reconstruction, enlargement, maintenance and operation of the existing and proposed facilities for the treatment and disposal of all sanitary sewage and industrial waste.

Under the agreement, the District does not obtain any ownership rights or other property rights, other than capacity rights. Capacity rights are for the right to discharge to the City of Watsonville's collection system and treatment plant up to a maximum of 0.281 million-gallon-per-day (mgd) of wastewater flow, 440 pounds a day biochemical oxygen demand, and 514 pounds a day suspended solids reflecting 1.7%, 0.71% and 1.00%, respectively of the treatment plant's capacity.

Charges under the contract include operations and maintenance (based on the total flow from the District divided by the total flow to the treatment plant) and city collection system capital improvements (based on the District's rights to use in the improved facility). Charges under the contract totaled \$114,953 for FY 2017-18. The following table depicts the City's contractual charges for the District's share of the treatment plant's operating and maintenance expenses during the last 5 years.

**Table 92: Charges under the contract with the City of Watsonville**

|                     | <b>FY 13-14<br/>(audit)</b> | <b>FY 14-15<br/>(audit)</b> | <b>FY 15-16<br/>(audit)</b> | <b>FY 16-17<br/>(audit)</b> | <b>FY 17-18<br/>(audit)</b> |
|---------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Contractual Charges | \$83,381                    | \$83,147                    | \$95,330                    | \$155,783                   | \$114,953                   |
| Change (\$)         |                             | -\$234                      | +\$12,183                   | +\$60,453                   | -\$40,830                   |
| Change (%)          |                             | -0.28%                      | +14.65%                     | +63.41%                     | -26.21%                     |

**Sewer Rates**

At present, the District's annual sewer rates derive from five primary areas: Single Family Dwelling, Condominiums, Commercial, the Lakeview Middle School, and the Fairgrounds. Each area has its own sewer rate. The following tables (**Tables 93 to 98**) show the gradual increase in annual rates during the last seven years.

**Table 93: Annual Sewer Rates**

|                    | <b>FY 13-14</b> | <b>FY 14-15</b> | <b>FY 15-16</b> | <b>FY 16-17</b> | <b>FY 17-18</b> | <b>FY 18-19</b> | <b>FY 19-20</b> |
|--------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>Residential</b> | \$605.52        | \$523.64        | \$642.36        | \$674.52        | \$674.52        | \$694.80        | \$715.68        |
| <b>Condos</b>      | \$454.20        | \$467.76        | \$481.80        | \$505.92        | \$505.92        | \$521.16        | \$536.76        |
| <b>Commercial</b>  | \$94.80         | \$97.68         | \$103.92        | \$111.48        | \$117.72        | \$119.16        | \$122.40        |
| <b>School</b>      | \$2,154.60      | \$2,222.42      | \$2,579.72      | \$2,244.00      | \$2,770.00      | \$3,887.00      | \$3,264.00      |
| <b>Fairgrounds</b> | \$13,707.00     | \$15,542.04     | \$15,542.04     | \$16,643.04     | \$16,907.04     | \$18,069.00     | \$19,277.04     |

**Table 94: Single Family Dwelling's Annual Sewer Rates Review**

|                      | <b>FY 13-14</b> | <b>FY 14-15</b> | <b>FY 15-16</b> | <b>FY 16-17</b> | <b>FY 17-18</b> | <b>FY 18-19</b> | <b>FY 19-20</b> | <b>Average<br/>Change</b> |
|----------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|---------------------------|
| <b>Single-Family</b> | <b>\$605.52</b> | <b>\$523.64</b> | <b>\$642.36</b> | <b>\$674.52</b> | <b>\$674.52</b> | <b>\$694.80</b> | <b>\$715.68</b> |                           |
| <i>Change (\$)</i>   |                 | \$18.12         | \$18.72         | \$32.16         | \$0.00          | \$20.28         | \$20.88         | \$18.36                   |
| <i>Change (%)</i>    |                 | 3%              | 3%              | 5%              | 0%              | 3%              | 3%              | 3%                        |

**Table 95: Condominium's Annual Sewer Rates Review**

|                     | <b>FY 13-14</b> | <b>FY 14-15</b> | <b>FY 15-16</b> | <b>FY 16-17</b> | <b>FY 17-18</b> | <b>FY 18-19</b> | <b>FY 19-20</b> | <b>Average<br/>Change</b> |
|---------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|---------------------------|
| <b>Multi-Family</b> | <b>\$454.20</b> | <b>\$467.76</b> | <b>\$481.80</b> | <b>\$505.92</b> | <b>\$505.92</b> | <b>\$521.16</b> | <b>\$536.76</b> |                           |
| <i>Change (\$)</i>  |                 | \$13.56         | \$14.04         | \$24.12         | \$0.00          | \$15.24         | \$15.60         | \$13.76                   |
| <i>Change (%)</i>   |                 | 3%              | 3%              | 5%              | 0%              | 3%              | 3%              | 3%                        |

**Table 96: Commercial's Annual Sewer Rates Review**

|                    | FY 13-14       | FY 14-15       | FY 15-16        | FY 16-17        | FY 17-18        | FY 18-19        | FY 19-20        | Average Change |
|--------------------|----------------|----------------|-----------------|-----------------|-----------------|-----------------|-----------------|----------------|
| <b>Commercial</b>  | <b>\$94.80</b> | <b>\$97.68</b> | <b>\$103.92</b> | <b>\$111.48</b> | <b>\$117.72</b> | <b>\$119.16</b> | <b>\$122.40</b> |                |
| <i>Change (\$)</i> |                | \$2.88         | \$6.24          | \$7.56          | \$6.24          | \$1.44          | \$3.24          | \$4.60         |
| <i>Change (%)</i>  |                | 3%             | 6%              | 7%              | 6%              | 1%              | 3%              | 4%             |

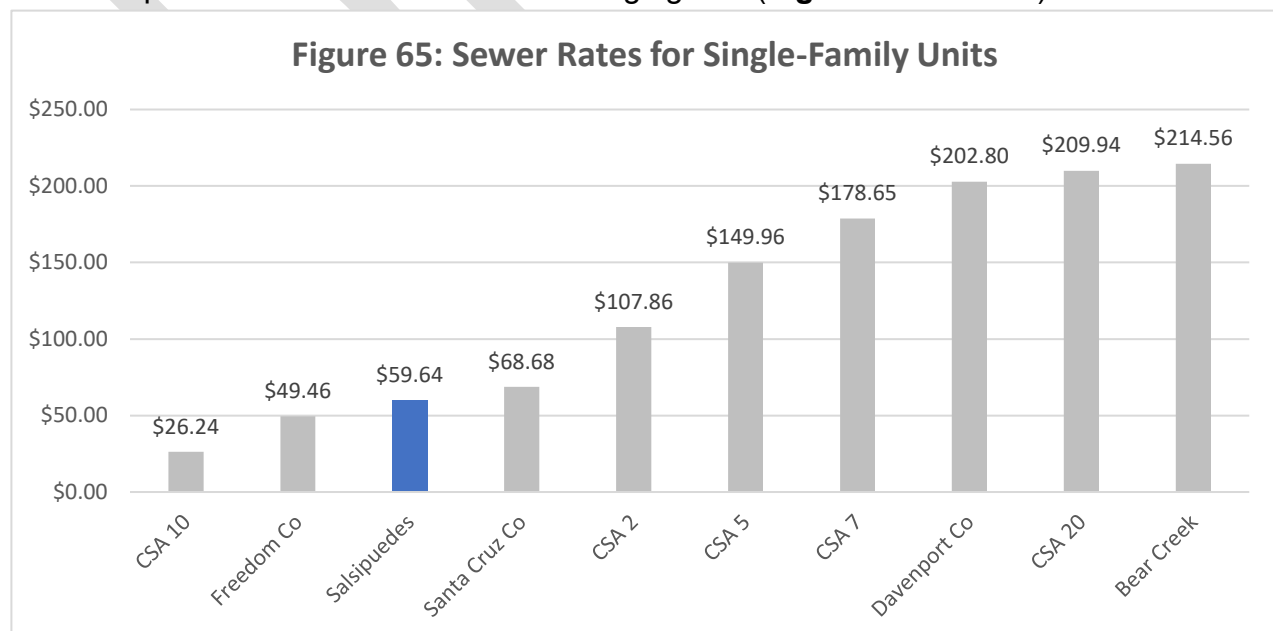
**Table 97: School's Annual Sewer Rates Review**

|                    | FY 13-14          | FY 14-15          | FY 15-16          | FY 16-17          | FY 17-18          | FY 18-19          | FY 19-20          | Average Change |
|--------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|----------------|
| <b>School</b>      | <b>\$2,154.60</b> | <b>\$2,222.42</b> | <b>\$2,579.72</b> | <b>\$2,244.00</b> | <b>\$2,770.00</b> | <b>\$3,887.00</b> | <b>\$3,264.00</b> |                |
| <i>Change (\$)</i> |                   | \$67.82           | \$357.30          | -\$335.72         | \$526.00          | \$1,117.00        | \$623.00          | \$184.90       |
| <i>Change (%)</i>  |                   | 3%                | 16%               | -13%              | 23%               | 40%               | -16%              | 9%             |

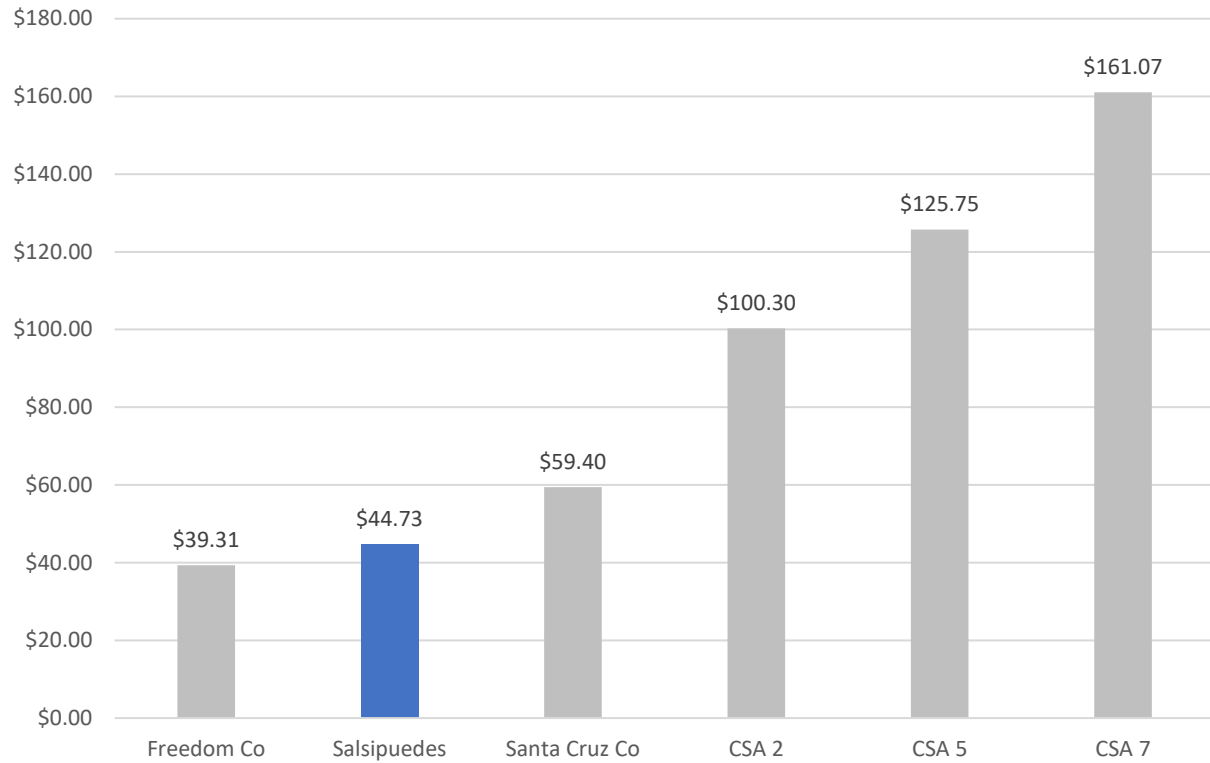
**Table 98: Fairground's Annual Sewer Rates Review**

|                    | FY 13-14        | FY 14-15        | FY 15-16        | FY 16-17        | FY 17-18        | FY 18-19        | FY 19-20        | Average Change |
|--------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|----------------|
| <b>Fairgrounds</b> | <b>\$13,707</b> | <b>\$15,542</b> | <b>\$15,542</b> | <b>\$16,643</b> | <b>\$16,907</b> | <b>\$18,069</b> | <b>\$19,277</b> |                |
| <i>Change (\$)</i> |                 | \$1,835         | \$0             | \$1,101         | \$264           | \$1,162         | \$1,208         | \$928.34       |
| <i>Change (%)</i>  |                 | 13%             | 0%              | 7%              | 2%              | 7%              | 7%              | 6%             |

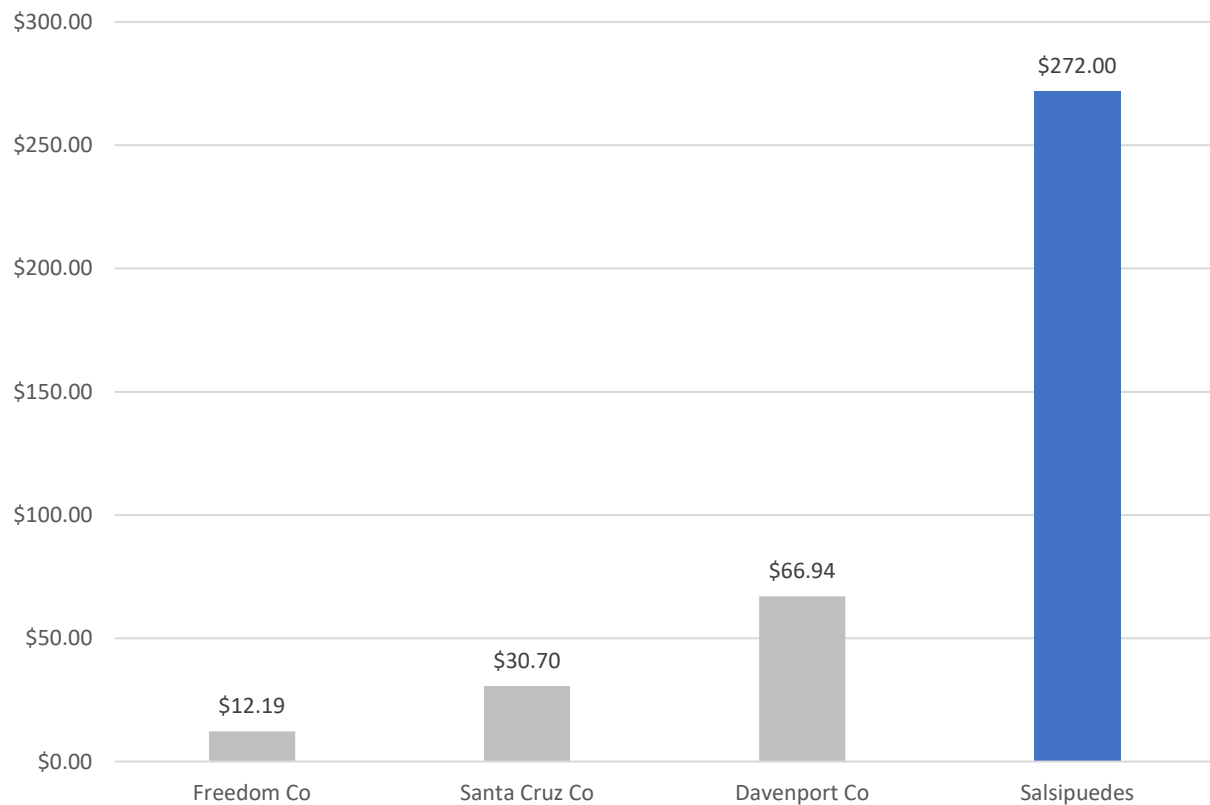
When comparing the sewer rates with the other sanitation districts analyzed in this report, Salsipuedes Sanitary District is ranked the third lowest in charges towards single family units (\$59.64/month), ranked second lowest in charges towards multi-family units (\$44.73/month), and rank highest in charges towards school units (\$272/month). Sewer rate comparisons are shown in the following figures (**Figures 65 and 67**).



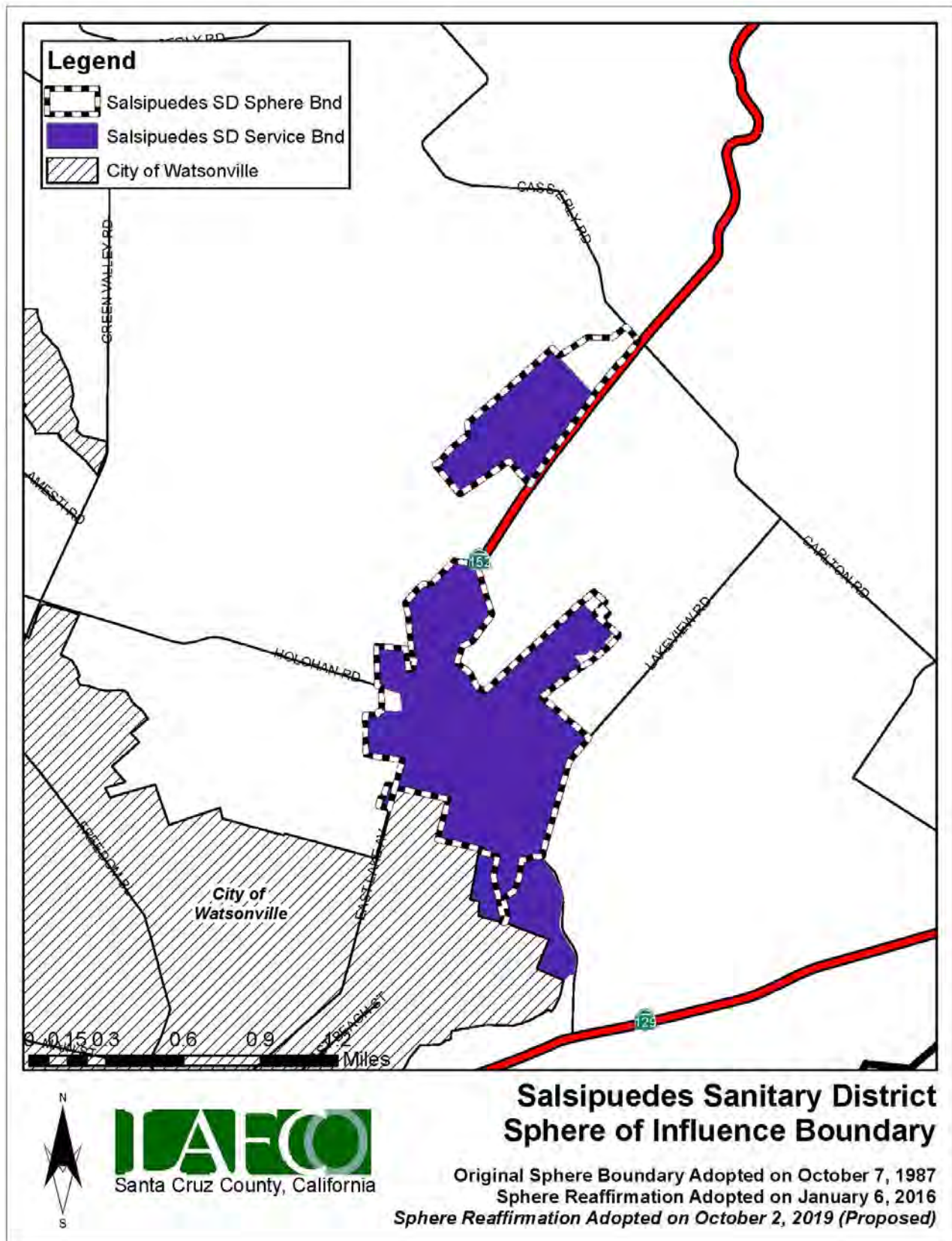
**Figure 66: Sewer Rates for Multi-Family Units**



**Figure 67: Sewer Rates for School Sites**



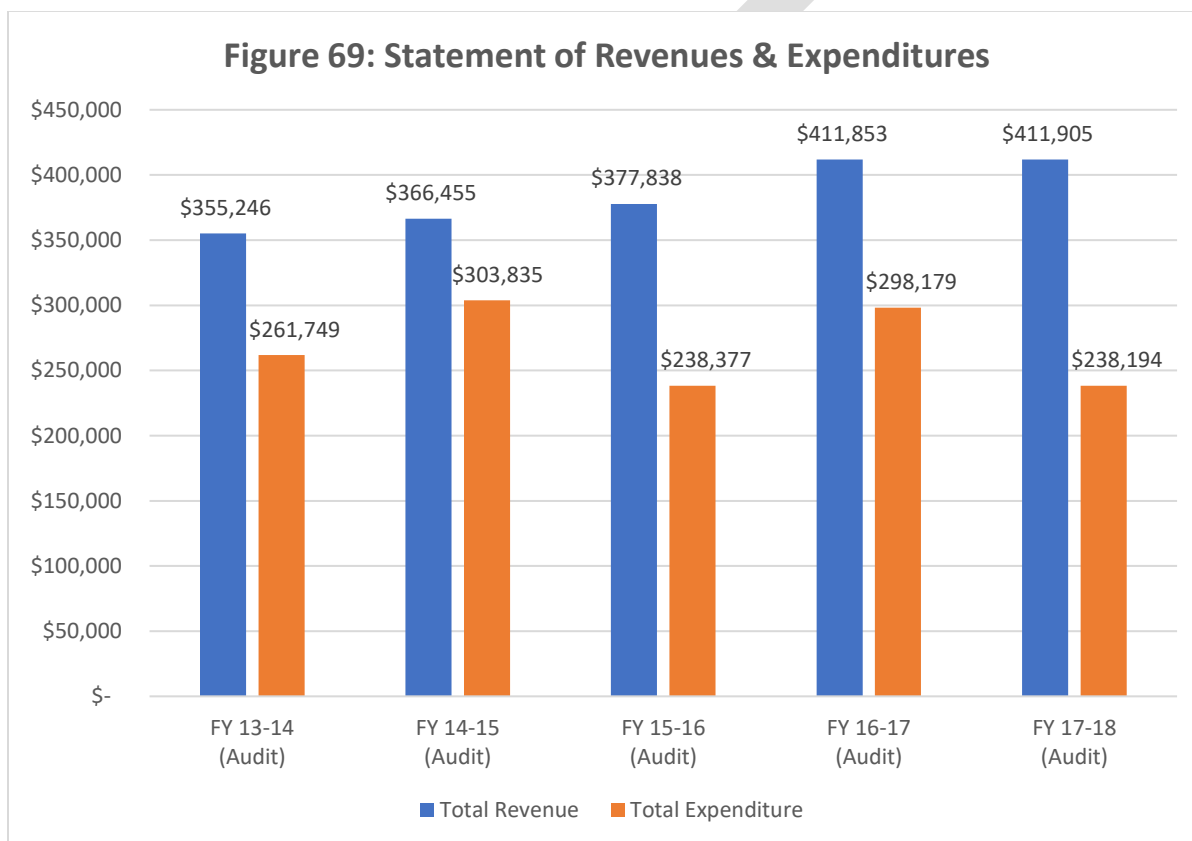
**Figure 68: Salsipuedes Sanitary District's Vicinity Map**



## Finances

This section will highlight the District's audited financial performance during the most recent fiscal years. Fiscal Year 2017-18 is the latest audited financial statement available. A comprehensive analysis of the District's financial performance during the past 5 years is shown in **Tables 102** and **103**, on pages 192 and 193.

At the end of Fiscal Year 2017-18, total revenue collected was \$411,905, representing a slight increase from the previous year (\$411,853 in FY 16-17). Total expenses for FY 17-18 were \$238,194, which decreased from the previous year by approximately \$60,000 (\$298,179 in FY 16-17). As shown in the table below, the District's total revenues have exceeded total expenditures each year, resulting in a positive increase to the net position ranging from \$93,000 to \$174,000 (refer to **Figure 69**).



### District Revenues

#### Operating Revenue

Salsipuedes Sanitary District's primary source of revenue is from Sewer Service Charges. In FY 17-18, Sewer Service Charges totaled approximately \$358,000. Overall, operating revenue represents 87% of the District's entire revenue stream. **Table 99** highlights the operating revenue funds for FY 17-18.

#### Non-Operating Revenue

In FY 17-18, the District collected approximately \$54,000 in non-operating revenue. Property taxes (\$20,535) and Sewer Inspection and Fees (\$19,383) are the largest contributors to the non-operating revenue stream. Overall, non-operating revenue represents 13% of the District's entire revenue stream. **Table 99** highlights the non-operating revenue funds for FY 17-18.



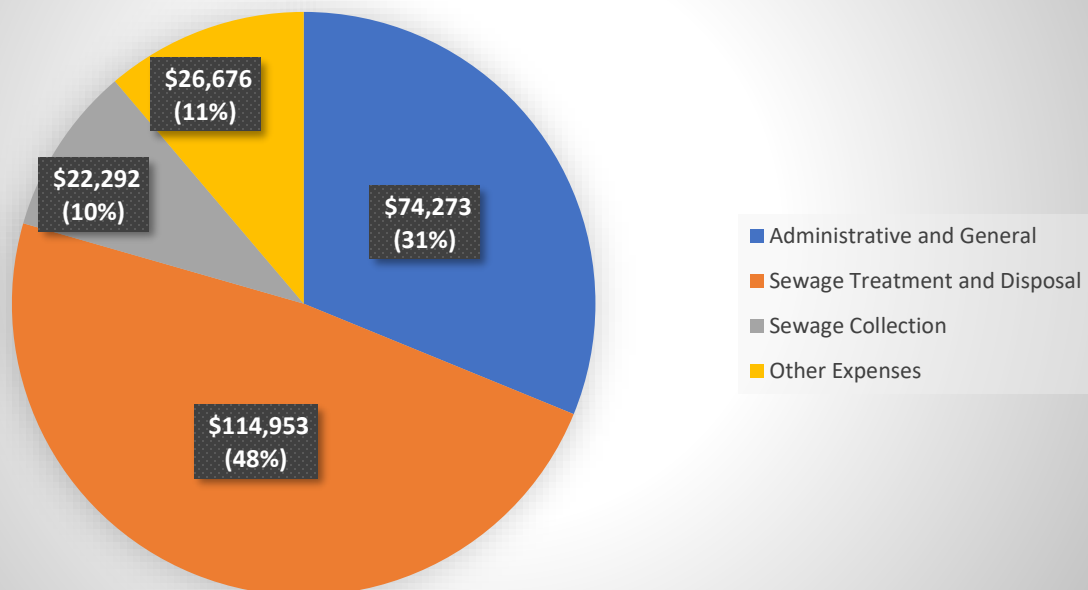
**Table 99: Fiscal Year 2017-18 Revenue Breakdown**

| <b>Operating Revenues:</b>       | <b>(\$)</b>      | <b>(%)</b>    |
|----------------------------------|------------------|---------------|
| Sewer Service Charges            | \$357,786        | 86.86%        |
| Miscellaneous Revenue            | -                | 0.00%         |
| Sub-total: Operating Revenue     | \$357,786        | 86.86%        |
| <b>Non-Operating Revenues:</b>   |                  |               |
| Interest Income                  | \$15,076         | 3.66%         |
| Taxes – Property                 | \$20,535         | 4.99%         |
| Homeowners Property Tax Relief   | \$125            | 0.03%         |
| Connection Fees                  | -                | 0.00%         |
| Sewer Inspection and Fees        | <u>\$18,383</u>  | <u>4.46%</u>  |
| Sub-total: Non-Operating Revenue | \$54,119         | 13.14%        |
| <b>Total Revenue</b>             | <b>\$411,905</b> | <b>100.0%</b> |

### District Expenditures

Salsipuedes Sanitary District's total expenditures can be categorized into 4 budgetary groups: Administrative and General, Sewerage Treatment & Disposal, Sewage Collection, and Other Expenses. The table below depicts the how funding is distributed by category. The following pages provide a summary for each budgetary group.

**Figure 70: FY 2017-18  
Expenditure Breakdown**



### Administrative and General

In FY 2017-18, Administrative and General expenses accounted for 31% or \$74,273 of the District's total expenditures (\$238,194). **Table 100** highlights each budgetary line item associated with this category.

**Table 100: Administrative and General Expenses (audited data)**

| <b>Administrative and General Expenses:</b>  | <b>(\$)</b>     | <b>(%)</b>   |
|--|-----------------|--------------|
| Salaries                                     | \$34,890        | 32.32%       |
| Payroll Taxes                                | \$3,268         | 0.00%        |
| Workers' Compensation                        | \$2,294         | 2.75%        |
| Attorney Fees                                | -               | 3.44%        |
| Accounting and Auditing Fees                 | \$1,529         | 7.75%        |
| Custodial Services                           | -               | 0.05%        |
| Director's Fees                              | \$6,400         | 5.68%        |
| Professional and Special Services            | -               | 1.03%        |
| Telephone                                    | \$2,812         | 1.89%        |
| Property Insurance                           | \$1,360         | 3.10%        |
| Utilities                                    | \$3,357         | 3.10%        |
| Office Expense – Supplies                    | \$3,405         | 3.44%        |
| Publication and Legal Notices                | \$983           | 0.69%        |
| Rent   | \$12,000        | 10.33%       |
| Election Expense                             | \$75            | 0.06%        |
| Travel – Mileage                             | \$1,362         | 1.64%        |
| Contingencies                                | -               | 22.24%       |
| Contribution to Other Agencies               | \$538           | 0.48%        |
| <b>Sub-total: Administrative and General</b> | <b>\$74,273</b> | <b>100.%</b> |

### Sewage Treatment and Disposal

In FY 2017-18, Sewage Treatment and Disposal expenses accounted for 48% or \$114,953 of the District's total expenditures (\$238,194). Since inception, the District has contracted with the City of Watsonville to treat the collected wastewater.

### Sewage Collection

In FY 2017-18, Sewage Collection expenses accounted for 10% or \$22,292 of the District's total expenditures (\$238,194). The District has two lift stations and seven miles of sewer pipeline.

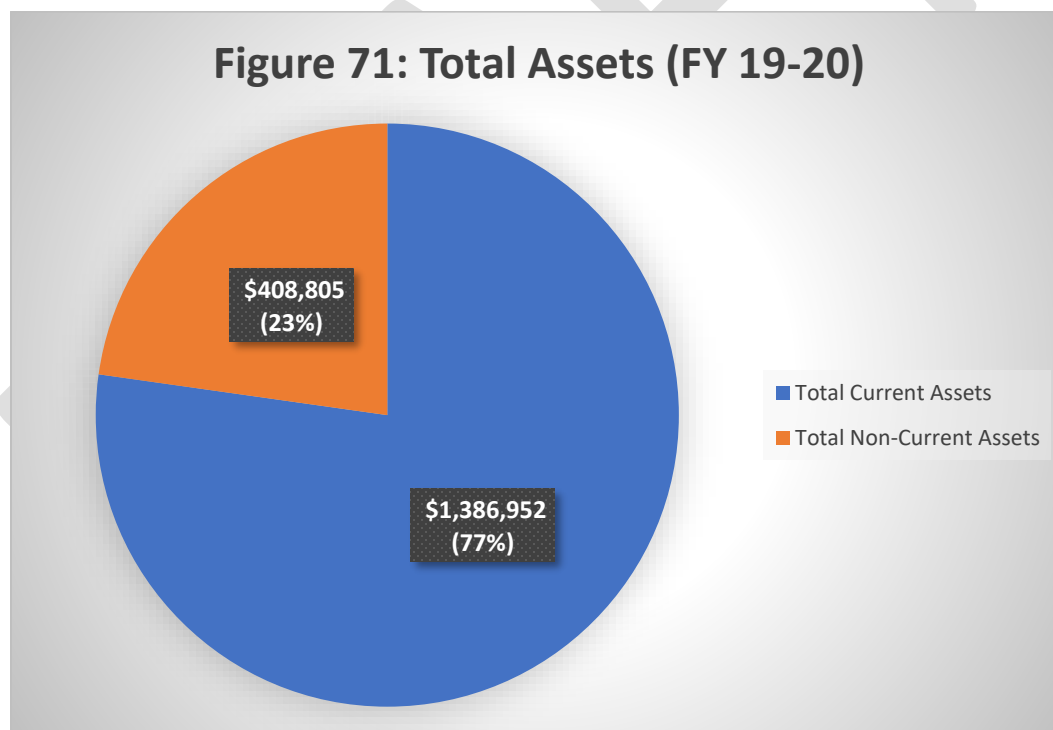
### Other Expenses

In FY 2017-18, Other Expenses accounted for 11% or \$26,676 of the District's total expenditures (\$238,194). These costs include capital improvements and depreciation. The total amount for Other Expenses has remained the same for the past five years.

## **Assets & Liabilities**

### District Assets

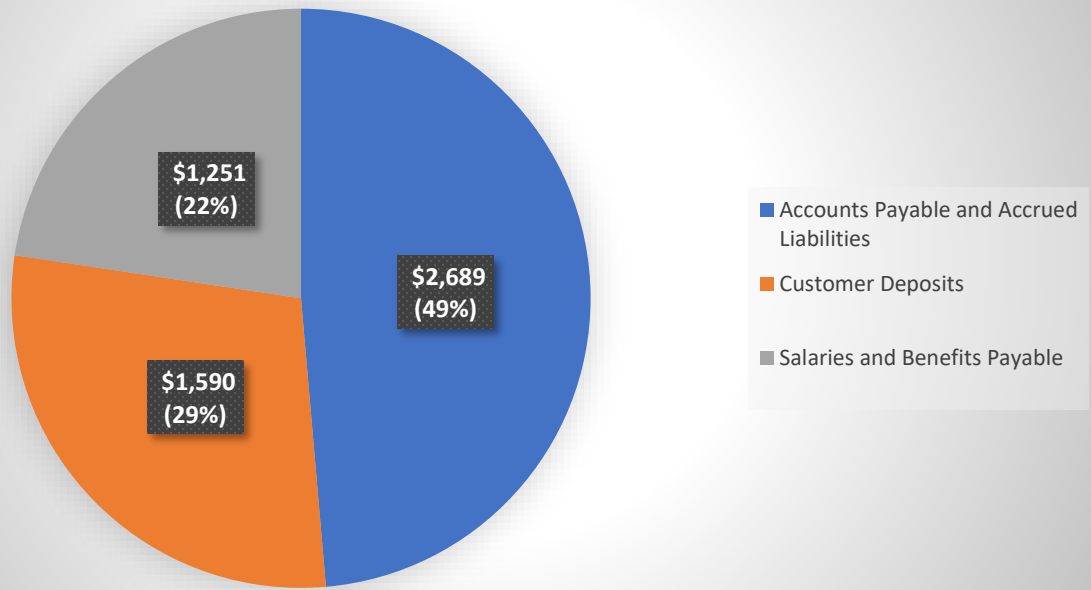
As of June 30, 2018, the District has approximately \$1.8 million in total assets. This represents an increase of about \$168,000 or 10% from FY 16-17's total assets of approximately \$1.6 million. Total assets can be categorized into two types: Current and Non-Current Assets. In FY 17-18, current assets were approximately \$1.4 million and non-current assets was about \$409,000. As shown in **Figure 71**, capital assets represent 77% of total assets.



### District Liabilities

As of June 30, 2018, the District has approximately \$5,500 in total liabilities. This represents a decrease of \$5,900 or 51% from FY 16-17's total liabilities of approximately \$11,300. Total liabilities can be categorized into three types: Accounts Payable and Accrued Liabilities, Customer Deposits, and Salaries and Benefits Payable. In FY 17-18, Accounts Payable and Accrued Liabilities was \$2,689, Customer Deposits was \$1,590, and Salaries and Benefits Payable was \$1,251. As shown in **Figure 72**, Accounts Payable and Accrued Liabilities represents 49% of total liabilities.

**Figure 72: Total Liabilities (FY 19-20)**



### Fund Balance/Net Position

As of June 30, 2018, the total fund balance is approximately \$1.8 million. The following table highlights the Fund Balance from 2013 to 2018. The District has experienced an increase in total reserves each year. On average, total reserves has increased by approximately \$122,000 or 8% since 2013.

**Table 101 – Fund Balance/Net Position**

|                                   | FY 13-14<br>(Audited) | FY 14-15<br>(Audited) | FY 15-16<br>(Audited) | FY 16-17<br>(Audited) | FY 17-18<br>(Audited) |
|-----------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>Net Position</b>               | <b>\$1,300</b>        | <b>\$1,363</b>        | <b>\$1,502</b>        | <b>\$1,616</b>        | <b>\$1,790</b>        |
| Change in (\$) from previous year |                       | \$62                  | \$139                 | \$114                 | \$174                 |
| Change in (%) from previous year  |                       | 5%                    | 10%                   | 8%                    | 11%                   |

**Table 102: Total Revenues & Expenditures**

|  | FY 13-14<br>(Audit) | FY 14-15<br>(Audit) | FY 15-16<br>(Audit) | FY 16-17<br>(Audit) | FY 17-18<br>(Audit) | FY 18-19<br>(Budget) | FY 19-20<br>(Budget) |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|----------------------|
| <b>REVENUE</b>                                     |                     |                     |                     |                     |                     |                      |                      |
| <u>Operating Revenue</u>                           |                     |                     |                     |                     |                     |                      |                      |
| Sewer Service Charges                              | \$ 334,605          | \$ 343,747          | \$ 352,535          | \$ 374,990          | \$ 357,786          | \$ 391,330           | \$ 401,480           |
| Miscellaneous Revenue                              | \$ -                | \$ 1,667            | \$ 705              | \$ 978              | \$ -                | \$ -                 | \$ -                 |
| Operating Revenue Sub-total                        | \$ 334,605          | \$ 345,414          | \$ 353,240          | \$ 375,968          | \$ 357,786          | \$ 391,330           | \$ 401,480           |
| <u>Non-Operating Revenue</u>                       |                     |                     |                     |                     |                     |                      |                      |
| Interest Income                                    | \$ 2,466            | \$ 3,663            | \$ 5,853            | \$ 9,191            | \$ 15,076           | \$ 1,000             | \$ 1,000             |
| Taxes - Property                                   | \$ 15,601           | \$ 17,248           | \$ 18,219           | \$ 19,367           | \$ 20,535           | \$ 17,598            | \$ 17,598            |
| Homeowners Property Tax Relief                     | \$ 124              | \$ 130              | \$ 126              | \$ 127              | \$ 125              | \$ 126               | \$ 126               |
| Connection Fees                                    | \$ 1,650            | \$ -                | \$ -                | \$ 6,000            | \$ -                | \$ 3,172             | \$ 3,172             |
| Sewer Inspection and Fees                          | \$ 800              | \$ -                | \$ 400              | \$ 1,200            | \$ 18,383           | \$ 800               | \$ 800               |
| Non-Operating Revenue Sub-total                    | \$ 20,641           | \$ 21,041           | \$ 24,598           | \$ 35,885           | \$ 54,119           | \$ 22,696            | \$ 22,696            |
| <b>Total Revenue</b>                               | <b>\$ 355,246</b>   | <b>\$ 366,455</b>   | <b>\$ 377,838</b>   | <b>\$ 411,853</b>   | <b>\$ 411,905</b>   | <b>\$ 414,026</b>    | <b>\$ 424,176</b>    |
| <b>EXPENDITURE</b>                                 |                     |                     |                     |                     |                     |                      |                      |
| <u>Administrative and General</u>                  |                     |                     |                     |                     |                     |                      |                      |
| Salaries   | \$ 44,090           | \$ 37,888           | \$ 32,025           | \$ -                | \$ 34,890           | \$ 32,550            | \$ 37,550            |
| Payroll Taxes                                      | \$ 4,022            | \$ 3,405            | \$ 2,917            | \$ -                | \$ 3,268            | \$ -                 | \$ -                 |
| Workers' Compensation                              | \$ 1,583            | \$ 2,147            | \$ 2,344            | \$ -                | \$ 2,294            | \$ 3,200             | \$ 3,200             |
| Attorney Fees                                      | \$ 2,534            | \$ 4,089            | \$ 200              | \$ -                | \$ -                | \$ 6,000             | \$ 4,000             |
| Accounting and Auditing Fees                       | \$ 7,880            | \$ 8,920            | \$ 9,457            | \$ -                | \$ 1,529            | \$ 9,000             | \$ 9,000             |
| Custodial Services                                 | \$ -                | \$ -                | \$ -                | \$ -                | \$ -                | \$ 55                | \$ 55                |
| Directors' Fees                                    | \$ 8,090            | \$ 5,210            | \$ 6,100            | \$ -                | \$ 6,400            | \$ 6,600             | \$ 6,600             |
| Professional and Special Services                  | \$ 284              | \$ -                | \$ -                | \$ -                | \$ -                | \$ 1,000             | \$ 1,200             |
| Telephone  | \$ 2,324            | \$ 2,466            | \$ 2,399            | \$ -                | \$ 2,812            | \$ 2,000             | \$ 2,200             |
| Property Insurance                                 | \$ 1,155            | \$ 1,373            | \$ 1,459            | \$ -                | \$ 1,360            | \$ 1,800             | \$ 3,605             |
| Utilities  | \$ 1,916            | \$ 2,141            | \$ 2,491            | \$ -                | \$ 3,357            | \$ 3,300             | \$ 3,600             |
| Office Expense - Supplies                          | \$ 6,506            | \$ 2,421            | \$ 2,584            | \$ -                | \$ 3,405            | \$ 3,000             | \$ 4,000             |
| Publication and Legal Notices                      | \$ 1,461            | \$ -                | \$ 1,177            | \$ -                | \$ 983              | \$ 800               | \$ 800               |
| Rent   | \$ 7,620            | \$ 7,720            | \$ 8,220            | \$ -                | \$ 12,000           | \$ 12,000            | \$ 12,000            |
| Election Expense                                   | \$ 75               | \$ -                | \$ -                | \$ -                | \$ 75               | \$ 75                | \$ 75                |
| Travel - Mileage                                   | \$ 1,301            | \$ 1,465            | \$ 1,042            | \$ -                | \$ 1,362            | \$ 1,700             | \$ 1,900             |
| Contingencies                                      | \$ -                | \$ -                | \$ -                | \$ -                | \$ -                | \$ 25,840            | \$ 25,840            |
| Contribution to Other Agencies                     | \$ 455              | \$ 505              | \$ 505              | \$ -                | \$ 538              | \$ 575               | \$ 555               |
| Administrative and General Sub-total               | \$ 91,296           | \$ 79,750           | \$ 72,920           | \$ 75,209           | \$ 74,273           | \$ 109,495           | \$ 116,180           |
| <u>Sewage Treatment and Disposal</u>               |                     |                     |                     |                     |                     |                      |                      |
| Treatment Plant Operating and Maintenance Contract | \$ 83,381           | \$ 83,147           | \$ 95,330           | \$ 155,783          | \$ 114,953          | \$ 144,000           | \$ 144,000           |
| <u>Sewage Collection</u>                           |                     |                     |                     |                     |                     |                      |                      |
| Maintenance and Repair Projects - Sewer Line - MRO | \$ 46,782           | \$ 106,961          | \$ 37,444           | \$ -                | \$ 18,821           | \$ 124,000           | \$ 127,465           |
| Engineering  | \$ 13,659           | \$ 7,346            | \$ 6,052            | \$ -                | \$ 3,471            | \$ 9,900             | \$ 9,900             |
| Sewage Collection Sub-total                        | \$ 60,441           | \$ 114,307          | \$ 43,496           | \$ 40,556           | \$ 22,292           | \$ 133,900           | \$ 137,365           |
| <u>Other Expenses</u>                              |                     |                     |                     |                     |                     |                      |                      |
| Capital Improvements                               | \$ -                | \$ -                | \$ -                | \$ -                | \$ -                | \$ -                 | \$ -                 |
| Depreciation                                       | \$ 26,631           | \$ 26,631           | \$ 26,631           | \$ -                | \$ 26,676           | \$ 26,631            | \$ 26,631            |
| Other Expenses Sub-total                           | \$ 26,631           | \$ 26,631           | \$ 26,631           | \$ 26,631           | \$ 26,676           | \$ 26,631            | \$ 26,631            |
| <b>Total Expenditure</b>                           | <b>\$ 261,749</b>   | <b>\$ 303,835</b>   | <b>\$ 238,377</b>   | <b>\$ 298,179</b>   | <b>\$ 238,194</b>   | <b>\$ 414,026</b>    | <b>\$ 424,176</b>    |
| <b>Surplus/(Deficit)</b>                           | <b>\$ 93,497</b>    | <b>\$ 62,620</b>    | <b>\$ 139,461</b>   | <b>\$ 113,674</b>   | <b>\$ 173,711</b>   | <b>\$ -</b>          | <b>\$ -</b>          |
| Net Position - Beginning of Year                   | \$ 1,207,264        | \$ 1,300,761        | \$ 1,363,381        | \$ 1,502,842        | \$ 1,616,516        | \$ -                 | \$ -                 |
| <b>Net Position - End of Year</b>                  | <b>\$ 1,300,761</b> | <b>\$ 1,363,381</b> | <b>\$ 1,502,842</b> | <b>\$ 1,616,516</b> | <b>\$ 1,790,227</b> | <b>\$ -</b>          | <b>\$ -</b>          |
| Footnote: FY 16-17 audit not available             |                     |                     |                     |                     |                     |                      |                      |

**Table 103: Total Assets & Liabilities**

|  | <b>FY 13-14<br/>(Audit)</b> | <b>FY 14-15<br/>(Audit)</b> | <b>FY 15-16<br/>(Audit)</b> | <b>FY 16-17<br/>(Audit)</b> | <b>FY 17-18<br/>(Audit)</b> |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| <b>ASSETS</b>  |                             |                             |                             |                             |                             |
| <u>Current Assets</u>  |                             |                             |                             |                             |                             |
| Cash and Cash Equivalents  | \$ 800,779                  | \$ 853,235                  | \$ 992,122                  | \$ 1,197,021                | \$ 1,379,110                |
| Restricted Cash - Customer Deposits                                | \$ 17,487                   | \$ 10,968                   | \$ 11,968                   | \$ 1,590                    | \$ 1,590                    |
| Accounts Payable   | \$ 1,142                    | \$ 1,295                    | \$ 1,295                    | \$ -                        | \$ -                        |
| Prepaid City of Watsonville Contract                               | \$ -                        | \$ 30,396                   | \$ 56,565                   | \$ -                        | \$ 6,252                    |
| Prepaid Insurance  | \$ 3,520                    | \$ -                        | \$ -                        | \$ -                        | \$ -                        |
| <b>Total Current Assets</b>  | <b>\$ 822,928</b>           | <b>\$ 895,894</b>           | <b>\$ 1,061,950</b>         | <b>\$ 1,198,611</b>         | <b>\$ 1,386,952</b>         |
| <u>Non-Current Assets</u>  |                             |                             |                             |                             |                             |
| Property, Plant, and Equipment,<br>net of accumulated depreciation |                             |                             |                             |                             |                             |
| Underground Plant, Net   | \$ 507,254                  | \$ 481,167                  | \$ 455,080                  | \$ 428,993                  | \$ 402,916                  |
| Pump Stations, Net   | \$ -                        | \$ -                        | \$ -                        | \$ -                        | \$ -                        |
| Other Equipment, Net   | \$ 1,898                    | \$ 1,354                    | \$ 810                      | \$ 266                      | \$ 5,889                    |
| <b>Total Non-Current Assets</b>                                    | <b>\$ 509,152</b>           | <b>\$ 482,521</b>           | <b>\$ 455,890</b>           | <b>\$ 429,259</b>           | <b>\$ 408,805</b>           |
| <b>Total Assets</b>  | <b>\$ 1,332,080</b>         | <b>\$ 1,378,415</b>         | <b>\$ 1,517,840</b>         | <b>\$ 1,627,870</b>         | <b>\$ 1,795,757</b>         |
| <b>LIABILITIES</b>   |                             |                             |                             |                             |                             |
| Accounts Payable and Accrued Liabilities                           | \$ 5,607                    | \$ 3,089                    | \$ 2,292                    | \$ 6,967                    | \$ 2,689                    |
| Accounts Payable City of Watsonville Contract                      | \$ 4,000                    | \$ -                        | \$ -                        | \$ -                        | \$ -                        |
| Accounts Payable from Restricted Deposits                          | \$ 5,310                    | \$ -                        | \$ -                        | \$ -                        | \$ -                        |
| Customer Deposits  | \$ 12,177                   | \$ 10,968                   | \$ 11,968                   | \$ 1,590                    | \$ 1,590                    |
| Salaries and Benefits Payable                                      | \$ 2,769                    | \$ 977                      | \$ 738                      | \$ 2,797                    | \$ 1,251                    |
| Accrued Vacation Payable   | \$ 1,456                    | \$ -                        | \$ -                        | \$ -                        | \$ -                        |
| <b>Total Liabilities</b>   | <b>\$ 31,319</b>            | <b>\$ 15,034</b>            | <b>\$ 14,998</b>            | <b>\$ 11,354</b>            | <b>\$ 5,530</b>             |
| <b>NET POSITION</b>  |                             |                             |                             |                             |                             |
| Net Investment in Capital Assets                                   | \$ 509,152                  | \$ 482,521                  | \$ 455,890                  | \$ 429,259                  | \$ 408,805                  |
| Unrestricted   | \$ 791,609                  | \$ 880,860                  | \$ 1,046,952                | \$ 1,187,257                | \$ 1,381,422                |
| <b>Total Net Position</b>  | <b>\$ 1,300,761</b>         | <b>\$ 1,363,381</b>         | <b>\$ 1,502,842</b>         | <b>\$ 1,616,516</b>         | <b>\$ 1,790,227</b>         |



## Governance

Salsipuedes Sanitary District is an independent special district governed by a five-member Board of Directors elected at large by the voters within the District. When candidates run unopposed, they are appointed by the County Board of Supervisors in lieu of conducting the election. The current Board is as follows:

**Table 104: Board of Directors**

| Board Member        | Title     | Term of Office Expiration |
|---------------------|-----------|---------------------------|
| David Ferracane     | President | 2019                      |
| Miguel Cisneros     | Director  | 2021                      |
| Robert Roberts      | Director  | 2021                      |
| Allen Rusler        | Director  | 2019                      |
| Priscilla Stumbaugh | Director  | 2019                      |

The Board of Directors meets the third Wednesday of each month at 7:00 PM at the District's offices. Public notice is provided through posting. The District contracts for independent audits.

### Website Requirements

Senate Bill 929 was signed into law in September 2018 and requires all independent special districts to have and maintain a website by January 1, 2020. The District currently does not have a website. LAFCO staff is coordinating with the District in order to comply with the statutory requirements before the 2020 deadline.

SB 929 states that the Internet Web Site, maintained by the independent special district, shall conform with various laws in Government Code Sections 6270.5, 53893, 53908, 54954.2, and Section 32139 of the Health and Safety Code. In summary, the District's Internet Website is required to have the following:

- Contact information
- Adopted budgets
- List of current board members
- Information regarding public meetings (Brown Act)
- Service Reviews adopted by LAFCO
- Recipients of grant funding or assistance provided by the district, if any
- Audits (pursuant to GCS 26909)
- Adopted annual policies
- Any other information the board deems relevant

***LAFCO Staff Recommendation:*** *The District should establish a live website no later than December 2019.*

### Infrastructure Management Plans

The State Water Resources Control Board regulates wastewater discharges to surface water (rivers, ocean, etc.) and to groundwater (via land). The State Water Board requires sanitation districts to follow the Statewide General Waste Discharge Requirements for Sanitary Sewer Systems.

The District's sewer system management plan consists of weekly inspections to both pump lift stations by a maintenance staff. Regular inspections ensure that wastewater flow is at adequate levels. Additionally, the District is scheduled for annual flushing.

At present, the District does not have a capital improvement plan. The District's General Manager has indicated that the District is developing a CIP plan which will identify future infrastructure repairs/replacements. The District is currently reviewing grant information to prepare for costs of future infrastructure needs.

***LAFCO Staff Recommendation:*** *The District should consider adopting a long-term maintenance plan to ensure scheduled and unforeseen repairs, replacements, and installations are adequately funded.*

## **Opportunities & Challenges**

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Salsipuedes Sanitary District is significantly affected by aging infrastructure, escalating operational costs, and changes to state laws and regulations that may introduce new requirements without additional funding. These issues are common with other sanitation districts in Santa Cruz County. The following section discusses these challenges and identifies possible opportunities to ensure the delivery of wastewater services in an efficient and effective manner.

### **Regional Collaboration**

Several sanitation districts, including entities managed and operated by the County, have expressed interest in transferring sewer responsibilities to another agency due to funding issues, limited long-term planning, or lack of economies of scale. Establishment of a countywide memorandum of understanding or a joint powers authority may unify the already-established collaboration set by the sanitation providers in the county. Such agreements may also lay the foundation for future changes of organization, including but not limited to annexations, consolidations, or mergers.

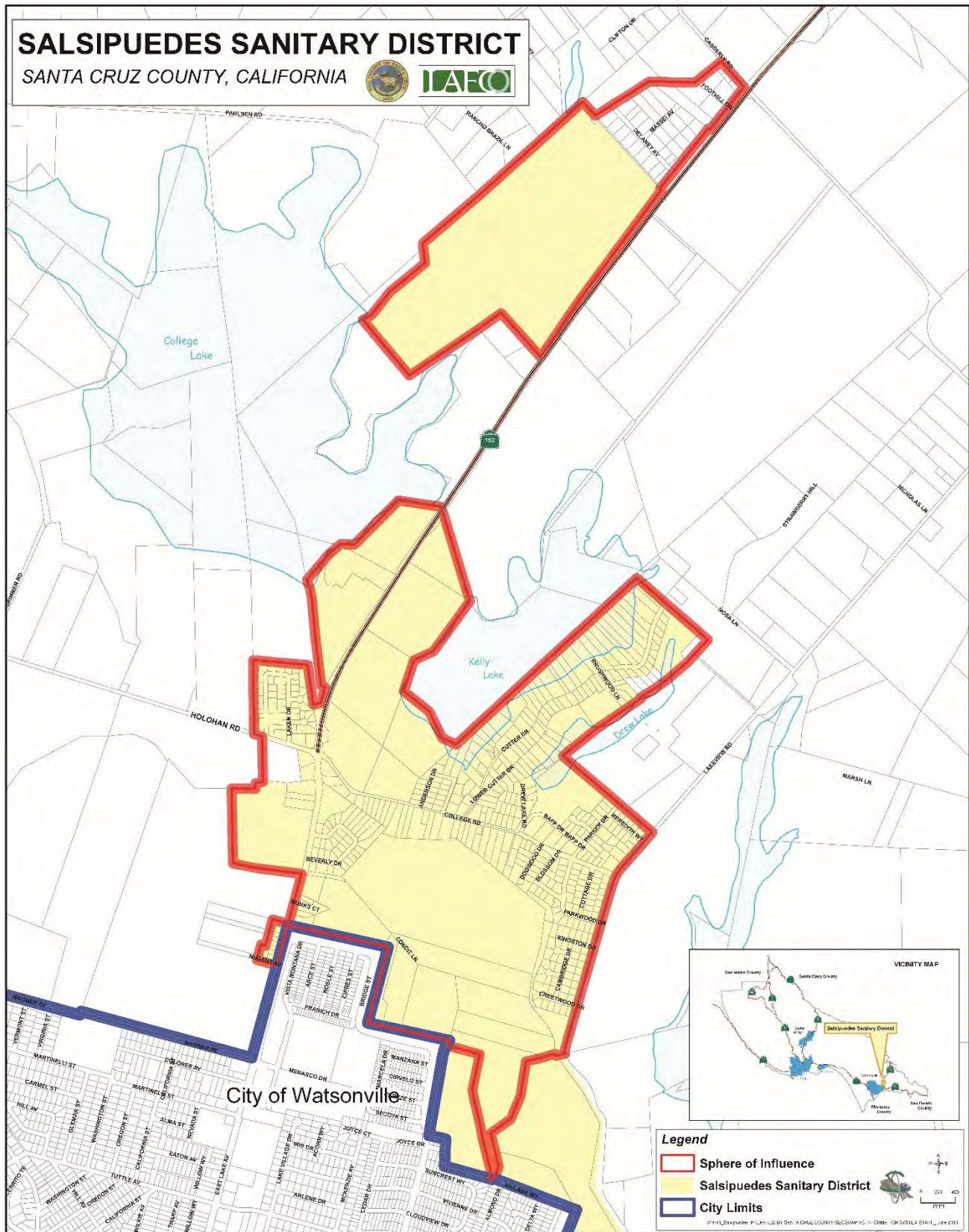
## **Sphere of Influence**

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LAFCO originally adopted a sphere of influence for the District back in 1987. The Commission, at that time, adopted a sphere boundary that goes beyond the District's jurisdictional boundary in the north but also excluded areas from being part of the sphere boundary adjacent to Watsonville's city limits. The area outside the sphere of influence but within the District is approximately 60 acres, undeveloped, and primarily used for agriculture.

The exclusion of this area from the adopted sphere of influence indicates that this area should be detached from the Salsipuedes Sanitary District. The County General Plan designates this area as "CA" Commercial Agriculture. It is unknown whether future developments are scheduled in this area. Therefore, LAFCO staff does not recommend changing the sphere of influence boundary at this time. **Figure 73** shows the current sphere of influence boundary for the Salsipuedes Sanitary District.

**Figure 73: Salsipuedes Sanitary District's Current Sphere Map**



## District Summary

| Salsipuedes Sanitary District |   |
|-------------------------------|---|
| <b>Formation</b>              | Health and Safety Code §6400 et seq. (Sanitary District Act of 1923)  |
| <b>Board of Directors</b>     | Five members, elected at-large to four-year terms   |
| <b>Contact Person</b>         | Delia N. Brambila, Secretary/Manager  |
| <b>Employees</b>              | 1 Full-Time Employee  |
| <b>Facilities</b>             | Collection Plant; 2 pump stations; 512 connections  |
| <b>District Area</b>          | 7 square miles  |
| <b>Sphere of Influence</b>    | Slightly Larger than the District (i.e. sphere goes beyond existing jurisdictional boundary)  |
| <b>FY 2019-20 Budget</b>      | <p>Total Revenue = \$424,176</p> <p>Total Expenditure = \$ 424,176</p> <p>Projected Net Position (Beginning Balance) = \$1,790,227</p>  |
| <b>Contact Information</b>    | <p>Mailing Address: 739 East Lake Avenue, Suite 2, Watsonville CA 95076</p> <p>Phone Number: (831) 722-7760</p> <p>Email Address: <a href="mailto:salsan@sbcglobal.net">salsan@sbcglobal.net</a></p> <p>Website: None</p> |
| <b>Public Meetings</b>        | The Board of Directors meets the first Wednesday of each month at 7:00 PM at the District's offices. Public noticed is provided through posting.  |
| <b>Mission Statement</b>      | None  |



## **Service and Sphere Review Determinations**

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The following service and sphere review determinations fulfill the requirements outlined in the Cortese-Knox-Hertzberg Act. The District was instrumental in addressing the determinations by responding to a survey sent by LAFCO in June 2019. **Appendix I** provides a copy of the District's survey response.

### **Service Provision Determinations**

Government Code Section 56430 requires LAFCO to conduct a municipal service review before, or in conjunction with, an action to establish or update a sphere of influence. Written statements of determination must be prepared with respect to each of the following:

**1. Growth and population projections for the affected area.**

Salsipuedes Sanitary District serves an unincorporated community northeast of the City of Watsonville. The population of the District is approximately 2,135. The County General Plan anticipates very little future growth within the District's jurisdictional and sphere of influence boundaries.

**2. The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence.**

Based on the criteria set forth by SB 244, staff's initial analysis located one DUC outside Salsipuedes Sanitary District's service and sphere boundaries (Area #2). This area is located south of Holohan Road, it is currently uninhabited, and it is designated as Commercial Agriculture<sup>15</sup> in the County's General Plan. Since Area #2 is undeveloped and uninhabited, the Commission should not consider this area as a DUC in future boundary changes.

**3. 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.**

Salsipuedes Sanitary District serves 512 connections. It has adequate transmission and treatment capacity for the present and planned facilities within the sphere of influence. The District's principal needs are repair and replacement of aging infrastructure.

**4. Financial ability of agencies to provide services.**

Salsipuedes Sanitary District's financial ability to provide services is well-established. The District has successfully kept costs below its revenue stream since 2013. Audited financial statements from Fiscal Years 2013 to 2018 indicate that the increase in net position has ranged from \$62,000 to \$174,000. As of June 30, 2018, the District is operating with a net position of approximately \$1.8 million, of which \$1.4 million is in cash and investments.

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<sup>15</sup> Commercial agriculture, farm buildings, livestock raising, greenhouses, farm worker camps. One single-family dwelling.

**5. Status of, and opportunities for, shared facilities.**

Salsipuedes Sanitary District has an active contract with the City of Watsonville to utilize their regional treatment plant. The District should explore other collaborative efforts with neighboring agencies, which may help to reduce costs and/or maximize economies of scale.

Several sanitation districts, including entities that are managed and operated by the County, have expressed interest in transferring sewer responsibilities to another agency due to funding issues, limited long-term planning, or lack of economies of scale. Establishment of a countywide memorandum of understanding or a joint powers authority may unify the already-established collaboration set by the sanitation providers in the county. Such agreements may also lay the foundation for future changes of organization, including but not limited to annexations, consolidations or mergers.

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

Salsipuedes Sanitary District currently does not have a website, as required by new legislation. LAFCO staff recommends that the District conform with SB 929 and host a live website before the January 1, 2020 deadline.

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

No additional local LAFCO policies are specifically relevant to this service and sphere review.



## **Sphere of Influence Determinations**

Government Code Section 56425 requires LAFCO to periodically review and update spheres of influence in concert with conducting municipal service reviews. Spheres are used as regional planning tools to discourage urban sprawl and encourage orderly growth. Written statements of determination must be prepared with respect to each of the following:

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

The present and planned land uses in the Salsipuedes Sanitary District are principally suburban residential and public facilities (fairgrounds, schools, churches, and cemeteries). There are some neighborhood commercial uses near the corner of Holohan Road and East Lake Avenue. Rural homes and agricultural buildings in the southern agricultural portion of the District's jurisdictional and sphere boundaries are connected to the District's mains. The County of Santa Cruz plans for the southern portion of the District, between Salsipuedes Creek and the City of Watsonville to remain in commercial agricultural uses.

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

The present and probable future need for public facilities and services in the Salsipuedes Sanitary District is the maintenance, repair, and replacement of aging main lines and pumps.

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

Salsipuedes Sanitary District serves 512 connections. It has adequate transmission and treatment capacity for the present and planned facilities within the District's jurisdictional and sphere of influence boundaries. The District's principal needs are repair and replacement of aging infrastructure.

**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.**

LAFCO staff is not aware of any social or economic communities of interest in the area. The District's service area is primarily residential units.

**5. For an update of a 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, that occurs pursuant to subdivision (g) on or after July 1, 2012, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.**

Neither the County nor LAFCO has identified any sub-area within or contiguous to the Salsipuedes Sanitary District's service or sphere boundaries that meet the definition of a disadvantaged unincorporated community. That said, the District has adequate transmission and treatment capacity for the present and planned facilities within the sphere of influence. The District's principal needs are repair and replacement of aging infrastructure.

# SANTA CRUZ COUNTY SANITATION DISTRICT

## District Overview

The Santa Cruz County Sanitation District provides wastewater collection service for the City of Capitola and the unincorporated communities of Aptos, Soquel and Live Oak. The District also serves Harbor High School, a satellite medical center and the Port District which are within the City of Santa Cruz and outside the District's boundary. The District receives periodic inquiries regarding sewer service in the La Selva Beach area due to septic problems in that area, but that area lies outside its current sphere of influence. **Figure 80**, on page 208, is a vicinity map of the service area.

The Santa Cruz County Sanitation District was formed in 1973 by the consolidation of three sanitation districts: East Cliff, Capitola, and Aptos. At that time each district had a primary treatment plant and ocean outfall into Monterey Bay. The discharges did not meet either the Federal or State clean water standards. During the 1970s the District participated in regional sewer studies and ultimately acted to abandon its treatment plants and outfall, build a transmission line into the City of Santa Cruz, and contract with the city to treat and dispose of the district's sewage. The city built a new outfall in 1989 and added secondary treatment in 1998.

## Population & Growth

There are no growth projections available for the Santa Cruz County Sanitation District. In general, the Santa Cruz County unincorporated area is projected to have slow growth over the next fifteen years. However, the District also includes the entire City of Capitola. The Public Works Department has estimated the population within the total area at approximately 72,000. Based on the growth rate of approximately 1% for the unincorporated areas in the County, LAFCO staff projects that the District's entire population in 2020 will be around 73,600. The projected population for the Santa Cruz County Sanitation District are as follows:

**Table 105: Projected Population**

|  | 2020          | 2025          | 2030          | 2035          | Growth Rate |
|--|---------------|---------------|---------------|---------------|-------------|
| Santa Cruz County (unincorporated)           | 136,891       | 137,896       | 139,105       | 140,356       | 1%          |
| City of Capitola                             | 10,194        | 10,312        | 10,451        | 10,622        | 1%          |
| <b>Santa Cruz County Sanitation District</b> | <b>72,922</b> | <b>73,651</b> | <b>74,388</b> | <b>75,132</b> | <b>1%</b>   |

Source: AMBAG 2018 Regional Growth Forecast

## Disadvantaged Unincorporated Communities

State law requires LAFCO to identify and describe all "disadvantaged unincorporated communities" (DUC) located within or contiguous to the existing spheres of influence of cities and special districts that provide fire protection, sewer, and/or water services. DUCs are defined as inhabited unincorporated areas with an annual median household income that is 80% or less than the statewide annual median household income.

**Figure 74: Areas #3 and #4 (near CSA 10 and Santa Cruz Co Sanitation District)**



<sup>16</sup> Special Use - All uses allowed in the "RA" or "R-1" zone district provided the use is consistent with the General Plan. All other permitted or conditionally permitted uses provided they are consistent with the General Plan and a Level 5 use approval is obtained.

The volume of wastewater is determined from records of water usage as metered by the Santa Cruz City Water Department (their jurisdiction within the Santa Cruz County Sanitation District covers the Live Oak area from Lake Avenue on the east side of the Yacht Harbor to 41st Avenue) and Soquel Creek Water District (from 41st Avenue to San Andreas Road). Due to the lead time involved in getting the yearly sewer charges placed on the County property tax statements, the current fiscal year's charges are based on water use and strength factors from the previous calendar year.

Based on the County's 2017 Sewer System Management Plan, Santa Cruz County Sanitation District has 36,000 connections with 220 miles of gravity sewer lines, 14 miles of force main lines, and 35 pump stations. Annual sewer charges are the District's primary source of revenue.

### Sewer Rates

At present, the District's annual sewer rates derive from five areas: Single-Family Units, Multi-Family Units, Mobile Homes, Commercial, and Schools. Each area has its own sewer rate. **Table 106** shows the gradual increase in annual rates during the last six years.

**Table 106: Annual Sewer Rates**

|                                 | FY 14-15                    | FY 15-16                    | FY 16-17                    | FY 17-18                    | FY 18-19                    | FY 19-20                    |
|---------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Single-Family                   | \$696.12                    | \$729.84                    | \$749.28                    | \$758.40                    | \$783.00                    | \$824.16                    |
| Multi-Family                    | \$581.16                    | \$609.84                    | \$626.04                    | \$654.12                    | \$676.80                    | \$712.80                    |
| Mobile Homes                    | \$501.48                    | \$526.68                    | \$540.84                    | \$560.16                    | \$581.04                    | \$612.48                    |
| Commercial                      | \$266.64                    | \$279.84                    | \$284.64                    | \$305.16                    | \$353.88                    | \$368.40                    |
| <i>Additional Charge (HCF)*</i> | <i>\$6.67-<br/>\$13.00</i>  | <i>\$6.82-<br/>12.64</i>    | <i>\$7.09-<br/>\$12.47</i>  | <i>\$7.76-<br/>\$13.27</i>  | <i>\$7.97-<br/>\$13.20</i>  | <i>\$8.43-<br/>\$13.40</i>  |
| School*                         | \$266.64                    | \$279.84                    | \$284.64                    | \$305.16                    | \$353.88                    | \$368.40                    |
| <i>Additional Charge (ADA)*</i> | <i>\$17.81-<br/>\$26.75</i> | <i>\$18.21-<br/>\$27.36</i> | <i>\$18.94-<br/>\$28.45</i> | <i>\$20.72-<br/>\$31.12</i> | <i>\$21.27-<br/>\$31.95</i> | <i>\$22.52-<br/>\$33.82</i> |

*Note: Additional Charge is for "Commercial" is based on Hundred Cubic Feet of Water (HCF); Additional Charge is for "School" is based on Average Daily Attendance (ADA)*

Using information supplied by District staff, the rates are reviewed each year by an independent engineering firm which specializes in revenue studies for utility districts and are subject to final approval by the Board. Before the rates are set, a notice of public hearing is mailed to all owners of property within the Sanitation District boundaries, another notice is published in the Santa Cruz Sentinel, and the public hearing is held. The public hearing is normally scheduled in April or May of each year, with the rates becoming effective on the first of July. Customers are encouraged to participate in the public hearings and can send written comments to the attention of the District Engineer.

The following tables (**Tables 107 to 111**) show the gradual increase in annual rates for each area.

**Table 107: Single-Family Unit's Annual Sewer Rates Review**

|                      | FY 14-15        | FY 15-16        | FY 16-17        | FY 17-18        | FY 18-19        | FY 19-20        | Average Change |
|----------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|----------------|
| <b>Single Family</b> | <b>\$696.12</b> | <b>\$729.84</b> | <b>\$749.28</b> | <b>\$758.40</b> | <b>\$783.00</b> | <b>\$824.16</b> |                |
| <i>Change (\$)</i>   |                 | \$33.72         | \$19.44         | \$9.12          | \$24.60         | \$41.16         | \$25.61        |
| <i>Change (%)</i>    |                 | 5%              | 3%              | 1%              | 3%              | 5%              | 4%             |

**Table 108: Multi-Family Unit's Annual Sewer Rates Review**

|                     | FY 14-15        | FY 15-16        | FY 16-17        | FY 17-18        | FY 18-19        | FY 19-20        | Average Change |
|---------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|----------------|
| <b>Multi-Family</b> | <b>\$581.16</b> | <b>\$609.84</b> | <b>\$626.04</b> | <b>\$654.12</b> | <b>\$676.80</b> | <b>\$712.80</b> |                |
| <i>Change (\$)</i>  |                 | \$28.68         | \$16.20         | \$28.08         | \$22.68         | \$36.00         | \$26.33        |
| <i>Change (%)</i>   |                 | 5%              | 3%              | 4%              | 4%              | 5%              | 4%             |

**Table 109: Mobile Home Unit's Annual Sewer Rates Review**

|                     | FY 14-15        | FY 15-16        | FY 16-17        | FY 17-18        | FY 18-19        | FY 19-20        | Average Change |
|---------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|----------------|
| <b>Mobile Homes</b> | <b>\$501.48</b> | <b>\$526.68</b> | <b>\$540.84</b> | <b>\$560.16</b> | <b>\$581.04</b> | <b>\$612.48</b> |                |
| <i>Change (\$)</i>  |                 | \$25.20         | \$14.16         | \$19.32         | \$20.88         | \$31.44         | \$22.20        |
| <i>Change (%)</i>   |                 | 5%              | 3%              | 4%              | 4%              | 5%              | 5%             |

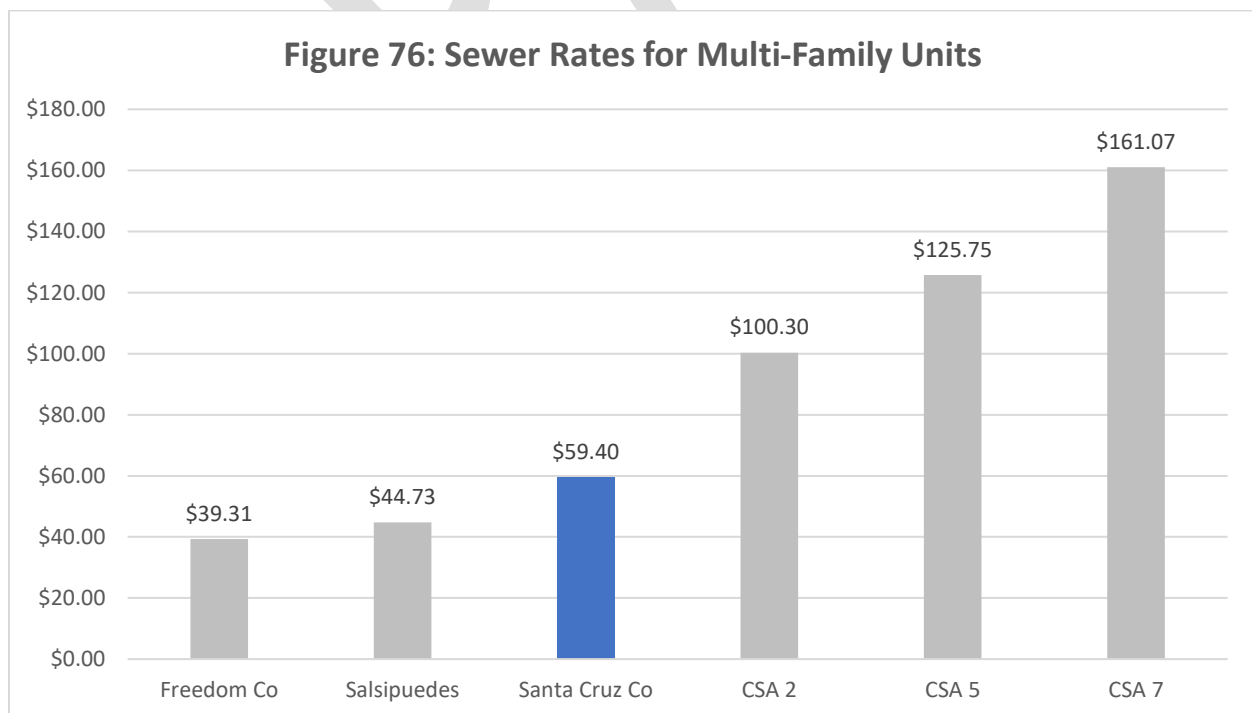
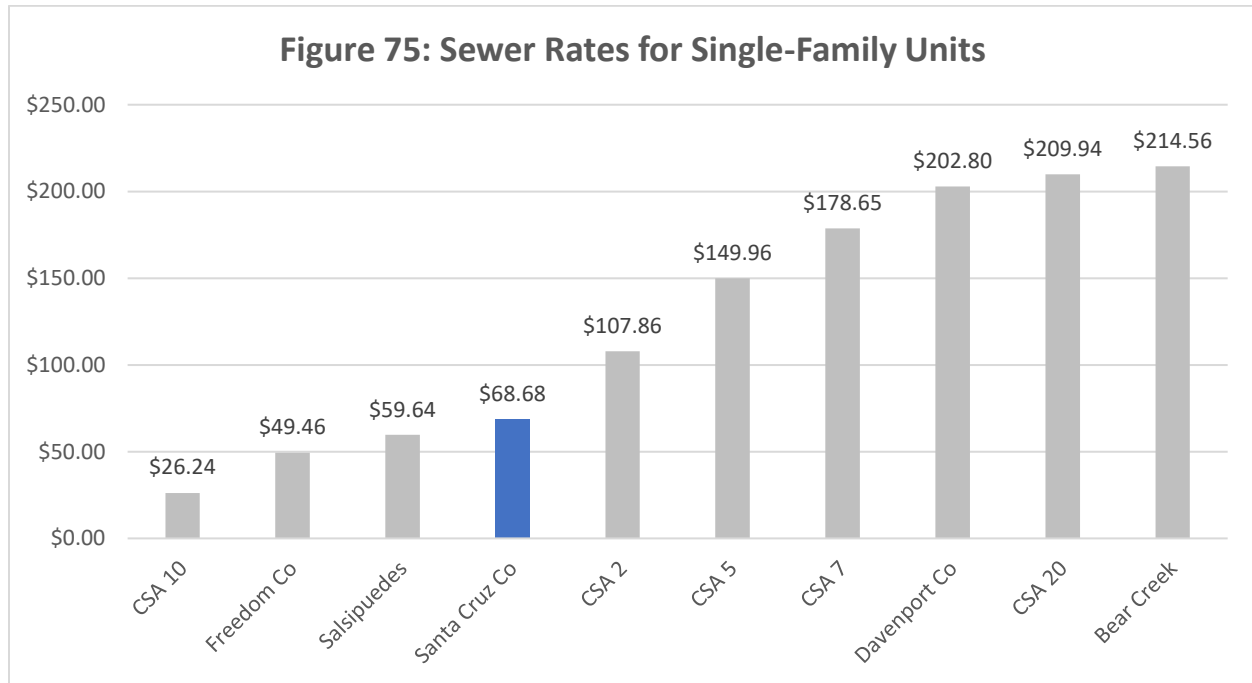
**Table 110: Commercial's Annual Sewer Rates Review**

|                    | FY 14-15        | FY 15-16        | FY 16-17        | FY 17-18        | FY 18-19        | FY 19-20        | Average Change |
|--------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|----------------|
| <b>Commercial</b>  | <b>\$266.64</b> | <b>\$279.84</b> | <b>\$284.64</b> | <b>\$305.16</b> | <b>\$353.88</b> | <b>\$368.40</b> |                |
| <i>Change (\$)</i> |                 | \$13.20         | \$4.80          | \$20.52         | \$48.72         | \$14.52         | \$20.35        |
| <i>Change (%)</i>  |                 | 5%              | 2%              | 7%              | 16%             | 4%              | 10%            |

**Table 111: School's Annual Sewer Rates Review**

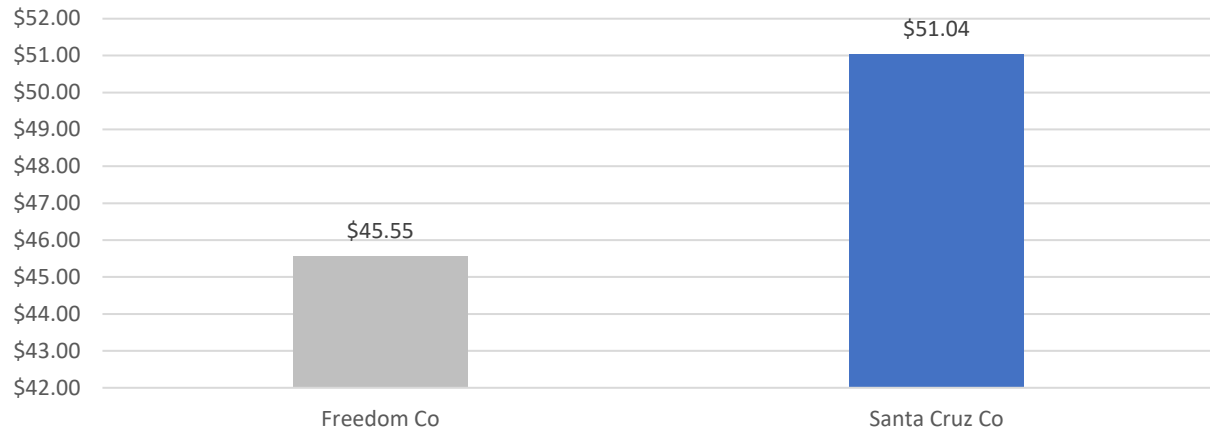
|                    | FY 14-15        | FY 15-16        | FY 16-17        | FY 17-18        | FY 18-19        | FY 19-20        | Average Change |
|--------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|----------------|
| <b>School</b>      | <b>\$266.64</b> | <b>\$279.84</b> | <b>\$284.64</b> | <b>\$305.16</b> | <b>\$353.88</b> | <b>\$368.40</b> |                |
| <i>Change (\$)</i> |                 | \$13.20         | \$4.80          | \$20.52         | \$48.72         | \$14.52         | \$20.35        |
| <i>Change (%)</i>  |                 | 5%              | 2%              | 7%              | 16%             | 4%              | 10%            |

When comparing the sewer rates with the other sanitation districts analyzed in this report, Santa Cruz County Sanitation District is ranked fourth in charges towards single family units (\$68.68/month), ranked third lowest in charges towards multi-family units (\$59.40/month), ranked highest in charges towards mobile home units (\$51.04/month), ranked second lowest in charges to commercial units (\$30.70/month), and ranked in the middle for charges towards school sites (\$30.70/month). Sewer rate comparisons are shown in the following figures (**Figures 75 to 79**).

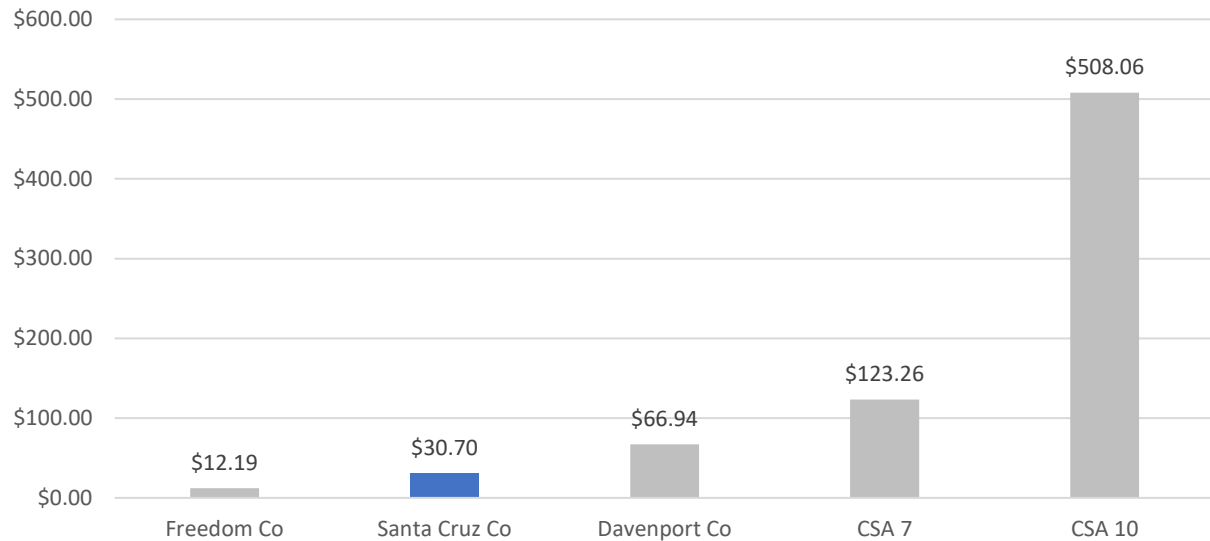




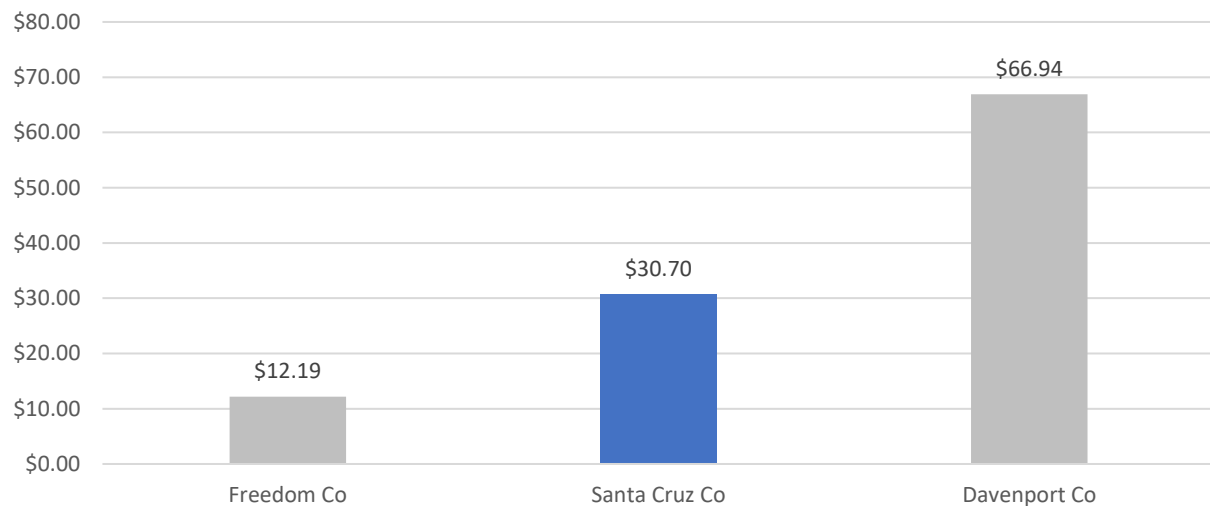
**Figure 77: Sewer Rates for Mobile Home Units**



**Figure 78: Sewer Rates for Commercial Sites**



**Figure 79: Sewer Rates for School Sites**

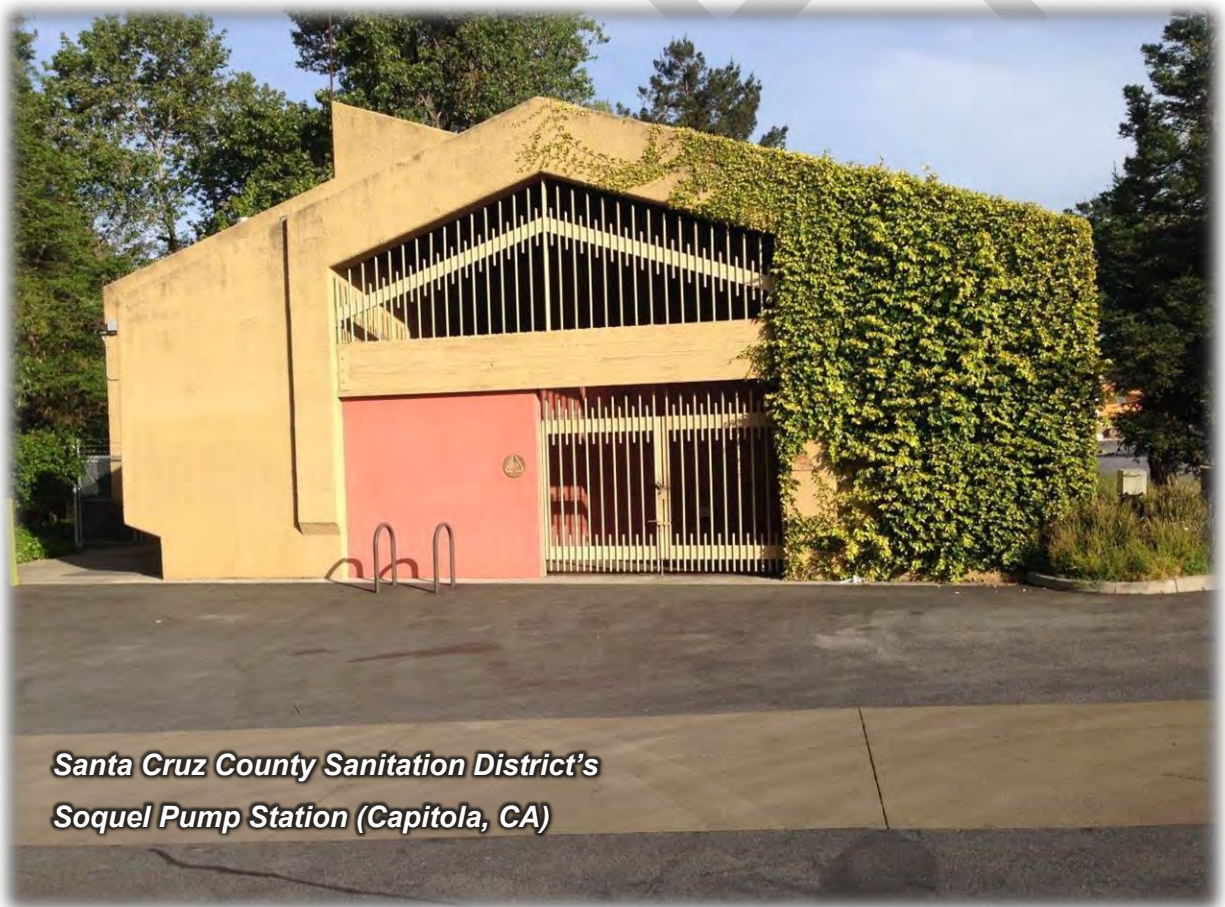


### Infrastructure Summary

Santa Cruz County Sanitation District operates a collection system and serves about 72,000 residents. It currently has 36,000 connections and approximately 200 miles of sewer line. **Table 112** provides an overview of the type of service and current infrastructure:

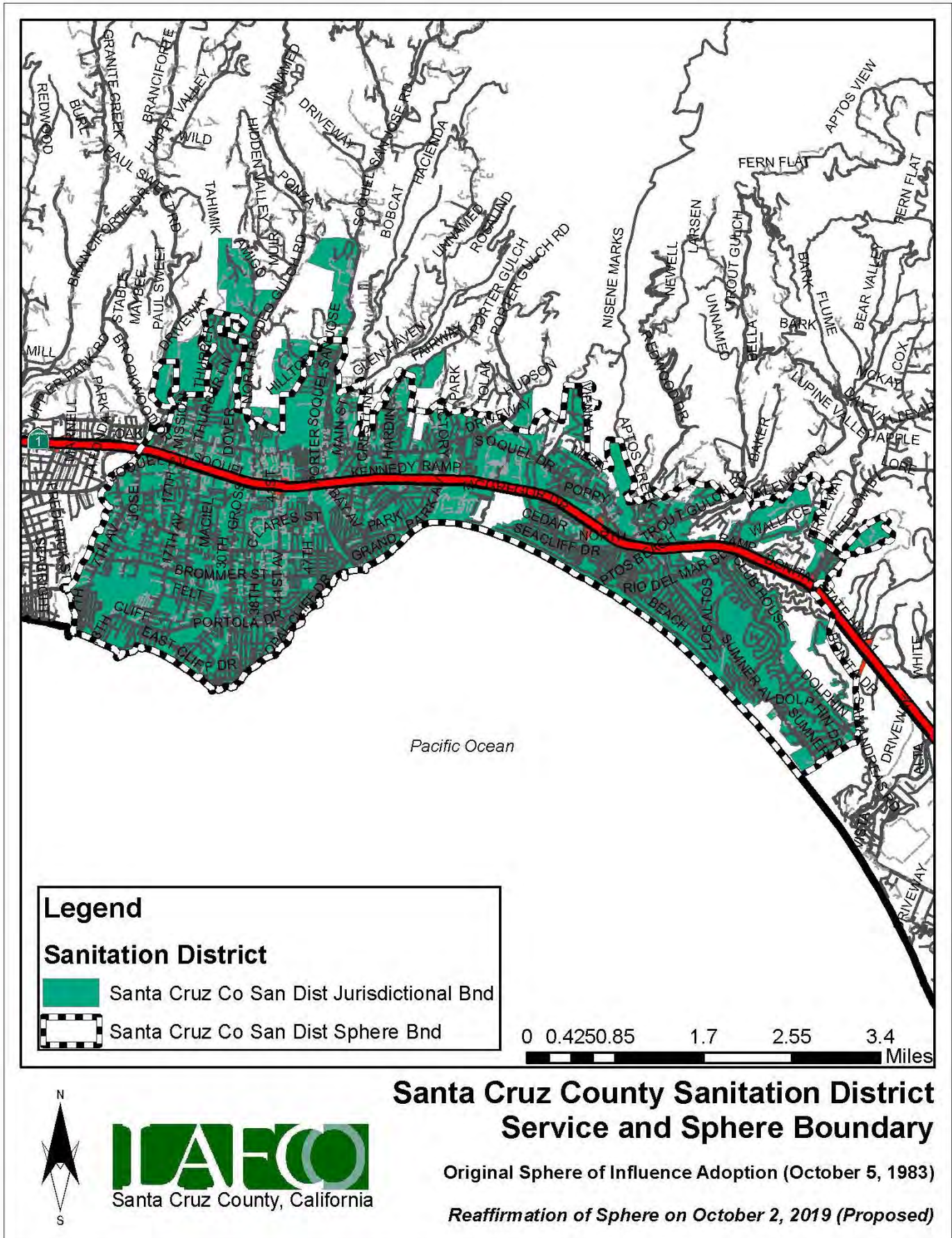
**Table 112: Infrastructure Summary**

|                                       | Type of System | Treatment Level | No. of Connections | No. of Lift Stations | Miles of Sewer Line |
|---------------------------------------|----------------|-----------------|--------------------|----------------------|---------------------|
| Santa Cruz County Sanitation District | Collection     | N/A             | 36,000             | 35                   | 220.0               |





**Figure 80: Santa Cruz County Sanitation District's Vicinity Map**

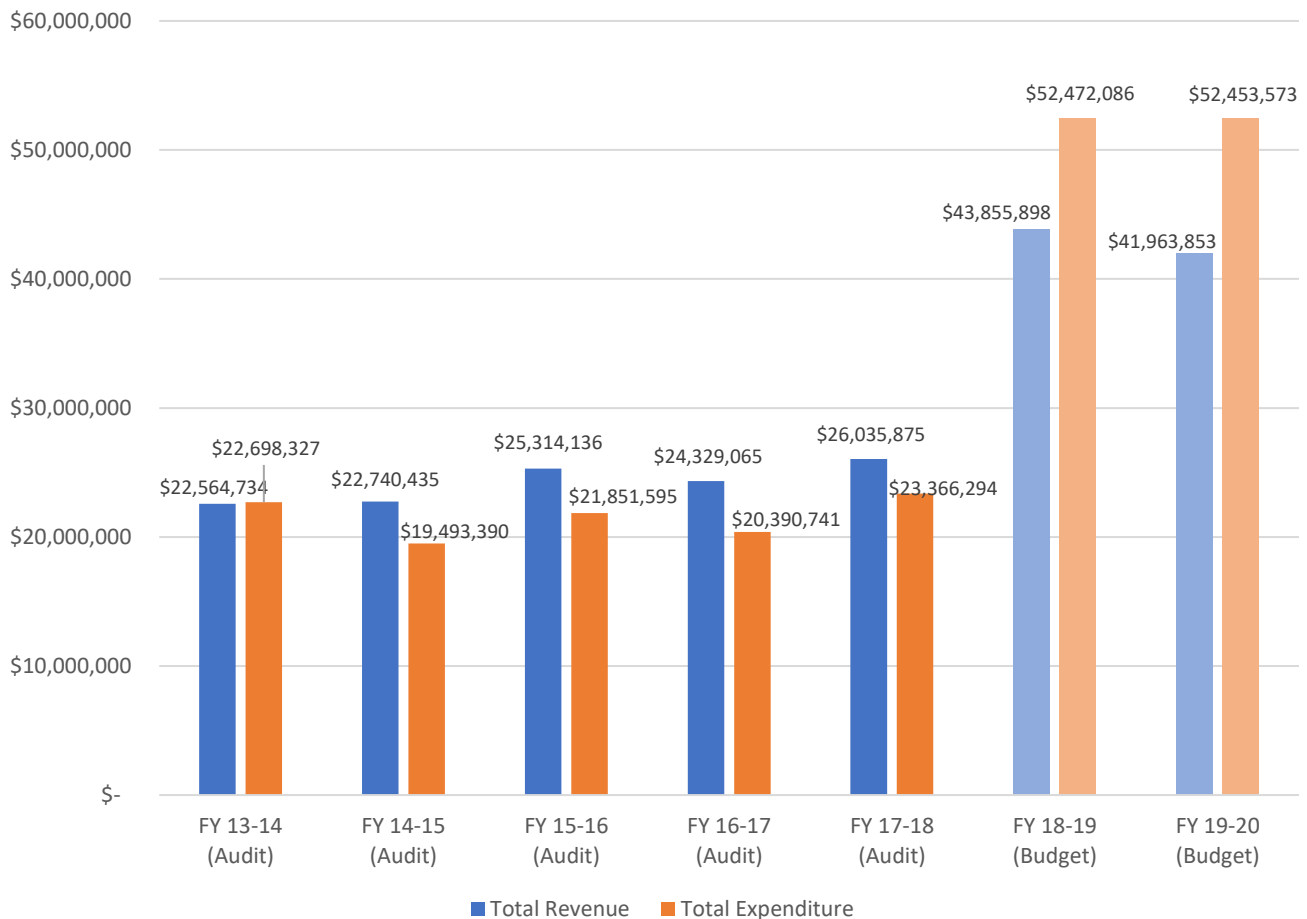


## Finances

This section will highlight the District's audited financial performance during the most recent fiscal years. Fiscal Year 2017-18 is the latest audited financial statement available. A comprehensive analysis of the District's financial performance during the past 5 years is shown in **Tables 115** and **116**, on pages 212 and 213.

At the end of Fiscal Year 2017-18, total revenue collected was \$26,035,875, representing a 7% increase from the previous year (\$24,329,065 in FY 16-17). Total expenses for FY 17-18 were \$23,366,294, which increased from the previous year by approximately \$3 million (\$20,390,741 in FY 16-17). As shown in the figure below, the District's total revenues have exceeded total expenditures since 2014 (refer to **Figure 81**). However, based on the two most recently adopted budgets, LAFCO staff believes this positive trend will end.

**Figure 81: Statement of Revenues & Expenditures**



## District Revenues

The District's primary source of revenue is from Charges for Services. In FY 17-18, the District received revenue from four different sources: Charges for Services (\$24,758,144), Intergovernmental (\$91,348), Aid from Other Government Agencies (\$965,497), and Interest and Investment Income (\$220,886). On average, the District receives approximately \$23 million each year in service fees. **Table 113** highlights the total revenue received since 2013.

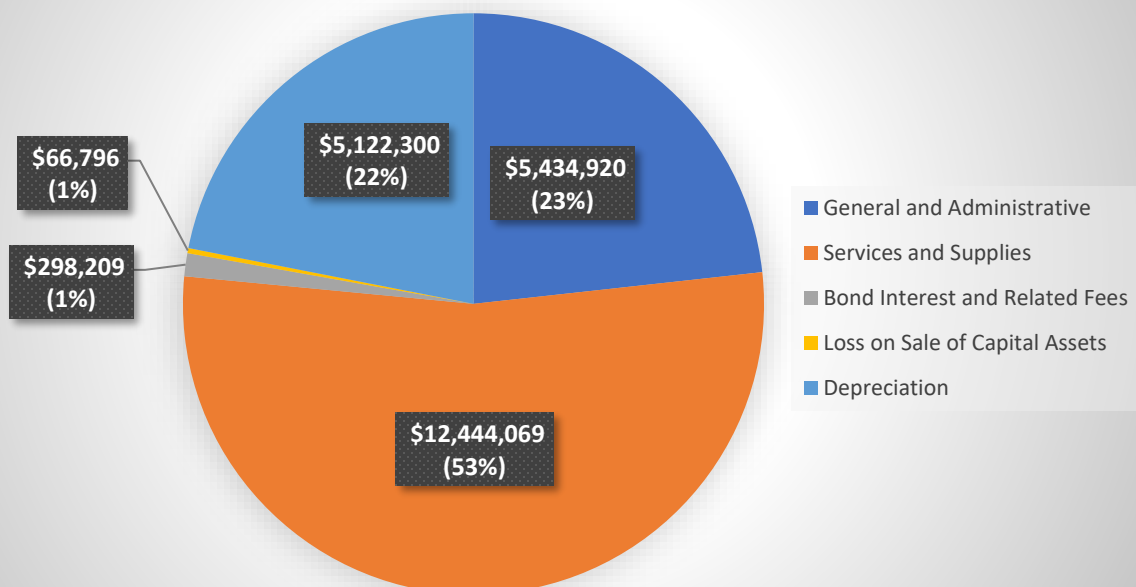
**Table 113: Total Revenue (FY 13-14 to FY 17-18)**

|                                | FY 13-14            | FY 14-15            | FY 15-16            | FY 16-17            | FY 17-18            |
|--------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Charges for Services           | \$21,977,224        | \$22,412,016        | \$23,491,067        | \$23,814,123        | \$24,758,144        |
| Intergovernmental              | \$93,064            | \$90,297            | \$91,598            | \$91,703            | \$91,348            |
| Aid from Other Govt Agencies   | \$21,898            | -                   | \$1,586,016         | \$307,000           | \$965,497           |
| Interest Investment Income     | \$229,497           | \$153,593           | \$144,855           | \$116,239           | \$220,886           |
| Contribution and Donations     | \$238,396           | -                   | -                   | -                   | -                   |
| Gain on Sale of Capital Assets | \$4,655             | \$84,529            | \$600               | =                   | =                   |
| <b>Total Revenue</b>           | <b>\$22,564,734</b> | <b>\$22,740,435</b> | <b>\$25,314,136</b> | <b>\$24,329,065</b> | <b>\$26,035,875</b> |

## District Expenditures

The District's total expenditures can be categorized into 5 budgetary groups: General & Administrative, Services & Supplies, Bond Interest & Related Fees, Loss on Sale of Capital Assets, and Depreciation. The figure below depicts the how funding is distributed by category. The District's primary expenditure is Services and Supplies.

**Figure 82: FY 2017-18 Expenditure Breakdown**



## Assets & Liabilities

The following is an overview of the District's assets and liabilities:

- District Assets: As of June 30, 2018, the District has \$147,520,196 in total assets. Net Capital Assets represent 91% of total assets.
- District Liabilities: As of June 30, 2018, the District has \$13,783,137 in total liabilities. Net Bonds and Loans Payable represents 63% of total liabilities.

## Fund Balance/Net Position

As of June 30, 2018, the total fund balance is approximately \$133,737,059. The fund balance has increased each year since 2013, as shown in the following table. A full review of the District's assets, liabilities, and net position is shown in page 213 (refer to **Table 114**).

**Table 114: Fund Balance/Net Position**

|                                   | <b>FY 13-14<br/>(Audited)</b> | <b>FY 14-15<br/>(Audited)</b> | <b>FY 15-16<br/>(Audited)</b> | <b>FY 16-17<br/>(Audited)</b> | <b>FY 17-18<br/>(Audited)</b> |
|-----------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| <b>Net Position</b>               | <b>\$121,390,042</b>          | <b>\$124,637,087</b>          | <b>\$127,129,154</b>          | <b>\$131,067,478</b>          | <b>\$133,737,059</b>          |
| Change in (\$) from previous year |                               | \$3,247,045                   | \$2,492,067                   | \$3,938,324                   | \$2,669,581                   |
| Change in (%) from previous year  |                               | 3%                            | 2%                            | 3%                            | 2%                            |



**Table 115: Total Revenues & Expenditures**

|                                    | FY 13-14<br>(Audit)   | FY 14-15<br>(Audit)   | FY 15-16<br>(Audit)   | FY 16-17<br>(Audit)   | FY 17-18<br>(Audit)   | FY 18-19<br>(Budget)  | FY 19-20<br>(Budget)   |
|------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|------------------------|
| <b>REVENUE</b>                     |                       |                       |                       |                       |                       |                       |                        |
| Charges for Services               | \$ 21,977,224         | \$ 22,412,016         | \$ 23,491,067         | \$ 23,814,123         | \$ 24,758,144         | \$ -                  | \$ -                   |
| Special Assessments                | \$ 93,064             | \$ 90,297             | \$ 91,598             | \$ 91,703             | \$ 91,348             | \$ -                  | \$ -                   |
| Aid from Other Government Agencies | \$ 21,898             |                       | \$ 1,586,016          | \$ 307,000            | \$ 965,497            | \$ -                  | \$ -                   |
| Investment Income                  | \$ 229,497            | \$ 153,593            | \$ 144,855            | \$ 116,239            | \$ 220,886            | \$ -                  | \$ -                   |
| Contributions and Donations        | \$ 238,396            |                       | \$ -                  | \$ -                  | \$ -                  | \$ -                  | \$ -                   |
| Gain on Sale of Capital Assets     | \$ 4,655              | \$ 84,529             | \$ 600                | \$ -                  | \$ -                  | \$ -                  | \$ -                   |
| <b>Total Revenue</b>               | <b>\$ 22,564,734</b>  | <b>\$ 22,740,435</b>  | <b>\$ 25,314,136</b>  | <b>\$ 24,329,065</b>  | <b>\$ 26,035,875</b>  | <b>\$ 43,855,898</b>  | <b>\$ 41,963,853</b>   |
| <b>EXPENDITURE</b>                 |                       |                       |                       |                       |                       |                       |                        |
| General and Administrative         | \$ 4,438,926          | \$ 4,639,987          | \$ 5,331,941          | \$ 5,357,032          | \$ 5,434,920          | \$ -                  | \$ -                   |
| Services and Supplies              | \$ 12,971,877         | \$ 9,545,195          | \$ 11,784,103         | \$ 9,817,855          | \$ 12,444,069         | \$ -                  | \$ -                   |
| Bond Interest and Related Fees     | \$ 855,013            | \$ 671,143            | \$ 401,514            | \$ 447,909            | \$ 298,209            | \$ -                  | \$ -                   |
| Loss on Sale of Capital Assets     | \$ -                  | \$ -                  | \$ -                  | \$ -                  | \$ 66,796             | \$ -                  | \$ -                   |
| Depreciation                       | \$ 4,432,511          | \$ 4,637,065          | \$ 4,334,037          | \$ 4,767,945          | \$ 5,122,300          | \$ -                  | \$ -                   |
| <b>Total Expenditure</b>           | <b>\$ 22,698,327</b>  | <b>\$ 19,493,390</b>  | <b>\$ 21,851,595</b>  | <b>\$ 20,390,741</b>  | <b>\$ 23,366,294</b>  | <b>\$ 52,472,086</b>  | <b>\$ 52,453,573</b>   |
| <b>Surplus/(Deficit)</b>           | <b>\$ (133,593)</b>   | <b>\$ 3,247,045</b>   | <b>\$ 3,462,541</b>   | <b>\$ 3,938,324</b>   | <b>\$ 2,669,581</b>   | <b>\$ (8,616,188)</b> | <b>\$ (10,489,720)</b> |
| Net Position - Beginning           | \$ 121,523,635        | \$ 121,390,042        | \$ 123,666,613        | \$ 127,129,154        | \$ 131,067,478        | \$ 133,737,059        | \$ 125,120,871         |
| <b>Net Position - Ending</b>       | <b>\$ 121,390,042</b> | <b>\$ 124,637,087</b> | <b>\$ 127,129,154</b> | <b>\$ 131,067,478</b> | <b>\$ 133,737,059</b> | <b>\$ 125,120,871</b> | <b>\$ 114,631,151</b>  |

**Table 116: Total Assets & Liabilities**

|  | FY 13-14<br>(Audit)   | FY 14-15<br>(Audit)   | FY 15-16<br>(Audit)   | FY 16-17<br>(Audit)   | FY 17-18<br>(Audit)   |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>ASSETS</b>  |                       |                       |                       |                       |                       |
| <u>Current Assets</u>                                    |                       |                       |                       |                       |                       |
| Cash and Investments with County Treasurer, Unrestricted | \$ 27,648,822         | \$ 19,821,327         | \$ 14,081,483         | \$ 10,385,721         | \$ 13,605,952         |
| Account Receivables                                      | \$ -                  | \$ 2,599              | \$ 155,904            | \$ 186,604            | \$ 30,700             |
| Prepaid Insurance  | \$ -                  | \$ -                  | \$ -                  | \$ 2,143              | \$ -                  |
| Inventories  | \$ 13,935             | \$ 13,935             | \$ 13,384             | \$ 13,212             | \$ 13,202             |
| <u>Non-Current Assets</u>                                |                       |                       |                       |                       |                       |
| Cash and Investments with County Treasurer, Restricted   | \$ 261,705            | \$ -                  | \$ -                  | \$ -                  | \$ -                  |
| Cash and Investments with Fiscal Agents                  | \$ 969,937            | \$ 969,937            | \$ 969,937            | \$ 969,937            | \$ -                  |
| Capital Assets, net                                      | \$ 118,455,757        | \$ 128,303,126        | \$ 135,868,817        | \$ 135,313,818        | \$ 133,815,265        |
| Promissory Note Receivable                               | \$ 55,077             | \$ 55,077             | \$ 55,077             | \$ 55,077             | \$ 55,077             |
| Other Assets   | \$ -                  | \$ -                  | \$ -                  | \$ 4,286              | \$ -                  |
| <b>Total Assets</b>                                      | <b>\$ 147,405,233</b> | <b>\$ 149,166,001</b> | <b>\$ 151,144,602</b> | <b>\$ 146,930,798</b> | <b>\$ 147,520,196</b> |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                    |                       |                       |                       |                       |                       |
| Loss on Refunding  | \$ -                  | \$ -                  | \$ -                  | \$ 39,230             | \$ -                  |
| <b>Total Deferred Outflows of Resources</b>              | <b>\$ -</b>           | <b>\$ -</b>           | <b>\$ -</b>           | <b>\$ 39,230</b>      | <b>\$ -</b>           |
| <b>LIABILITIES</b>                                       |                       |                       |                       |                       |                       |
| <u>Current Liabilities</u>                               |                       |                       |                       |                       |                       |
| Accounts Payable and Accrued Liabilities                 | \$ 2,593,103          | \$ 3,950,663          | \$ 6,378,577          | \$ 1,378,915          | \$ 2,818,542          |
| Accrued Bond Interest                                    | \$ 202,885            | \$ 234,128            | \$ 135,076            | \$ 151,293            | \$ 69,192             |
| Due to Other County Funds                                | \$ -                  | \$ -                  | \$ 128,644            | \$ -                  | \$ -                  |
| Capital Leases   | \$ -                  | \$ -                  | \$ -                  | \$ 963                | \$ 1,072              |
| Bonds and Loans Payable, Current Portion                 | \$ 2,868,614          | \$ 2,970,973          | \$ 3,062,801          | \$ 2,722,395          | \$ 2,212,666          |
| <u>Non-Current Liabilities</u>                           |                       |                       |                       |                       |                       |
| Bonds and Loans Payable, Net                             | \$ 20,344,124         | \$ 17,373,150         | \$ 14,310,350         | \$ 11,646,399         | \$ 8,680,151          |
| Capital Leases   | \$ -                  | \$ -                  | \$ -                  | \$ 2,585              | \$ 1,514              |
| Pollution Remediation Liability                          | \$ 6,465              | \$ -                  | \$ -                  | \$ -                  | \$ -                  |
| <b>Total Liabilities</b>                                 | <b>\$ 26,015,191</b>  | <b>\$ 24,528,914</b>  | <b>\$ 24,015,448</b>  | <b>\$ 15,902,550</b>  | <b>\$ 13,783,137</b>  |
| <b>NET POSITION</b>                                      |                       |                       |                       |                       |                       |
| Net Investment in Capital Assets                         | \$ 95,243,019         | \$ 107,959,003        | \$ 118,495,668        | \$ 120,980,706        | \$ 122,919,862        |
| Restricted for Debt Service                              | \$ 1,133,798          | \$ 968,799            | \$ 969,937            | \$ 969,937            | \$ -                  |
| Unrestricted   | \$ 25,013,225         | \$ 15,709,285         | \$ 7,663,549          | \$ 9,116,835          | \$ 10,817,197         |
| <b>Total Net Position</b>                                | <b>\$ 121,390,042</b> | <b>\$ 124,637,087</b> | <b>\$ 127,129,154</b> | <b>\$ 131,067,478</b> | <b>\$ 133,737,059</b> |

## Governance

The Santa Cruz County Sanitation District operates under the authority of the County Sanitation District Act. The Board consists of the Mayor of Capitola (or his or her council representative) and the County Supervisors representing the 1st and 2nd Districts. The current Board is as follows:

**Table 117: Board of Directors**

| Board Member      | Title                     | Years of Service | Term of Office Expiration |
|-------------------|---------------------------|------------------|---------------------------|
| Zach Friend       | Director                  | 6 years          | 1/2/2020                  |
| John Leopold      | Director                  | 10 years         | 1/2/2020                  |
| Jacques Bertrand  | Chairperson               | First Year       | 11/6/2022                 |
| <i>Sam Storey</i> | <i>Alternate Director</i> | <i>3 years</i>   | <i>11/9/2020</i>          |

Board members receive \$100 compensation per meeting. The Board's meeting room is located at 2750 Lode Street, Santa Cruz. The Board's regular meeting dates are the first and third Thursday of the month at 4:45 p.m. Public notice is provided through posting. The District contracts for independent audits.

The County of Santa Cruz Public Works Department is responsible for the administration, engineering, maintenance, emergency response and construction of all County sanitation services. The department also manages various Board-governed special districts and CSAs. The Sanitation Operations unit is one of six organizational units within the Special Services Division of Public Works and provides operation and maintenance services to County sanitation districts and CSAs. Sanitation operations employees work in all Districts and CSAs. Each sanitation district is governed according to its specific code of regulations. The Districts' codes are very similar, and some sections are adopted by reference from the Santa Cruz County Sanitation District Code. CSAs are governed according to the Santa Cruz County Code of Regulations. Most of the County Code pertaining to sanitary sewer collection systems is adopted by reference from the SCCSD Code.

### Website Requirements

Senate Bill 929 was signed into law in September 2018 and requires all independent special districts to have and maintain a website by January 1, 2020. It outlines minimum website data requirements, including contact information, financial reports, and meeting agendas/minutes. While this new law does not apply to county service areas, the County should consider following the requirements outlined in the new law. The County's water and sewer webpage offers a number of useful resources including formation resolutions, service maps, and current sewer charges for each County-operated sewer agency: <http://dpw.co.santa-cruz.ca.us/Home/SewerWater.aspx>. However, it is difficult to locate certain information and material.

***LAFCO Staff Recommendation:*** *It may be beneficial for the County to include links to staff reports or other supporting documents related to the annual sewer rates. Additionally, the webpage should include all past and future LAFCO service reviews involving the District as additional resource material.*

### Capital Improvement Plan

The County has adopted a capital improvement plan specifically for the Santa Cruz County Sanitation District. The purpose of this Capital Improvement Plan (CIP) is to identify and prioritize needs and project costs for planned improvements to the infrastructure that will serve the District's ratepayers in an efficient and cost-effective manner throughout the next five-plus years of growth and change. The 2018-23 CIP identifies over 40 different projects located in various areas of the District, including Live Oak, Soquel, Aptos, and the Cities of Capitola and Santa Cruz.

***LAFCO Staff Recommendation:*** *The County should consider developing a specific capital improvement plan that covers the sanitation districts managed and operated by the Public Works Department – Davenport, Freedom, Santa Cruz County Sanitation Districts, and CSAs 2, 5, 7, 10, and 20.*

### Sewer System Management Plan

The State Water Resources Control Board regulates wastewater discharges to surface water (rivers, ocean, etc.) and to groundwater (via land). The State Water Board requires sanitation districts to follow the Statewide General Waste Discharge Requirements for Sanitary Sewer Systems. These requirements include the following:

- Sanitary Sewer Overflows are prohibited, and
- All Sanitary Sewer Overflow (SSOs), with the exception of Private Sewer Lateral Discharge (PLSDs), irrespective of size, must be reported to the State Water Board electronically using the California Integrated Water Quality System, and the Districts/CSAs must prepare and implement a Sewer System Management Plan (SSMP).

In 2017, the County adopted a Sewer System Management Plan to cover the management, operation and maintenance, design, construction and emergency response of the Davenport Sanitation District, Freedom Sanitation District, Santa Cruz County Sanitation District and County Service Areas sanitary sewer systems.

### Urban Services Line

The County General Plan, the Local Coastal Program Land Use Plan and Chapter 17.01 SCCC (Growth Management) requires the County to preserve a distinction between urban and rural areas, to encourage the location of new development in urban areas, and to protect agricultural land and natural resources in rural areas. These policies are supported by the establishment of a rural services line (RSL) and an Urban Services Line (USL) to define areas which are or have the potential to be urban and areas which are and should remain rural. The establishment of distinct urban boundaries serves the following purposes:

- To administer separate urban and rural growth rates and the allocation of residential building permits;

- To encourage residential development to locate in urban areas and to discourage division of land in rural areas;
- To develop and apply different policies governing urban and rural development;
- To provide a basis for a County capital improvements program;
- To coordinate planning for the public services among the County, cities, special districts, and the Local Agency Formation Commission (LAFCO);
- To ensure that urban development proceeds at a pace consistent with the provision of urban public services; and
- To limit the extension of urban services to those areas within the rural services line in the Coastal Zone. [Ord. 4416 § 27, 1996; Ord. 4406 § 27, 1996; Ord. 3327 § 1, 1982; Ord. 2657, 1979].

It is important to note that the Urban Services Line was developed and managed by the County, not LAFCO. Historically, LAFCO staff receives inquiries from confused landowners who are interested in connecting to the Santa Cruz County Sanitation District but are unfamiliar with the Urban Services Line restrictions. A primary reason for such confusion is the inconsistency between the District's jurisdictional and sphere boundaries and the Urban Services Line, as shown on the map on page 217 (refer to **Figure 83**).

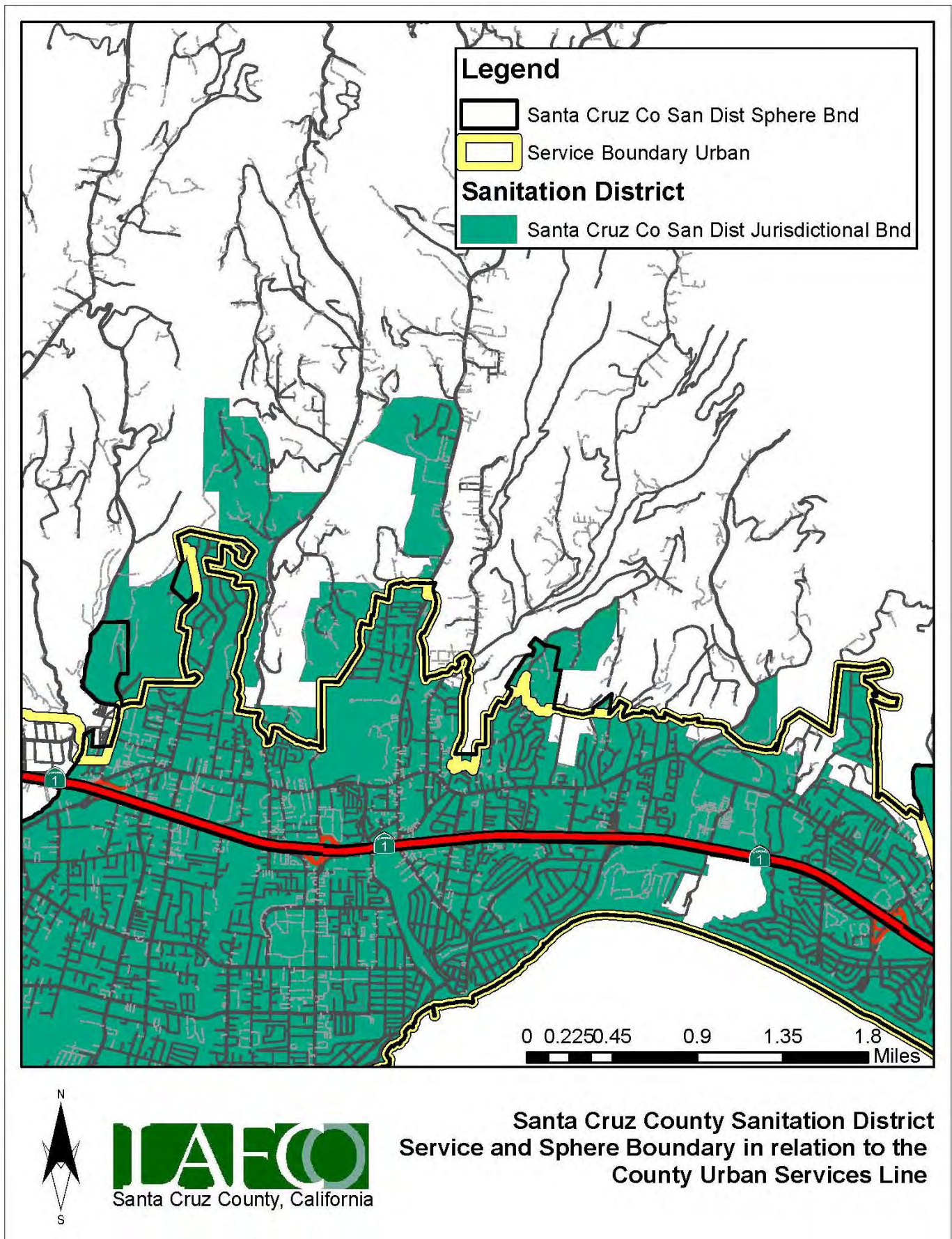
The Santa Cruz County Sanitation District's northern boundary does not match the County Urban Services Line. In some cases, before the adoption of the Urban Services Line in 1979, the District annexed strips of land up into the lower elevations of Santa Cruz Mountains. The Urban Services Line was subsequently adopted closer to the urbanized and sewer areas of the Mid-County. The current County General Plan does not envision urban or suburban development occurring further than the Urban Services Line at the edge of the mountains, and the County and District may want to propose detachments of the areas within the district boundary that are unsewered and beyond the Urban Services Line.

In other cases, there are areas within the Urban Services Line and the adopted District Sphere of Influence that are not within the County Sanitation District's boundaries. The current practice is for individual property owners to apply for annexation either when a septic system fails at an existing house, or when the planning approvals are secured for new development. The County and District may want to propose wholesale annexations of areas within the Urban Service Area that are developed or are planned for development at a density that only utilizes sanitary sewers.

***LAFCO Staff Recommendation:*** *The County and LAFCO staff members should meet to discuss how the Urban Services Line relates to the District's jurisdiction and sphere of influence and explore opportunities to address irregular boundaries.*



**Figure 83: Areas of Conflict with the County Urban Services Line**





## Opportunities & Challenges

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The Santa Cruz County Sanitation District is significantly affected by aging infrastructure, escalating operational costs, and changes to state laws and regulations that may introduce new requirements without additional funding. These issues are common with other sanitation districts in Santa Cruz County. The following section discusses these challenges and identifies possible opportunities to ensure the delivery of wastewater services in an efficient and effective manner.

### Regional Collaboration

Several sanitation districts, including entities managed and operated by the County, have expressed interest in transferring sewer responsibilities to another agency due to funding issues, limited long-term planning, or lack of economies of scale. Establishment of a countywide memorandum of understanding or a joint powers authority may unify the already-established collaboration set by the sanitation providers in the county. Such agreements may also lay the foundation for future changes of organization, including but not limited to annexations, consolidations, or mergers.

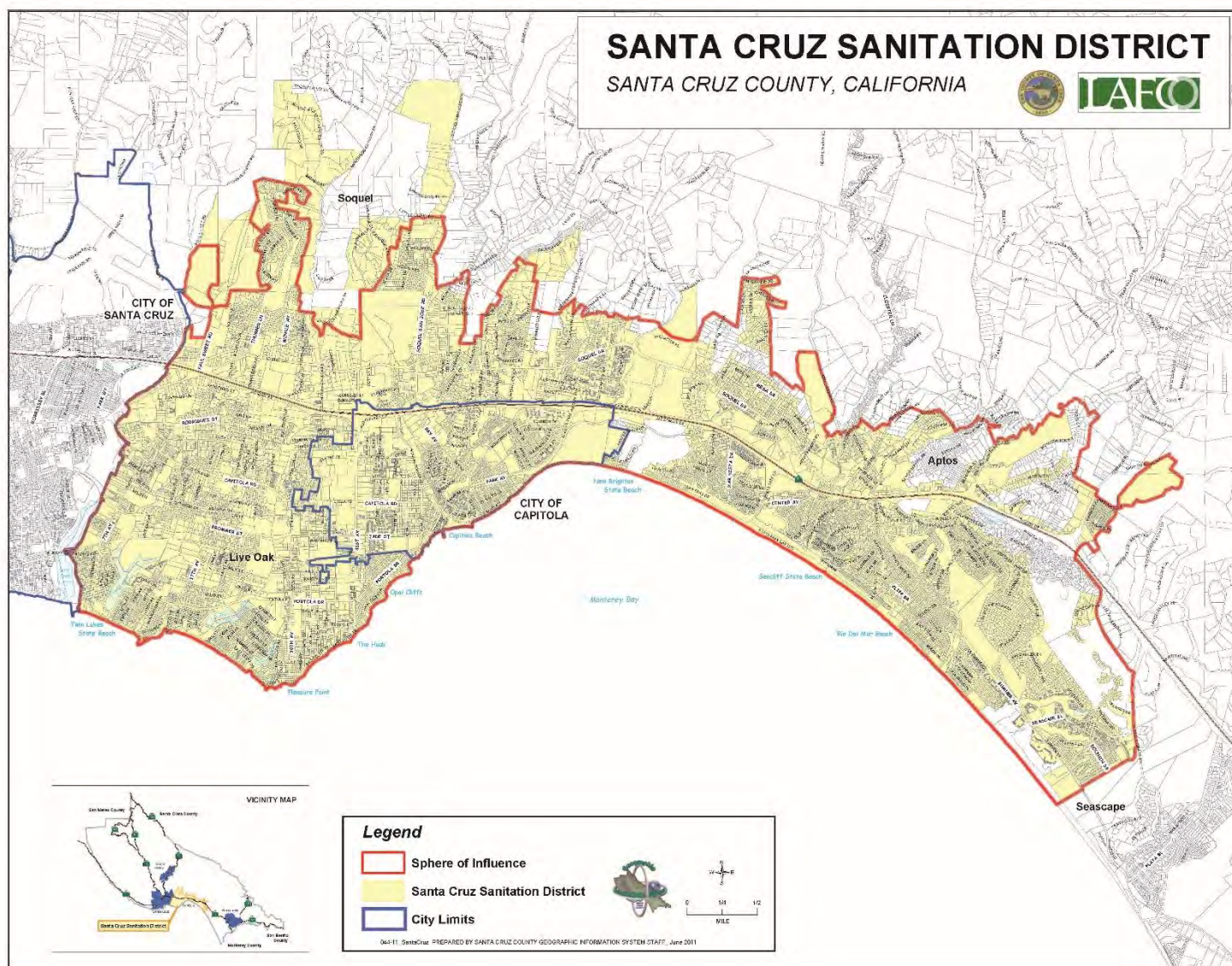
### Sphere of Influence

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LAFCO originally adopted a sphere of influence for the Santa Cruz County Sanitation District on October 5, 1983. The main theme of that sphere boundary was to utilize the County's Urban Services Line as the primary tool to locate the sphere line. Sanitary sewer is perhaps the clearest example of an "urban service." The adopted sphere of influence line included the areas of the District in Live Oak, Capitola, Soquel, and Aptos and many developed and undeveloped areas of Live Oak (Santa Cruz Gardens), Soquel, and Aptos that were inside the Urban Services Line, but not yet annexed or connected for sewer service.

The 1983 sphere excluded a series of unserved rural areas in the lower Santa Cruz Mountains above Live Oak, Soquel, and Aptos that were outside the Urban Services Line, but had annexed to the Sanitation District, by its predecessor district during the 1950s, 1960s, and 1970s. LAFCO staff, along with District representatives, do not recommend any changes to the sphere of influence at this time. However, the County and LAFCO should meet to discuss how the Urban Services Line relates to the District's jurisdiction and sphere of influence and explore opportunities to address irregular boundaries. **Figure 84** shows the current sphere of influence boundary for the Santa Cruz County Sanitation District.

**Figure 84: Santa Cruz County Sanitation District's Current Sphere Map**



## District Summary

| Santa Cruz County Sanitation District |  |
|---------------------------------------|--|
| <b>Formation</b>                      | County Sanitation District Act (Health and Safety Code Sections 4700-4858)   |
| <b>Board of Directors</b>             | Three-member board; two County Board of Supervisors and one Capitola City Council Member.  |
| <b>Contact Person</b>                 | Beatriz Barranco, Senior Engineer, Sanitation Operations   |
| <b>Employees</b>                      | 52 full-time employees (approximately)   |
| <b>Facilities</b>                     | Collection Plant; 35 pump stations; 36,000 connections   |
| <b>District Area</b>                  | 870 acres (1.36 square mile)   |
| <b>Sphere of Influence</b>            | Slightly larger than the District in the south-eastern side (i.e. sphere goes beyond existing jurisdictional boundary); and  |
| <b>FY 2019-20 Budget</b>              | <p>Total Revenue = \$41,963,853</p> <p>Total Expenditure = \$52,453,573</p> <p>Projected Net Position (Beginning Balance) = \$133,737,059</p>  |
| <b>Contact Information</b>            | <p>Mailing Address: 701 Ocean Street, Santa Cruz CA 95060</p> <p>Phone Number: (831) 477-3907</p> <p>Email Address: <a href="mailto:Beatriz.Barranco@santacruzcounty.us">Beatriz.Barranco@santacruzcounty.us</a></p> <p>Website: <a href="http://dpw.co.santa-cruz.ca.us/Home/SewerWater.aspx">http://dpw.co.santa-cruz.ca.us/Home/SewerWater.aspx</a></p>   |
| <b>Public Meetings</b>                | The Board's regular meeting dates are the first and third Thursday of the month at 4:45 p.m. Meetings are held at 2750 Lode Street, Santa Cruz.  |
| <b>Mission Statement</b>              | "The purpose of the District is to construct and maintain pipelines transporting waste from the District to the Wastewater Treatment Facility, as well as to provide instruction, services, and monitoring for environmental compliance. To accomplish this last item, the District's Environmental Compliance Unit conducts programs to educate residents, professionals, and business owners about the proper use of their sewer and drainage systems in order to help preserve their own, as well as the District's, facilities and to help protect the environment." |

## **Service and Sphere Review Determinations**

The following service and sphere review determinations fulfill the requirements outlined in the Cortese-Knox-Hertzberg Act. The County was instrumental in addressing the determinations by responding to a survey sent by LAFCO in June 2019. **Appendix J** provides a copy of the District's survey response.

### **Service Provision Determinations**

Government Code Section 56430 requires LAFCO to conduct a municipal service review before, or in conjunction with, an action to establish or update a sphere of influence. Written statements of determination must be prepared with respect to each of the following:

**1. Growth and population projections for the affected area.**

There are no growth projections available for the Santa Cruz County Sanitation District. In general, the Santa Cruz County unincorporated area is projected to have slow growth over the next fifteen years. However, the District also includes the entire City of Capitola. The Public Works Department has estimated the population within the total area at approximately 72,000. Based on the growth rate of approximately 1% for the unincorporated areas in the County, LAFCO staff projects that the District's entire population in 2020 will be around 73,600.

**2. The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence.**

Based on the criteria set forth by SB 244, staff's analysis located two DUCs near the Santa Cruz County Sanitation District (as shown in the figure below). However, these two DUC areas are not within or adjacent to the District's service or sphere boundary. Additionally, these two DUCs are on vacant parcels outside the University of California, Santa Cruz. The County's General Plan designates the upper DUC, located north of McLaughlin Drive, as Special Use. The lower DUC, located south of Empire Grade, is designated as Commercial Agriculture. Based on the two identified DUCs being undeveloped and uninhabited, the Commission should not consider these areas as a disadvantaged unincorporated community in future boundary changes.

**3. 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.**

The Santa Cruz County Sanitation District provides wastewater collection service for the City of Capitola and the unincorporated communities of Aptos, Soquel and Live Oak. The District also serves Harbor High School, a satellite medical center and the Port District which are within the City of Santa Cruz and outside the District's boundary. The District receives periodic inquiries regarding sewer service in the La Selva Beach area due to septic problems in that area, but that area lies outside its current sphere of influence.

The Santa Cruz County Sanitation District was formed in 1973 by the consolidation of three sanitation districts: East Cliff, Capitola, and Aptos. At that time each district had a primary treatment plant and ocean outfall into Monterey Bay. The discharges did not meet either the Federal or State clean water standards. During the 1970s the District

participated in regional sewer studies and ultimately acted to abandon its treatment plants and outfall, build a transmission line into the City of Santa Cruz, and contract with the city to treat and dispose of the District's sewage. The city built a new outfall in 1989 and added secondary treatment in 1998.

**4. Financial ability of agencies to provide services.**

For FY 19-20, the County adopted a budget of \$42 million in anticipated revenue. The District has successfully kept costs below its revenue stream since 2014. Audited financial statements from Fiscal Years 2014 to 2018 indicate that the increase in net position has ranged from \$2.6 million to \$3.9 million. As of June 30, 2018, the District is operating with a net position of approximately \$134 million, of which \$14 million is in cash and investments. However, the two most recently adopted budgets (FY 18-19 and FY 19-20) indicate potential revenue shortage ranging between \$8-10 million.

**5. Status of, and opportunities for, shared facilities.**

Several sanitation districts, including entities managed and operated by the County, have expressed interest in transferring sewer responsibilities to another agency due to funding issues, limited long-term planning, or lack of economies of scale. Establishment of a countywide memorandum of understanding or a joint powers authority may unify the already-established collaboration set by the sanitation providers in the county. Such agreements may also lay the foundation for future changes of organization, including but not limited to annexations, consolidations, or mergers.

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

The Santa Cruz County Sanitation District provides wastewater collection service for the City of Capitola and the unincorporated communities of Aptos, Soquel and Live Oak. The District also serves Harbor High School, a satellite medical center and the Port District which are within the City of Santa Cruz and outside the District's boundary.

The County currently has a contractual agreement with the City of Santa Cruz to transfer collected wastewater to the City of Santa Cruz's treatment system. The City treats the sewage at its Neary Lagoon Wastewater Treatment Facility and disposes the treated wastewater into the Pacific Ocean off West Cliff Drive. The District currently has 36,000 connections and serves over 72,000 residents.

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

No additional local LAFCO policies are specifically relevant to this service and sphere review.



## **Sphere of Influence Determinations**

Government Code Section 56425 requires LAFCO to periodically review and update spheres of influence in concert with conducting municipal service reviews. Spheres are used as regional planning tools to discourage urban sprawl and encourage orderly growth. Written statements of determination must be prepared with respect to each of the following:

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

There are no agricultural or open-space lands within the service area.

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

The Santa Cruz County Sanitation District provides wastewater collection service for the City of Capitola and the unincorporated communities of Aptos, Soquel and Live Oak. The District also serves Harbor High School, a satellite medical center and the Port District which are within the City of Santa Cruz and outside the District's boundary. The County currently has a contractual agreement with the City of Santa Cruz to transfer collected wastewater to the City of Santa Cruz's treatment system. The City treats the sewage at its Neary Lagoon Wastewater Treatment Facility and disposes the treated wastewater into the Pacific Ocean off West Cliff Drive. The District currently has 36,000 connections and serves over 72,000 residents.

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

LAFCO originally adopted a sphere of influence for the Santa Cruz County Sanitation District back in 1983. The adopted sphere of influence boundary included the areas of the District in Live Oak, Capitola, Soquel, and Aptos and many developed and undeveloped areas of Live Oak (Santa Cruz Gardens), Soquel, and Aptos that were inside the Urban Services Line, but not yet annexed or connected for sewer service. However, there are still inconsistencies between the District's jurisdictional and sphere boundaries and the Urban Services Line.

**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.**

LAFCO staff is not aware of any social or economic communities of interest in the area. The CSA's service area is primarily residential units.

**5. For an update of a 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, that occurs pursuant to subdivision (g) on or after July 1, 2012, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.**

Neither the County nor LAFCO has identified any sub-area within or contiguous to the District's service or sphere boundaries that meet the definition of a disadvantaged unincorporated community. That said, the District has adequate transmission and treatment capacity for the present and planned facilities within the sphere of influence. The District's principal needs are repair and replacement of aging infrastructure.



## APPENDICES

- A. Bear Creek Estates Wastewater System – Survey Response**
- B. CSA 2 (Place de Mer) – Survey Response**
- C. CSA 5 (Sand Dollar/Canon del Sol) – Survey Response**
- D. CSA 7 (Boulder Creek) – Survey Response**
- E. CSA 10 (Rolling Woods/Graham Hill) – Survey Response**
- F. CSA 20 (Trestle Beach) – Survey Response**
- G. Davenport County Sanitation District – Survey Response**
- H. Freedom County Sanitation District – Survey Response**
- I. Salsipuedes Sanitary District – Survey Response**
- J. Santa Cruz County Sanitation District – Survey Response**



LOCAL AGENCY FORMATION COMMISSION OF SANTA CRUZ COUNTY  
RESOLUTION NO. 2019-19

On the motion of Commissioner  
duly seconded by Commissioner  
the following resolution is adopted:

APPROVING THE 2019 COMPREHENSIVE SANITATION  
SERVICE AND SPHERE REVIEW

\*\*\*\*\*

The Local Agency Formation Commission of Santa Cruz County (the "Commission") does hereby resolve, determine, and order as follows:

1. In accordance with Government Code sections 56425, 56427, and 56430, the Commission has initiated and conducted the 2019 Service and Sphere of Influence Review for ten sanitation districts: Bear Creek Estates Wastewater System, Davenport County Sanitation District, Freedom County Sanitation District, Salsipuedes Sanitary District, Santa Cruz County Sanitation District, and County Service Areas 2, 5, 7, 10, and 20.
2. The Commission's Executive Officer has given notice of a public hearing by this Commission of the service and sphere of influence review in the form and manner prescribed by law.
3. The Commission held a public hearing on October 2, 2019, and at the hearing, the Commission heard and received all oral and written protests, objections, and evidence that were presented.
4. Pursuant to State CEQA Guidelines section 15061(b)(3), this Commission action does not change the services or the planned service area of the subject agencies. There is no possibility that the activity may have a significant impact on the environment. This action qualifies for a Notice of Exemption under the California Environmental Quality Act.
5. The Commission hereby approves the 2019 Comprehensive Sanitation Service and Sphere Review.
6. The Commission hereby approves the Service Review Determinations, as shown on Exhibits 1, 4, 7, 10, 13, 16, 19, 22, 25, and 28.
7. The Commission hereby approves the Sphere of Influence Determinations, as shown on Exhibits 2, 5, 8, 11, 14, 17, 20, 23, 26, and 29.

8. The Commission hereby reaffirms the existing Sphere of Influence Maps for all sanitation districts within the 2019 service and sphere review, excluding the Bear Creek Estates Wastewater System and County Service Area 20 (Trestle Beach), as shown on Exhibits 6, 9, 12, 15, 21, 24, 27, and 30.
9. The Commission hereby adopts a Zero Sphere of Influence for Bear Creek Estates Wastewater System, as shown on Exhibit 3.
10. The Commission hereby adopts a Coterminous Sphere of Influence for County Service Area 20 (Trestle Beach), as shown on Exhibit 18.
11. The Commission hereby directs the LAFCO Executive Officer to meet with the County Public Works Department to discuss how the Urban Services Line relates to the Santa Cruz County Sanitation District's jurisdictional and sphere boundaries, and explore opportunities to address any irregularities.

PASSED AND ADOPTED by the Local Agency Formation Commission of Santa Cruz County this 2nd day of October 2019.

AYES:

NOES:

ABSENT:

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JAMES W. ANDERSON, CHAIRPERSON

Attest:

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Joe A. Serrano  
Executive Officer

Approved as to form:

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Jason M. Heath  
LAFCO Counsel

**EXHIBIT 1**  
**BEAR CREEK ESTATES WASTEWATER SYSTEM**  
**2019 SERVICE REVIEW DETERMINATIONS**

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**1. Growth and population projections for the affected area.**

There are no growth projections available for the San Lorenzo Valley Water District or the Bear Creek Estates Wastewater System. In general, the Santa Cruz County unincorporated area is projected to have slow growth over the next fifteen years. The FY 2017-18 audit indicates that the District provides water service to approximately 7,900 customers within its service area. LAFCO staff estimates that the population within the Bear Creek Estates Wastewater System was approximately 183 in 2015. Based on the growth rate of approximately 1% for the unincorporated areas in the County, LAFCO staff projects that the System's entire population in 2020 will be around 185.

**2. The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence.**

In 2017, the California statewide median household income was \$67,169<sup>1</sup>, and 80% of that was \$53,735. LAFCO staff utilized the ArcGIS mapping program to locate potential DUCs in the County. Based on the criteria set forth by SB 244, staff's analysis indicates that there are no areas in the Bear Creek Estates Wastewater System designated as a disadvantaged unincorporated community.

**3. 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.**

The San Lorenzo Valley Water District (SLVWD) was formed back in 1941 and provides water service to approximately 7,900 connections throughout the communities of Boulder Creek, Brookdale, Ben Lomond, Felton, Zayante, and southern Scotts Valley. Since the development of the Bear Creek Estates subdivision back in 1985, SLVWD has been providing sewer service to 56 connections under the governance of the Bear Creek Estates Wastewater System. This residential subdivision has approximately 183 residents and represents less than 1% of the total population within the San Lorenzo Valley Water District. The District has expressed interest in transferring sewer service responsibilities to another local agency.

**4. Financial ability of agencies to provide services.**

The Bear Creek Estates Wastewater System has experienced an annual deficit over the past six years. Audited financial statements from Fiscal Years 2013 to 2018 indicate that the annual shortage has ranged from \$2,200 to \$60,000. As of June 30, 2018, the System is operating with a net position of approximately \$339,000 with no current assets or cash available. LAFCO staff projects that this negative trend will continue unless the System increases its overall revenue stream or decreases annual expenses.

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<sup>1</sup> 2013-2017 American Community Survey 5-year Estimates

**5. Status of, and opportunities for, shared facilities.**

Several sanitation districts, including the Bear Creek Estates Wastewater System, have expressed interest in transferring sewer responsibilities to another agency due to funding issues, limited long-term planning, or lack of economies of scale. Establishment of a countywide memorandum of understanding or a joint powers authority may unify the already-established collaboration set by the sanitation providers in the county. Such agreements may also lay the foundation for future changes of organization, including but not limited to annexations, consolidations, or mergers.

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

The San Lorenzo Valley Water District has adopted a District-wide capital improvement plan. Based on staff's research, there are no capital improvement projects scheduled involving the Bear Creek Estates Wastewater System. The District should consider adopting a long-term maintenance plan to ensure scheduled and unforeseen repairs, replacements, and installations are adequately funded.

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

No additional local LAFCO policies are specifically relevant to this service and sphere review.

**EXHIBIT 2**  
**BEAR CREEK ESTATES WASTEWATER SYSTEM**  
**2019 SPHERE OF INFLUENCE DETERMINATIONS**

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

The Bear Creek Estates Wastewater System's service area is built out with residential homes. There are no agricultural or open-space lands within the service area.

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

Due to the System's ongoing financial constraints, in conjunction with SLVWD's interest in transferring sewer responsibilities to another local agency, LAFCO staff recommends adopting a zero sphere of influence for the Bear Creek Estates Wastewater System.

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

The San Lorenzo Valley Water District owns, operates, and maintains a wastewater system in Boulder Creek's Bear Creek Estates. Based on staff's analysis, the System has 56 connections with 1.2 miles of sewer lines and 2 pump stations. The System is operating on a routine or as needed basis with staff being allocated from the Operations & Distribution or Supply & Treatment Departments. The San Lorenzo Valley Water District desires to transfer ownership and operation of the wastewater system to another agency, such as the County of Santa Cruz, which may be able to operate the system more efficiently. The District's 2016 Strategic Plan identifies specific steps to potentially transfer service provisions to another local agency.

**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.**

LAFCO staff is not aware of any social or economic communities of interest in the area. The Bear Creek Estates Wastewater System's service area is primarily single-family homes.

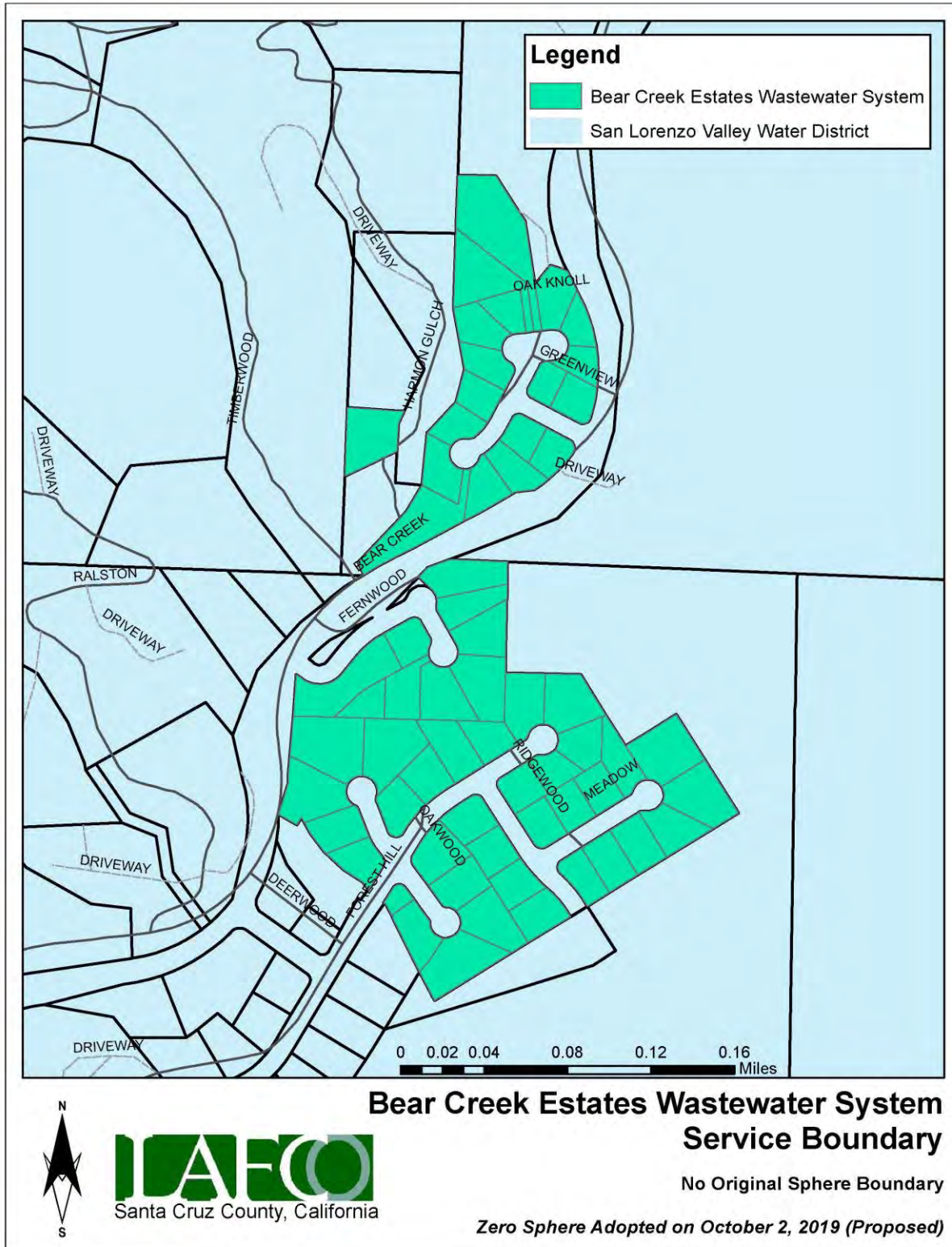
**5. For an update of a sphere of influence of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, that occurs pursuant to subdivision (g) on or after July 1, 2012, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.**

Neither the County nor LAFCO has identified any sub-area within or contiguous to the District's service or sphere boundaries that meet the definition of a disadvantaged unincorporated community. That said, the District has adequate transmission and treatment capacity for the present and planned facilities within the sphere of influence. The District's principal needs are repair and replacement of aging infrastructure.



**EXHIBIT 3**  
**BEAR CREEK ESTATES WASTEWATER SYSTEM**  
**SPHERE OF INFLUENCE MAP**

LAFCO adopts a Zero Sphere of Influence for the Bear Creek Estates  
Wastewater System.



**EXHIBIT 4**  
**COUNTY SERVICE AREA 2 (PLACE DE MER)**  
**2019 SERVICE REVIEW DETERMINATIONS**

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**1. Growth and population projections for the affected area.**

The Place de Mer subdivision is an ocean-front residential development in La Selva Beach that is substantially built-out. There are no growth projections available for CSA 2. In general, the Santa Cruz County unincorporated area is projected to have slow growth over the next fifteen years. The County Public Works Department estimates that the population within CSA 2 is approximately 168. Based on the growth rate of approximately 1% for the unincorporated areas in the County, LAFCO staff projects that CSA 2's entire population in 2020 will be around 170.

**2. The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence.**

In 2017, the California statewide median household income was \$67,169, and 80% of that was \$53,735. LAFCO staff utilized the ArcGIS mapping program to locate potential DUCs in the County. Based on the criteria set forth by SB 244, staff's analysis indicates that there are no areas in CSA 2 designated as a disadvantaged unincorporated community.

**3. 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.**

County Service Area 2 has been collecting and disposing wastewater from the ocean-front townhome development in La Selva Beach, known as Place de Mer, since the construction of the septic system back in 1972. The current two-pump station community septic tank system has 97 connections and serves about 168 residents.

**4. Financial ability of agencies to provide services.**

County Service Area 2's financial ability to provide services is well-established. The CSA has successfully kept costs below its revenue stream since 2013. Audited financial statements from Fiscal Years 2013 to 2017 indicate that total revenue for CSA 2 exceeded total expenditures. However, the CSA experienced a deficit in FY 2017-18. As of June 30, 2018, CSA 2 is operating with a net position of approximately \$579,000, of which \$493,000 is in cash and investments.

**5. Status of, and opportunities for, shared facilities.**

Several sanitation districts, including entities managed and operated by the County, have expressed interest in transferring sewer responsibilities to another agency due to funding issues, limited long-term planning, or lack of economies of scale. Establishment of a countywide memorandum of understanding or a joint powers authority may unify the already-established collaboration set by the sanitation providers in the county. Such agreements

may also lay the foundation for future changes of organization, including but not limited to annexations, consolidations, or mergers.

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

The County currently has a countywide capital improvement plan and a specific capital improvement plan for the Santa Cruz County Sanitation District. Additionally, the County has adopted a Sewer System Management Plan. However, CSA 2 does not have any current or proposed sewer-related capital improvement projects scheduled at this time.

The County has indicated that the existing community septic tank system is undersized and requires new larger tanks and new leach pits. Estimated costs for these upgrades are expected to be around \$1-2 million. CSA 2 does not have the reserves to pay for the required septic system upgrade. The County should consider developing a long-term maintenance plan to identify adequate funding in order to address current and future maintenance, replacement, and/or upgrades to an aging infrastructure.

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

No additional local LAFCO policies are specifically relevant to this service and sphere review.

**EXHIBIT 5**  
**COUNTY SERVICE AREA 2 (PLACE DE MER)**  
**2019 SPHERE OF INFLUENCE DETERMINATIONS**

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

The Place de Mer subdivision is an ocean-front residential development in La Selva Beach that is substantially built-out. There are no agricultural or open-space lands within the service area.

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

The Place de Mer subdivision is an ocean-front residential development in La Selva Beach that is substantially built-out. Based on the growth rate of approximately 1% for the unincorporated areas in the County, LAFCO staff projects that CSA 2's entire population in 2020 will be around 170.

LAFCO originally adopted a coterminous sphere of influence for the District in 1988. A coterminous sphere of influence is identical to the agency's jurisdictional boundary. For the past 30 years, the sphere boundary has remained unchanged. LAFCO staff, along with representatives of CSA 2, do not recommend any changes to the sphere of influence at this time.

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

CSA 2 Place De Mer has an aging septic system that services the privately-owned residential properties. The system is maintained by the County of Santa Cruz. Based on staff's analysis, CSA 2 has 97 connections with 0.4 miles of sewer lines and 2 pump stations. Annual sewer charges are the District's primary source of revenue.

**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.**

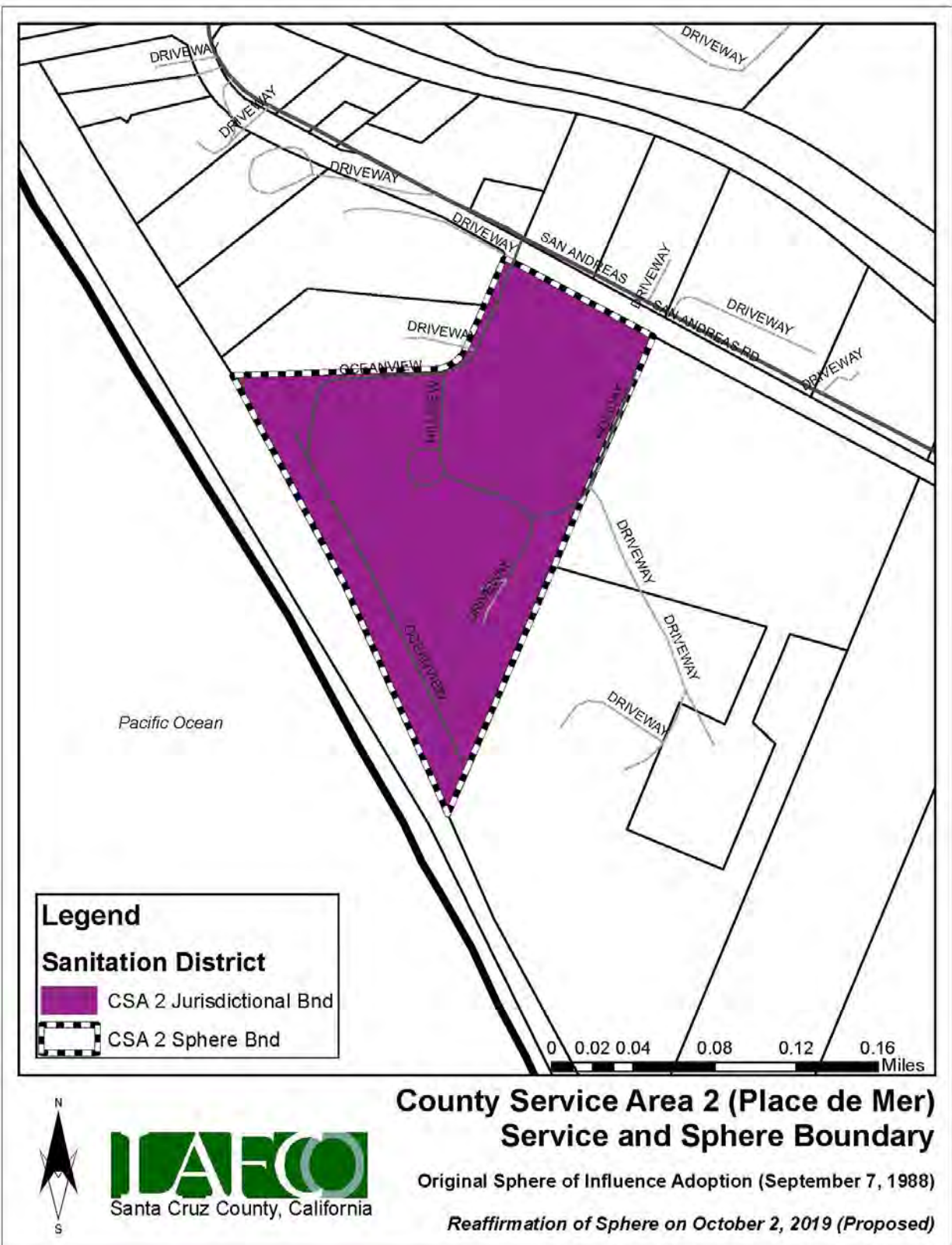
LAFCO staff is not aware of any social or economic communities of interest in the area. The CSA's service area is primarily residential units.

**5. For an update of a 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, that occurs pursuant to subdivision (g) on or after July 1, 2012, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.**

Neither the County nor LAFCO has identified any sub-area within or contiguous to the District's service or sphere boundaries that meet the definition of a disadvantaged unincorporated community. That said, CSA 2 has adequate transmission and treatment capacity for the present and planned facilities within the sphere of influence. The CSA's principal needs are repair and replacement of aging infrastructure.

**EXHIBIT 6**  
**COUNTY SERVICE AREA 2 (PLACE DE MER)**  
**SPHERE OF INFLUENCE MAP**

LAFCO maintains the Sphere of Influence of CSA 2 with no amendments.





**EXHIBIT 7**  
**COUNTY SERVICE AREA 5 (SAND DOLLAR/CANON DEL SOL)**  
**2019 SERVICE REVIEW DETERMINATIONS**

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**1. Growth and population projections for the affected area.**

The Sand Dollar/Canon del Sol subdivisions are considered to be built-out. There are no growth projections available for CSA 5. In general, the Santa Cruz County unincorporated area is projected to have slow growth over the next fifteen years. The County Public Works Department estimates that the population within CSA 5 is approximately 218. Based on the growth rate of approximately 1% for the unincorporated areas in the County, LAFCO staff projects that CSA 5's entire population in 2020 will be around 220.

**2. The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence.**

In 2017, the California statewide median household income was \$67,169, and 80% of that was \$53,735. LAFCO staff utilized the ArcGIS mapping program to locate potential DUCs in the County. Based on the criteria set forth by SB 244, staff's analysis indicates that there are no areas in CSA 5 designated as a disadvantaged unincorporated community.

**3. 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.**

County Service Area 5 operates two separate treatment plants and serves over 200 residents. The Sand Dollar treatment plant was constructed in 1967 and the Canon del Sol treatment plant was constructed in 1982. It currently has 184 connections and approximately 1.2 miles of sewer line.

**4. Financial ability of agencies to provide services.**

County Service Area 5's annual sewer rates derive from the single-family residential units in the Sand Dollar area and the condominiums in the Canon del Sol area. Each community has its own sewer rate. These annual rates are the primary source of revenue for the CSA. Audited financial statements from Fiscal Years 2013 to 2018 indicate that CSA 5 has experienced a fiscal shortage in two separate years (FY 14-15 and FY 17-18). As of June 30, 2018, CSA 5 is operating with a net position of approximately \$788,000, of which \$311,000 is in cash and investments.

**5. Status of, and opportunities for, shared facilities.**

Several sanitation districts, including entities managed and operated by the County, have expressed interest in transferring sewer responsibilities to another agency due to funding issues, limited long-term planning, or lack of economies of scale. Establishment of a countywide memorandum of understanding or a joint powers authority may unify the already-established collaboration set by the sanitation providers in the county. Such agreements may also lay the foundation for future changes of organization, including but not limited to annexations, consolidations, or mergers.



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

The County currently has a countywide capital improvement plan and a specific capital improvement plan for the Santa Cruz County Sanitation District. Additionally, the County has adopted a Sewer System Management Plan. However, CSA 5 does not have any current or proposed sewer-related capital improvement projects scheduled at this time.

The County has indicated that a grating must be installed over the existing aeration tank. Estimated costs for this installation are expected to be over \$100,000. CSA 5 currently has enough reserves to pay for the installation at this time. However, if there is a system failure that occurs and must be fixed on an emergency basis, CSA 5 may require additional funds. The County should consider developing a long-term maintenance plan to identify adequate funding in order to address current and future maintenance, replacement, and/or upgrades to an aging infrastructure.

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

No additional local LAFCO policies are specifically relevant to this service and sphere review.

**EXHIBIT 8**  
**COUNTY SERVICE AREA 5 (SAND DOLLAR/CANON DEL SOL)**  
**2019 SPHERE OF INFLUENCE DETERMINATIONS**

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

There are no agricultural or open-space lands within the service area.

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

The Sand Dollar and Canon del Sol subdivisions are substantially built-out. Based on the growth rate of approximately 1% for the unincorporated areas in the County, LAFCO staff projects that CSA 5's entire population in 2020 will be around 220.

LAFCO originally adopted a coterminous sphere of influence for CSA 5 in 1988. A coterminous sphere of influence is identical to the agency's jurisdictional boundary. For the past 30 years, the sphere boundary has remained unchanged. LAFCO staff, along with representatives of CSA 5, do not recommend any changes to the sphere of influence at this time.

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

CSA 5 has an aging package treatment plant that serves single family homes in the Sand Dollar community and condominiums in the Canon del Sol community. The plant is maintained by the County of Santa Cruz. Based on the County's 2017 Sewer System Management Plan, CSA 5 has 184 connections with 1.15 miles of gravity sewer lines, 0.53 miles of force main lines, and 2 pump stations. Annual sewer charges are the District's primary source of revenue.

**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.**

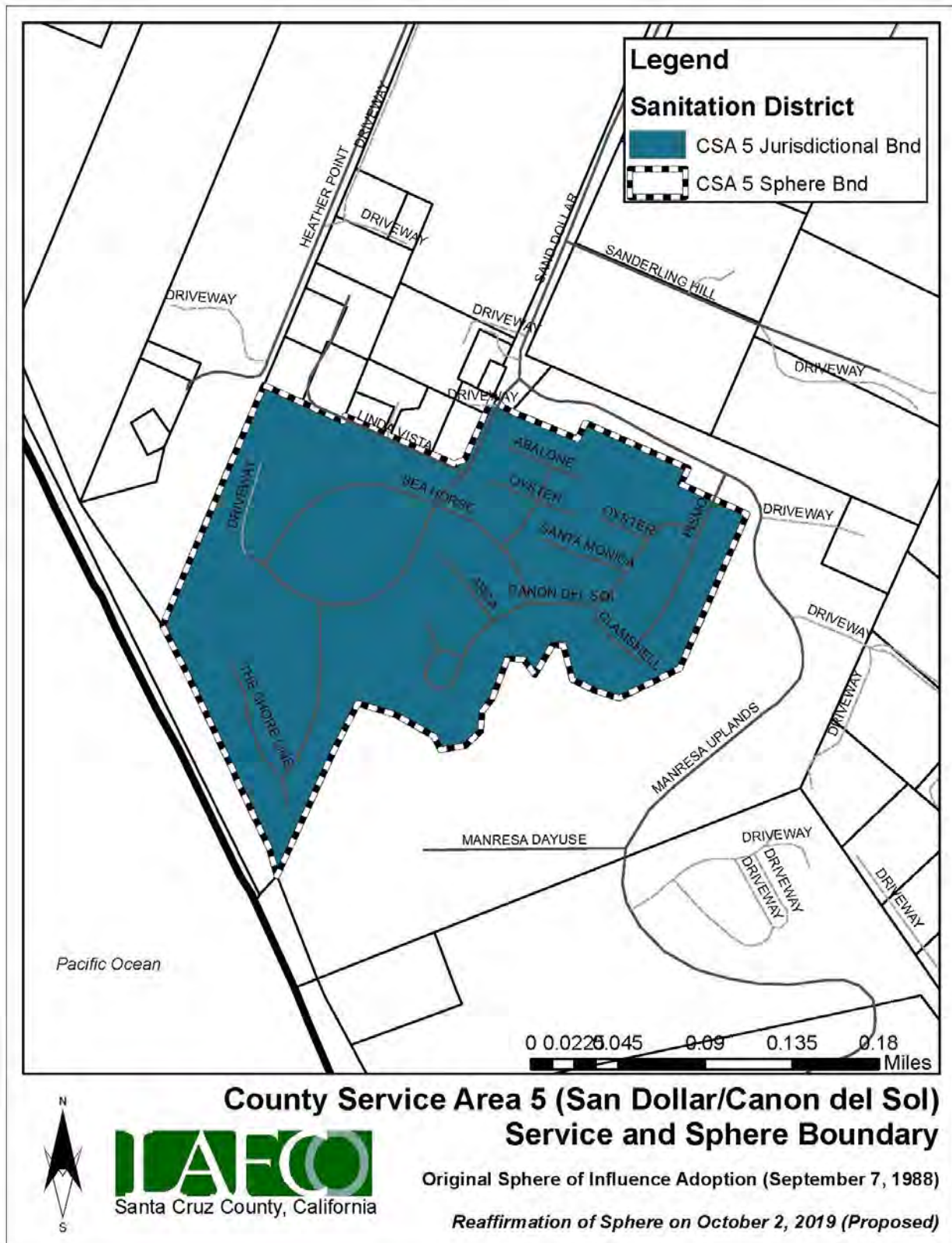
LAFCO staff is not aware of any social or economic communities of interest in the area. The CSA's service area is primarily residential units.

**5. For an update of a 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, that occurs pursuant to subdivision (g) on or after July 1, 2012, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.**

Neither the County nor LAFCO has identified any sub-area within or contiguous to the District's service or sphere boundaries that meet the definition of a disadvantaged unincorporated community. That said, CSA 5 has adequate transmission and treatment capacity for the present and planned facilities within the sphere of influence. The CSA's principal needs are repair and replacement of aging infrastructure.

**EXHIBIT 9**  
**COUNTY SERVICE AREA 5 (SAND DOLLAR/CANON DEL SOL)**  
**SPHERE OF INFLUENCE MAP**

LAFCO maintains the Sphere of Influence of CSA 5 with no amendments.



**EXHIBIT 10**  
**COUNTY SERVICE AREA 7 (BOULDER CREEK)**  
**2019 SERVICE REVIEW DETERMINATIONS**

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**1. Growth and population projections for the affected area.**

The Boulder Creek Country Club is substantially built-out. There are no growth projections available for CSA 7. In general, the Santa Cruz County unincorporated area is projected to have slow growth over the next fifteen years. The County Public Works Department estimates that the population within the total area is currently 640. Based on the growth rate of approximately 1% for the unincorporated areas in the County, LAFCO staff projects that CSA 7's entire population in 2020 will be around 657.

**2. The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence.**

In 2017, the California statewide median household income was \$67,169, and 80% of that was \$53,735. LAFCO staff utilized the ArcGIS mapping program to locate potential DUCs in the County. Based on the criteria set forth by SB 244, staff's analysis indicates that there are no areas in CSA 7 designated as a disadvantaged unincorporated community.

**3. 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.**

CSA 7 Boulder Creek has a wastewater collection and treatment plant that treats the domestic wastewater from the Boulder Creek Country Club and surrounding houses. The all-in-one wastewater treatment plant consists of an equalization tank, aeration tank, and a clarifier to remove solids and the treated effluent is discharged to leach fields. Based on the County's 2017 Sewer System Management Plan, CSA 7 has 263 connections with 3.0 miles of gravity sewer lines, 1.27 miles of force main lines, and 5 pump stations. Annual sewer charges are the District's primary source of revenue.

**4. Financial ability of agencies to provide services.**

County Service Area 7's financial ability to provide services is well-established. The CSA has successfully kept costs below its revenue stream since 2013. Audited financial statements from Fiscal Years 2013 to 2018 indicate that the increase in net position has ranged from \$95,000 to \$143,000. As of June 30, 2018, CSA 7 is operating with a net position of approximately \$1.8 million, of which \$1 million is in cash and investments.

**5. Status of, and opportunities for, shared facilities.**

Several sanitation districts, including entities managed and operated by the County, have expressed interest in transferring sewer responsibilities to another agency due to funding issues, limited long-term planning, or lack of economies of scale. Establishment of a countywide memorandum of understanding or a joint powers authority may unify the already-established collaboration set by the sanitation providers in the county. Such agreements

may also lay the foundation for future changes of organization, including but not limited to annexations, consolidations, or mergers.

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

The County currently has a countywide capital improvement plan and a specific capital improvement plan for the Santa Cruz County Sanitation District. Additionally, the County has adopted a Sewer System Management Plan. However, CSA 7 does not have any current or proposed sewer-related capital improvement projects scheduled at this time.

The County has indicated that the wastewater treatment plant is deteriorating and in need of repair. Estimated costs for the necessary repairs are expected to be approximately \$500,000. Replacement and rehabilitation are also needed at some of the CSA's sewer pump stations and sewer mains, which will require additional funding. CSA 7 currently has enough reserves to pay for the repairs at this time. However, if there is a system failure that occurs and must be fixed on an emergency basis, CSA 7 may require additional funds. The County should consider developing a long-term maintenance plan to identify adequate funding in order to address current and future maintenance, replacement, and/or upgrades to an aging infrastructure.

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

No additional local LAFCO policies are specifically relevant to this service and sphere review.

**EXHIBIT 11**  
**COUNTY SERVICE AREA 7 (BOULDER CREEK)**  
**2019 SPHERE OF INFLUENCE DETERMINATIONS**

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

There are no agricultural or open-space lands within the service area.

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

CSA 7 Boulder Creek has a wastewater collection and treatment plant that treats the domestic wastewater from the Boulder Creek Country Club and surrounding houses. The all-in-one wastewater treatment plant consists of an equalization tank, aeration tank, and a clarifier to remove solids, and the treated effluent is discharged to leach fields. CSA 7 has 263 connections and serves over 600 residents. LAFCO originally adopted a sphere of influence for CSA 7 back in 1987. The Commission, at that time, adopted a sphere boundary that excluded 3 parcels. This area outside the sphere of influence but within CSA 7 is approximately 32 acres, undeveloped, and mostly open terrain. The exclusion of this area from the adopted sphere of influence indicates that this area should be detached from CSA 7.

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

County Service Area No. 7 serves residential housing and one commercial business within the Boulder Creek Country Club subdivision. The service area includes 192 acres (0.3 square miles) and has an estimated population of 640. The wastewater system is a full treatment plant offering secondary and tertiary treatment with primary disposal via a community leach field. The wastewater treatment plant was constructed in the 1970s and upgraded to tertiary treatment in the 1990s.

**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.**

LAFCO staff is not aware of any social or economic communities of interest in the area. The CSA's service area is primarily residential units.

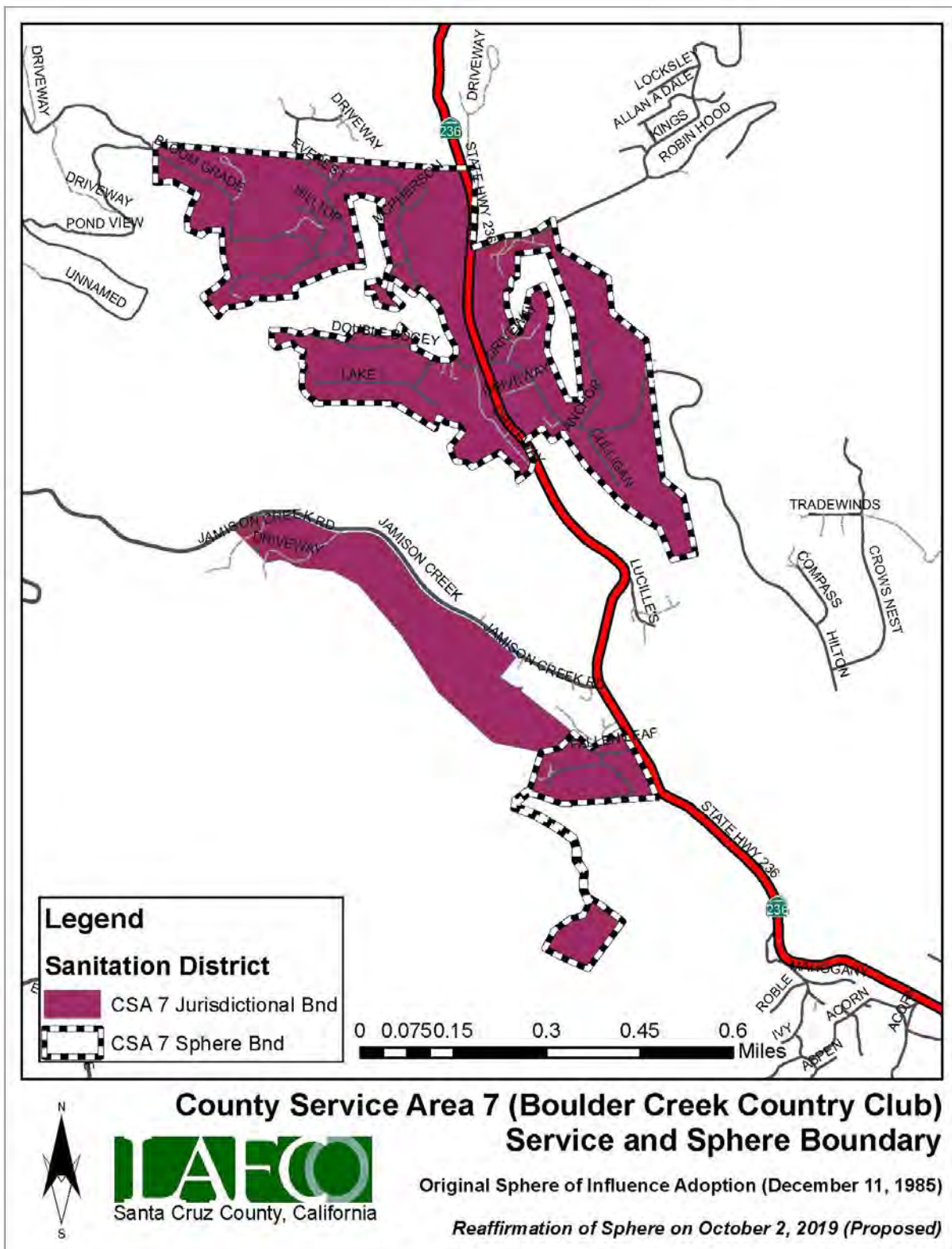
**5. For an update of a sphere of influence of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, that occurs pursuant to subdivision (g) on or after July 1, 2012, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.**

Neither the County nor LAFCO has identified any sub-area within or contiguous to the District's service or sphere boundaries that meet the definition of a disadvantaged unincorporated community. That said, CSA 7 has adequate transmission and treatment capacity for the present and planned facilities within the sphere of influence. The CSA's principal needs are repair and replacement of aging infrastructure.



# **EXHIBIT 12** **COUNTY SERVICE AREA 7 (BOULDER CREEK)** **SPHERE OF INFLUENCE MAP**

LAFCO maintains the Sphere of Influence of CSA 7 with no amendments.



**EXHIBIT 13**  
**COUNTY SERVICE AREA 10 (ROLLING WOODS/GRAHAM HILL)**  
**2019 SERVICE REVIEW DETERMINATIONS**

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**1. Growth and population projections for the affected area.**

The Graham Hill corridor area is substantially built-out with low-density single-family homes. There are no growth projections available for CSA 10. In general, the Santa Cruz County unincorporated area is projected to have slow growth over the next fifteen years. The 2013 service review involving CSA 10 and 57 indicated that the estimated population within the total area was approximately 881. Based on the growth rate of approximately 1% for the unincorporated areas in the County, LAFCO staff projects that CSA 10's entire population in 2020 will be around 888.

**2. The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence.**

LAFCO staff utilized the ArcGIS mapping program to locate potential DUCs in the County. Based on the criteria set forth by SB 244, staff's initial analysis located two DUCs near CSA 10 and the Santa Cruz County Sanitation District (DUC #3 and #4). However, these two areas are not within or adjacent to a sanitation districts' service or sphere boundary. Additionally, these two areas are in vacant parcels outside the University of California, Santa Cruz. The County's General Plan designates Area #3, located north of McLaughlin Drive, as Special Use. Area #4, located south of Empire Grade, is designated as Commercial Agriculture. Based on the two identified sites being undeveloped and uninhabited, the Commission should not consider these areas as a disadvantaged unincorporated community in future boundary changes.

**3. 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.**

CSA 10 has a collection system and one lift station that serves the residential areas of Rolling Woods and Woods Cove, as well as the Pasatiempo Golf Club. The plant is maintained by the County of Santa Cruz. Based on the County's 2017 Sewer System Management Plan, CSA 10 has 104 connections with 3.18 miles of gravity sewer lines, 0.35 miles of force main lines, and zero pump stations. Annual sewer charges are the District's primary source of revenue.

**4. Financial ability of agencies to provide services.**

County Service Area 10's financial ability to provide services is well-established. The CSA has successfully kept costs below its revenue stream since 2013. Audited financial statements from Fiscal Years 2013 to 2018 indicate that the increase in net position has ranged from \$2,700 to \$95,000. As of June 30, 2018, CSA 10 is operating with a net position of approximately \$797,000, of which \$687,000 is in cash and investments.

**5. Status of, and opportunities for, shared facilities.**

Several sanitation districts, including entities managed and operated by the County, have expressed interest in transferring sewer responsibilities to another agency due to funding issues, limited long-term planning, or lack of economies of scale. Establishment of a countywide memorandum of understanding or a joint powers authority may unify the already-established collaboration set by the sanitation providers in the county. Such agreements may also lay the foundation for future changes of organization, including but not limited to annexations, consolidations, or mergers.

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

The County currently has a countywide capital improvement plan and a specific capital improvement plan for the Santa Cruz County Sanitation District. Additionally, the County has adopted a Sewer System Management Plan. However, CSA 10 does not have any current or proposed sewer-related capital improvement projects scheduled at this time.

The County has not identified any infrastructure needs at this time. However, repairs, installations, and other infrastructure issues are being faced by other CSAs. CSA 10 currently has approximately \$680,000 in cash on hand. If there is a major infrastructure repair or a system failure that requires immediate restoration, CSA 10 may require additional funds. The County should consider developing a long-term maintenance plan to identify adequate funding in order to address current and future maintenance, replacement, and/or upgrades to an aging infrastructure.

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

No additional local LAFCO policies are specifically relevant to this service and sphere review.

**EXHIBIT 14**  
**COUNTY SERVICE AREA 10 (ROLLING WOODS/GRAHAM HILL)**  
**2019 SPHERE OF INFLUENCE DETERMINATIONS**

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

There are no agricultural or open-space lands within the service area.

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

CSA 10 has an aging collection and treatment plant that serves the residential areas of Rolling Woods and Woods Cove, as well as the Pasatiempo Golf Club. The plant is maintained by the County of Santa Cruz. Based on the County's 2017 Sewer System Management Plan, CSA 10 has 104 connections with 3.18 miles of gravity sewer lines, 0.35 miles of force main lines, and zero pump stations. Annual sewer charges are the District's primary source of revenue.

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

County Service Area 10 operates a sanitary sewer collection system and serves the residential areas of Rolling Woods and Woods Cove, as well as the Pasatiempo Golf Club. The County currently has a contractual agreement with the City of Santa Cruz to transfer collected wastewater to the City of Santa Cruz's treatment system. The City treats the sewage at its Neary Lagoon Wastewater Treatment Facility and disposes the treated wastewater into the Pacific Ocean off West Cliff Drive. CSA 10 has 104 connections and serves almost 900 residents.

**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.**

LAFCO staff is not aware of any social or economic communities of interest in the area. The CSA's service area is primarily residential units.

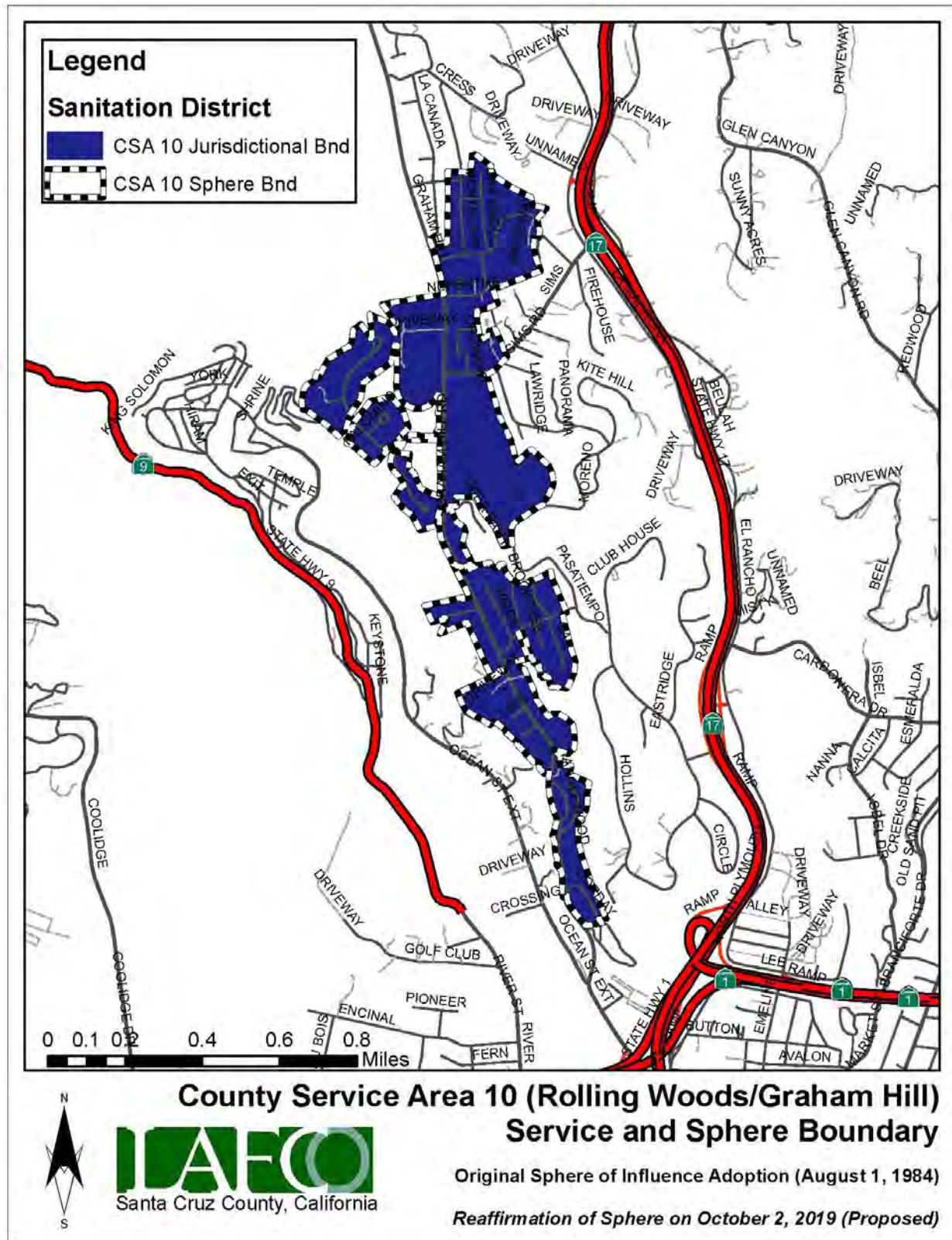
**5. For an update of a sphere of influence of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, that occurs pursuant to subdivision (g) on or after July 1, 2012, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.**

Neither the County nor LAFCO has identified any sub-area within or contiguous to the District's service or sphere boundaries that meet the definition of a disadvantaged unincorporated community. That said, CSA 10 has adequate transmission and treatment capacity for the present and planned facilities within the sphere of influence. The CSA's principal needs are repair and replacement of aging infrastructure.



**EXHIBIT 15**  
**COUNTY SERVICE AREA 10 (ROLLING WOODS/GRAHAM HILL)**  
**SPHERE OF INFLUENCE MAP**

LAFCO maintains the Sphere of Influence of CSA 10 with no amendments.



**EXHIBIT 16**  
**COUNTY SERVICE AREA 20 (TRESTLE CREEK)**  
**2019 SERVICE REVIEW DETERMINATIONS**

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**1. Growth and population projections for the affected area.**

The Trestle Beach subdivision is built-out with low-density single-family homes. There are no growth projections available for CSA 20. In general, the Santa Cruz County unincorporated area is projected to have slow growth over the next fifteen years. The County Public Works Department estimates that the population within the total area is currently 42. Based on the growth rate of approximately 1% for the unincorporated areas in the County, LAFCO staff projects that CSA 20's entire population in 2020 will be remain at 42.

**2. The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence.**

In 2017, the California statewide median household income was \$67,169, and 80% of that was \$53,735. LAFCO staff utilized the ArcGIS mapping program to locate potential DUCs in the County. Based on the criteria set forth by SB 244, staff's analysis indicates that there are no areas in CSA 20 designated as a disadvantaged unincorporated community.

**3. 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.**

CSA 20 has a wastewater collection and treatment plant that treats the domestic wastewater from the Trestle Beach community. Based on staff's analysis, CSA 20 has 21 connections with 0.3 miles of sewer lines and 1 pump station. Annual sewer charges are the District's primary source of revenue.

**4. Financial ability of agencies to provide services.**

County Service Area 20 has experienced an annual deficit over the past six years. Audited financial statements from Fiscal Years 2013 to 2018 indicate that the annual shortage has ranged from \$400 to \$16,000. As of June 30, 2018, CSA 20 is operating with a net position of approximately \$33,000. LAFCO staff projects that this negative trend will continue unless the CSA increases its overall revenue stream or decreases annual expenses.

**5. Status of, and opportunities for, shared facilities.**

Several sanitation districts, including entities managed and operated by the County, have expressed interest in transferring sewer responsibilities to another agency due to funding issues, limited long-term planning, or lack of economies of scale. Establishment of a countywide memorandum of understanding or a joint powers authority may unify the already-established collaboration set by the sanitation providers in the county. Such agreements may also lay the foundation for future changes of organization, including but not limited to annexations, consolidations, or mergers.



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

The County currently has a countywide capital improvement plan and a specific capital improvement plan for the Santa Cruz County Sanitation District. Additionally, the County has adopted a Sewer System Management Plan. However, CSA 20 does not have any current or proposed sewer-related capital improvement projects scheduled at this time.

The County has indicated that the existing treatment plant requires approximately \$95,000 in repairs. CSA 20 does not have the reserves to pay for the required repairs. The County should consider developing a long-term maintenance plan to identify adequate funding in order to address current and future maintenance, replacement, and/or upgrades to an aging infrastructure.

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

No additional local LAFCO policies are specifically relevant to this service and sphere review.

**EXHIBIT 17**  
**COUNTY SERVICE AREA 20 (TRESTLE CREEK)**  
**2019 SPHERE OF INFLUENCE DETERMINATIONS**

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

There are no agricultural or open-space lands within the service area.

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

CSA 20 operates a collection and treatment plant located in the Trestle Beach subdivision near La Selva Beach. The wastewater system provides on-site treatment to a secondary level and serves a small community of around 40 residents. The Public Works Department has indicated that the current infrastructure is aging, deteriorating, and in need of repair. Based on staff's analysis and research, it was determined that there is no sphere of influence for CSA 20. While the CSA is currently experiencing a financial shortage, the County will be working to make CSA 20 economically sustainable. LAFCO staff, in conjunction with CSA 20 representatives, recommend that the Commission adopt a coterminous sphere of influence. If the financial shortage continues, the Commission should consider a zero sphere during the next service review cycle.

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

County Service Area 20 operates a collection and treatment plant located in the Trestle Beach subdivision near La Selva Beach. The wastewater system provides on-site treatment to a secondary level and serves a small community of around 40 residents. The Public Works Department has indicated that the current infrastructure is aging, deteriorating, and in need of repair. The wastewater treatment plant currently requires approximately \$95,000 in repairs.

**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.**

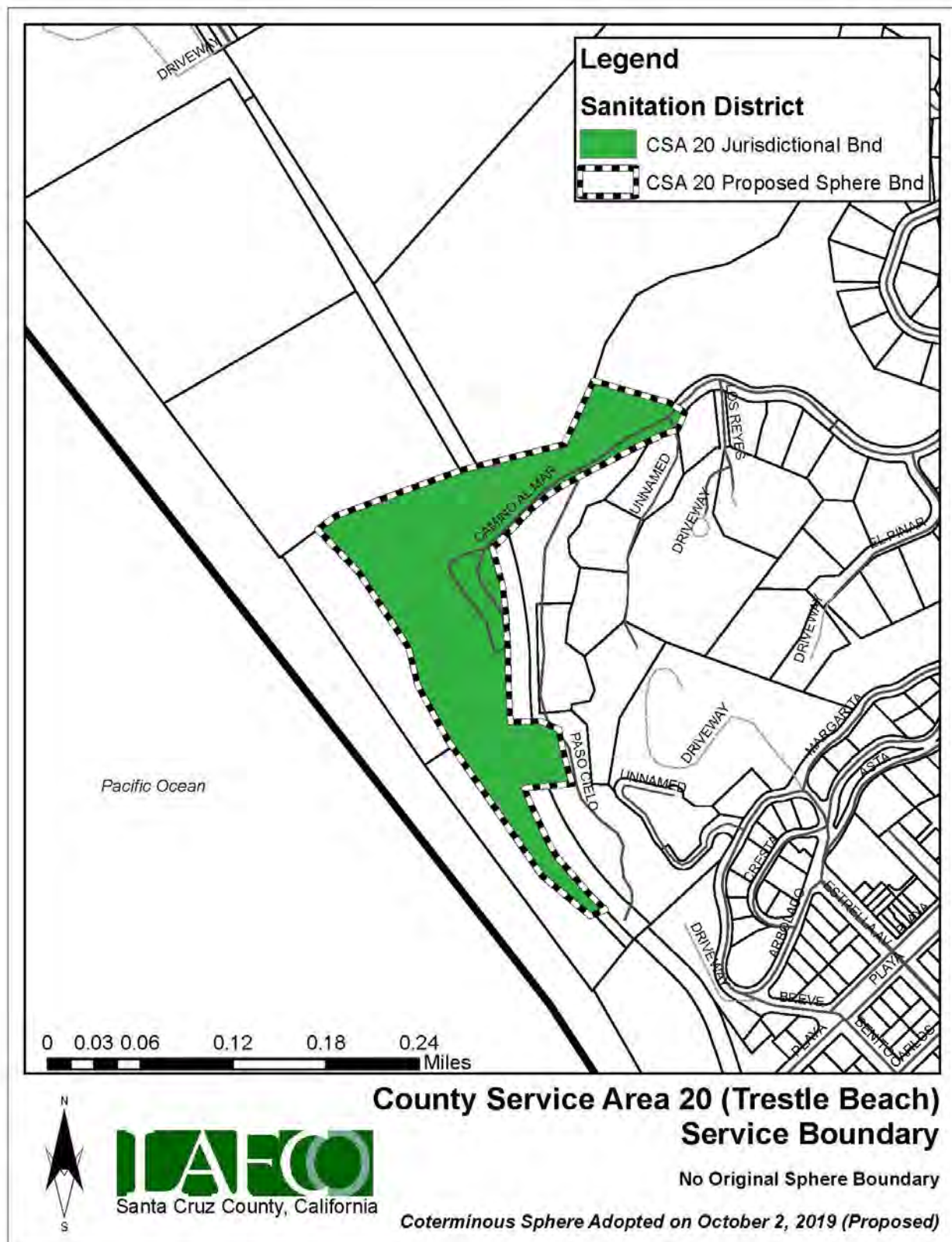
LAFCO staff is not aware of any social or economic communities of interest in the area. The CSA's service area is primarily residential units.

**5. For an update of a 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, that occurs pursuant to subdivision (g) on or after July 1, 2012, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.**

Neither the County nor LAFCO has identified any sub-area within or contiguous to the District's service or sphere boundaries that meet the definition of a disadvantaged unincorporated community. That said, CSA 20 has adequate transmission and treatment capacity for the present and planned facilities within the sphere of influence. The CSA's principal needs are repair and replacement of aging infrastructure.

**EXHIBIT 18**  
**COUNTY SERVICE AREA 20 (TRESTLE CREEK)**  
**SPHERE OF INFLUENCE MAP**

LAFCO adopts a Coterminous Sphere of Influence for CSA 20.



**EXHIBIT 19**  
**DAVENPORT COUNTY SANITATION DISTRICT**  
**2019 SERVICE REVIEW DETERMINATIONS**

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**1. Growth and population projections for the affected area.**

The Davenport community is generally built-out with residential and commercial use. There are no growth projections available for the District. In general, the Santa Cruz County unincorporated area is projected to have slow growth over the next fifteen years. The County Public Works Department estimates that the population within the total area is currently 215. Based on the growth rate of approximately 1% for the unincorporated areas in the County, LAFCO staff projects that the District's entire population in 2020 will be 217.

**2. The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence.**

In 2017, the California statewide median household income was \$67,169, and 80% of that was \$53,735. LAFCO staff utilized the ArcGIS mapping program to locate potential DUCs in the County. Based on the criteria set forth by SB 244, staff's analysis indicates that there are no areas in the Davenport County Sanitation District designated as a disadvantaged unincorporated community.

**3. 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.**

The Davenport County Sanitation District has an aging collection and treatment plant that serves residential units in the Davenport Community. The District also operates a recycled water system. The infrastructure is maintained by the County of Santa Cruz. Based on the County's 2017 Sewer System Management Plan, Davenport County Sanitation District has 108 connections with 3.0 miles of gravity sewer lines, 1.30 miles of force main lines, and 3 pump stations. Revenues to operate the District are collected yearly from residents and businesses that are connected to either the waterworks or the sanitary sewer system.

**4. Financial ability of agencies to provide services.**

The Davenport County Sanitation District has recently experienced annual deficits. Audited financial statements from Fiscal Years 2013 to 2017 indicate that the annual shortage has ranged from \$18,000 to \$120,000. As of June 30, 2018, the District is operating with a net position of approximately \$6.8 million. However, cash and investments, on average, has represented only 1% of total net position. LAFCO staff projects that this negative trend will continue unless the County increases its overall revenue stream or decreases annual expenses.

**5. Status of, and opportunities for, shared facilities.**

Several sanitation districts, including entities managed and operated by the County, have expressed interest in transferring sewer responsibilities to another agency due to funding issues, limited long-term planning, or lack of

economies of scale. Establishment of a countywide memorandum of understanding or a joint powers authority may unify the already-established collaboration set by the sanitation providers in the county. Such agreements may also lay the foundation for future changes of organization, including but not limited to annexations, consolidations, or mergers.

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

The CEMEX plant closed in 2008. The County has indicated that if the CEMEX plant is sold and developed, it could add a significant population to the Davenport County Sanitation District's service area. Any added commercial or residential use would be beneficial to the District, as the revenue generated from the sewer and water rates could fund necessary infrastructure improvements that are too expensive for the small population of the District to fund. If the CEMEX site were to be developed, the water treatment plant and recycled water plant would need to be expanded to meet the new demands. There would also be a need for new transmission lines and possibly pump stations to serve the new development.

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

No additional local LAFCO policies are specifically relevant to this service and sphere review.

**EXHIBIT 20**  
**DAVENPORT COUNTY SANITATION DISTRICT**  
**2019 SPHERE OF INFLUENCE DETERMINATIONS**

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

There are no agricultural or open-space lands within the service area.

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

The Davenport County Sanitation District owns and operates a wastewater treatment facility serving the community of Davenport, which includes a domestic wastewater collection system, influent headworks, aerated lagoon, sand filter, and a chlorine contact tank. More recently, the District now operates a recycled water treatment plant, with a recycled water fill station and a recycled water storage pond. The District currently has 108 connections and serves over 200 residents.

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

The CEMEX plant closed in 2008. The County has indicated that if the CEMEX plant is sold and developed, it could add a significant population to the Davenport County Sanitation District's service area.

LAFCO originally adopted a coterminous sphere of influence for the District in 1991. A coterminous sphere of influence is identical to the agency's jurisdictional boundary. For the past 28 years, the sphere boundary has remained unchanged. Although the CEMEX site is and has been served by the District, the sphere of influence boundary does not include the CEMEX property. It is yet to be determined how or when the CEMEX site will be developed.

**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.**

LAFCO staff is not aware of any social or economic communities of interest in the area. The District's service area is primarily residential units.

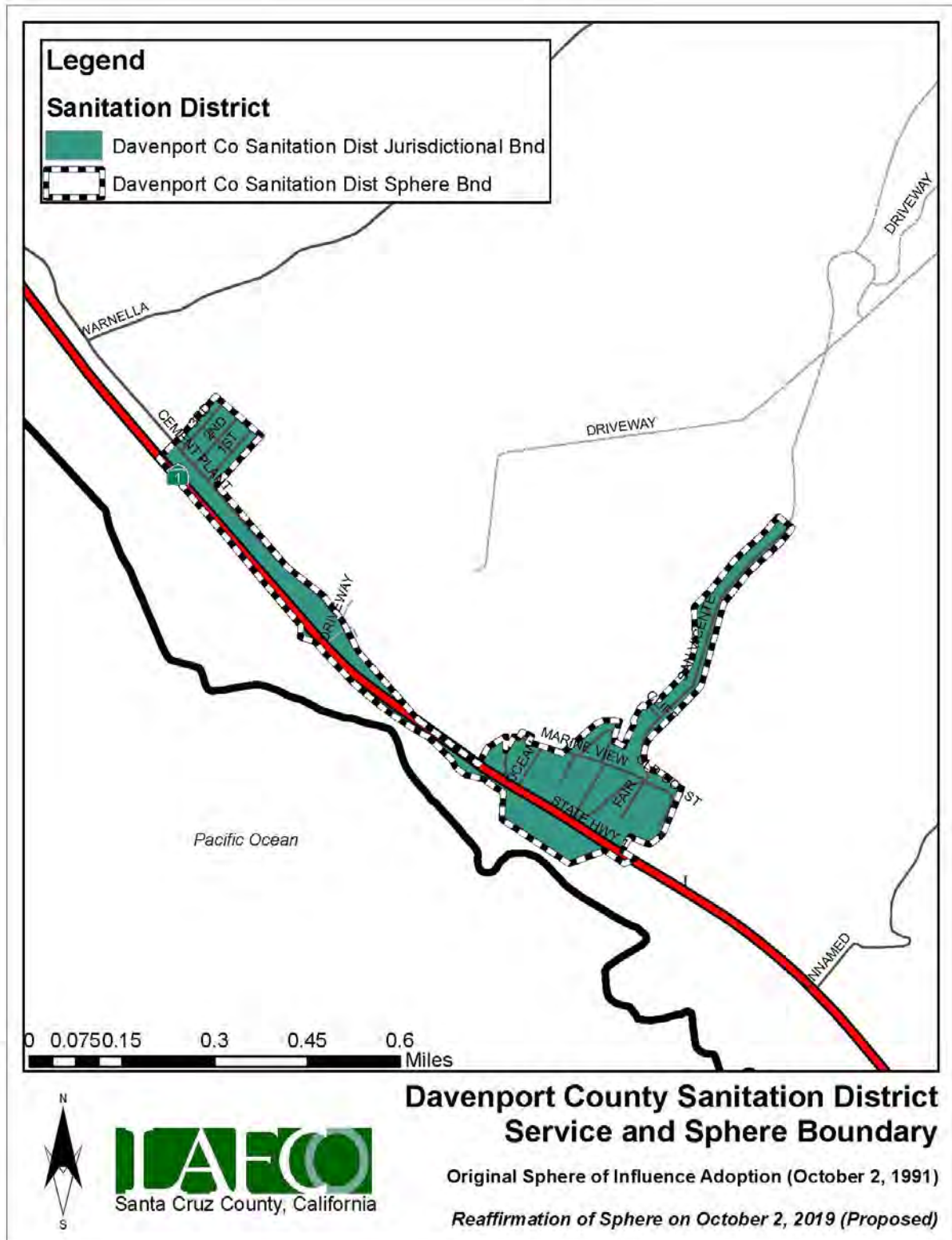
**5. For an update of a sphere of influence of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, that occurs pursuant to subdivision (g) on or after July 1, 2012, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.**

Neither the County nor LAFCO has identified any sub-area within or contiguous to the District's service or sphere boundaries that meet the definition of a disadvantaged unincorporated community. That said, the District has adequate transmission and treatment capacity for the present and planned facilities within the sphere of influence. The District's principal needs are repair and replacement of aging infrastructure.



**EXHIBIT 21**  
**DAVENPORT COUNTY SANITATION DISTRICT**  
**SPHERE OF INFLUENCE MAP**

LAFCO maintains the Sphere of Influence of Davenport County Sanitation District with no amendments.



**EXHIBIT 22**  
**FREEDOM COUNTY SANITATION DISTRICT**  
**2019 SERVICE REVIEW DETERMINATIONS**

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**1. Growth and population projections for the affected area.**

The Freedom area is substantially built-out. There are no growth projections available for the District. In general, the Santa Cruz County unincorporated area is projected to have slow growth over the next fifteen years. The Public Works Department has indicated that the estimated population within the total area was approximately 4,100. Based on the growth rate of approximately 1% for the unincorporated areas in the County, LAFCO staff projects that the District's entire population in 2020 will be around 4,200.

**2. The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence.**

Based on the criteria set forth by SB 244, staff's initial analysis located one DUC within the Freedom County Sanitation District's service and sphere boundaries (Area #1). This area is located near Airport Boulevard and is built-out with single-family homes. While Area #1 is located within Freedom County Sanitation District's service and sphere boundaries, it is an unincorporated community immediately outside Watsonville's city limits. LAFCO staff should evaluate Area #1 in more detail if a proposed reorganization or future boundary adjustment is considered within or adjacent to this DUC.

**3. 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.**

Based on the criteria set forth by SB 244, staff's analysis located one DUC within the Freedom County Sanitation District's service and sphere boundaries. The DUC, located near Airport Boulevard, is built-out with single-family homes. LAFCO staff should evaluate this DUC in more detail if a proposed reorganization or future boundary adjustment is considered within or adjacent to this disadvantaged community.

**4. Financial ability of agencies to provide services.**

The Freedom County Sanitation District has recently experienced annual deficits. Audited financial statements from Fiscal Years 2013 to 2018 indicate that the District has experienced a fiscal shortage in three separate years (FYs 14-15, 16-17, and 17-18). As of June 30, 2018, the District is operating with a net position of approximately \$6.2 million, of which \$2 million is in cash and investments.

**5. Status of, and opportunities for, shared facilities.**

Several sanitation districts, including entities managed and operated by the County, have expressed interest in transferring sewer responsibilities to another agency due to funding issues, limited long-term planning, or lack of economies of scale. Establishment of a countywide memorandum of understanding or a joint powers authority may unify the already-established

collaboration set by the sanitation providers in the county. Such agreements may also lay the foundation for future changes of organization, including but not limited to annexations, consolidations, or mergers.

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

The Freedom County Sanitation District provides wastewater collection service for the Buena Vista/Calabasas area of Freedom and the Green Valley Road corridor outside the Watsonville city limits. The District also serves three connections outside its boundaries, including one duplex, one single family dwelling, and the Pinto Lake County Park ranger's residence. The District currently has over 1,800 connections and serves approximately 4,000 residents.

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

No additional local LAFCO policies are specifically relevant to this service and sphere review.

**EXHIBIT 23**  
**FREEDOM COUNTY SANITATION DISTRICT**  
**2019 SPHERE OF INFLUENCE DETERMINATIONS**

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

There are no agricultural or open-space lands within the service area.

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

The Freedom County Sanitation District provides wastewater collection service for the Buena Vista/Calabasas area of Freedom and the Green Valley Road corridor outside the Watsonville city limits. The District also serves three connections outside its boundaries, including one duplex, one single family dwelling, and the Pinto Lake County Park ranger's residence. The District currently has over 1,800 connections and serves approximately 4,000 residents.

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

The Freedom County Sanitation District was formed in 1958, before the establishment of LAFCOs. Santa Cruz LAFCO adopted the first sphere of influence for the District in 1975, and performed a major review of the District's sphere boundary in 1990. Since then, the City of Watsonville has annexed over 300 acres of the District involving thousands of residents at the time of annexation. The last sphere update for the Freedom County Sanitation District was in March 2011. LAFCO staff, along with District representatives, do not recommend any changes to the sphere of influence at this time.

**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.**

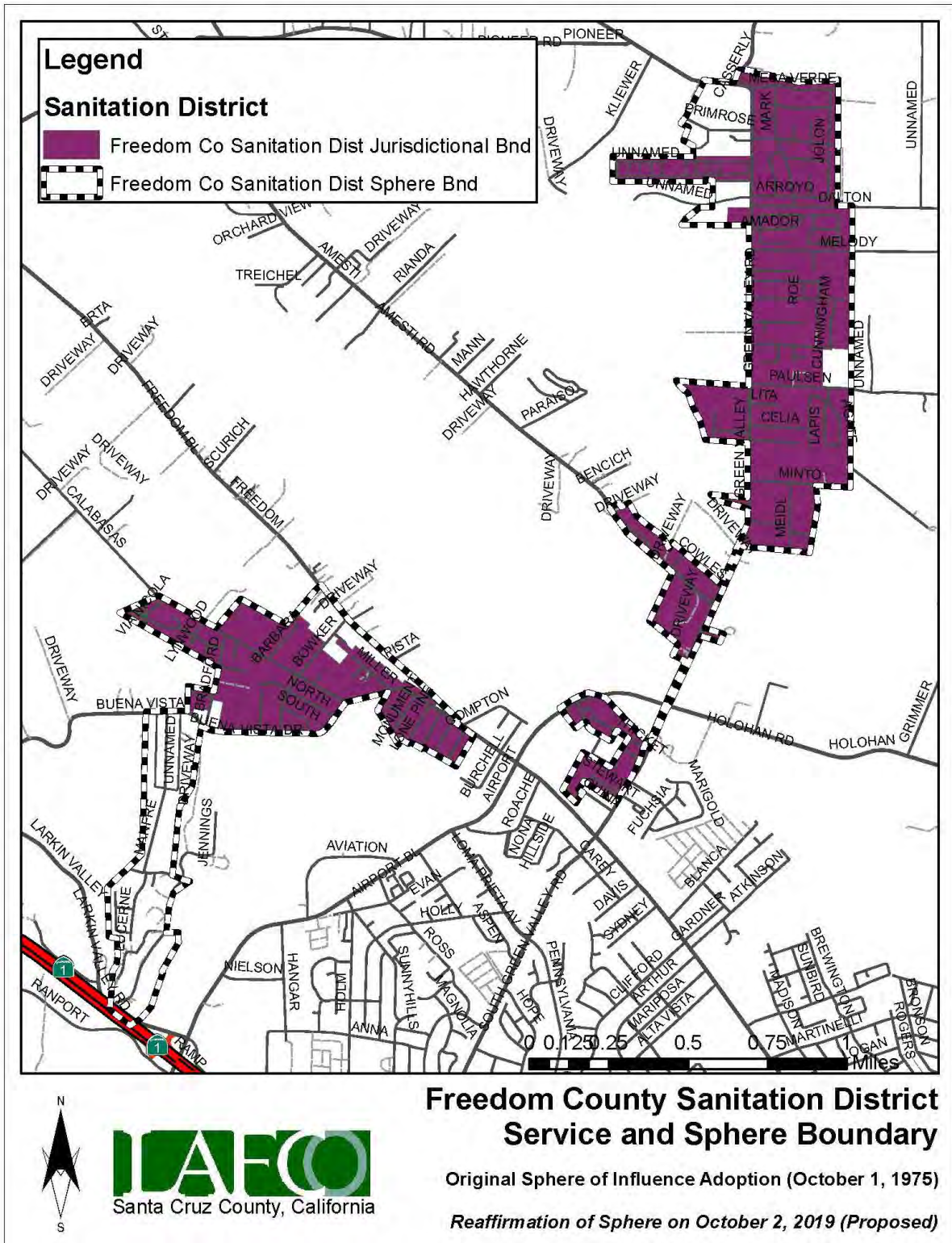
LAFCO staff is not aware of any social or economic communities of interest in the area. The District's service area is primarily residential units.

**5. For an update of a 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, that occurs pursuant to subdivision (g) on or after July 1, 2012, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.**

Based on the criteria set forth by SB 244, staff's analysis located one DUC within the Freedom County Sanitation District's service and sphere boundaries. The DUC, located near Airport Boulevard, is built-out with single-family homes. LAFCO staff should evaluate this DUC in more detail if a proposed reorganization or future boundary adjustment is considered within or adjacent to this disadvantaged community.

# **EXHIBIT 24** **FREEDOM COUNTY SANITATION DISTRICT** **SPHERE OF INFLUENCE MAP**

LAFCO maintains the Sphere of Influence of Freedom County Sanitation District with no amendments.



**EXHIBIT 25**  
**SALSIPUEDES SANITARY DISTRICT**  
**2019 SERVICE REVIEW DETERMINATIONS**

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**1. Growth and population projections for the affected area.**

Salsipuedes Sanitary District serves an unincorporated community northeast of the City of Watsonville. The population of the District is approximately 2,135. The County General Plan anticipates very little future growth within the District's jurisdictional and sphere of influence boundaries.

**2. The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence.**

Based on the criteria set forth by SB 244, staff's initial analysis located one DUC outside Salsipuedes Sanitary District's service and sphere boundaries (Area #2). This area is located south of Holohan Road, it is currently uninhabited, and it is designated as Commercial Agriculture<sup>2</sup> in the County's General Plan. Since Area #2 is undeveloped and uninhabited, the Commission should not consider this area as a DUC in future boundary changes.

**3. 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.**

Salsipuedes Sanitary District serves 512 connections. It has adequate transmission and treatment capacity for the present and planned facilities within the sphere of influence. The District's principal needs are repair and replacement of aging infrastructure.

**4. Financial ability of agencies to provide services.**

Salsipuedes Sanitary District's financial ability to provide services is well-established. The District has successfully kept costs below its revenue stream since 2013. Audited financial statements from Fiscal Years 2013 to 2018 indicate that the increase in net position has ranged from \$62,000 to \$174,000. As of June 30, 2018, the District is operating with a net position of approximately \$1.8 million, of which \$1.4 million is in cash and investments.

**5. Status of, and opportunities for, shared facilities.**

Salsipuedes Sanitary District has an active contract with the City of Watsonville to utilize their regional treatment plant. The District should explore other collaborative efforts with neighboring agencies, which may help to reduce costs and/or maximize economies of scale.

Several sanitation districts, including entities that are managed and operated by the County, have expressed interest in transferring sewer responsibilities to another agency due to funding issues, limited long-term planning, or lack of economies of scale. Establishment of a countywide memorandum of

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<sup>2</sup> Commercial agriculture, farm buildings, livestock raising, greenhouses, farm worker camps. One single-family dwelling.



understanding or a joint powers authority may unify the already-established collaboration set by the sanitation providers in the county. Such agreements may also lay the foundation for future changes of organization, including but not limited to annexations, consolidations or mergers.

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

Salsipuedes Sanitary District currently does not have a website, as required by new legislation. LAFCO staff recommends that the District conform with SB 929 and host a live website before the January 1, 2020 deadline.

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

No additional local LAFCO policies are specifically relevant to this service and sphere review.

DRAFT

**EXHIBIT 26**  
**SALSIPUEDES SANITARY DISTRICT**  
**2019 SPHERE OF INFLUENCE DETERMINATIONS**

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

The present and planned land uses in the Salsipuedes Sanitary District are principally suburban residential and public facilities (fairgrounds, schools, churches, and cemeteries). There are some neighborhood commercial uses near the corner of Holohan Road and East Lake Avenue. Rural homes and agricultural buildings in the southern agricultural portion of the District's jurisdictional and sphere boundaries are connected to the District's mains. The County of Santa Cruz plans for the southern portion of the District, between Salsipuedes Creek and the City of Watsonville to remain in commercial agricultural uses.

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

The present and probable future need for public facilities and services in the Salsipuedes Sanitary District is the maintenance, repair, and replacement of aging main lines and pumps.

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

Salsipuedes Sanitary District serves 512 connections. It has adequate transmission and treatment capacity for the present and planned facilities within the District's jurisdictional and sphere of influence boundaries. The District's principal needs are repair and replacement of aging infrastructure.

**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.**

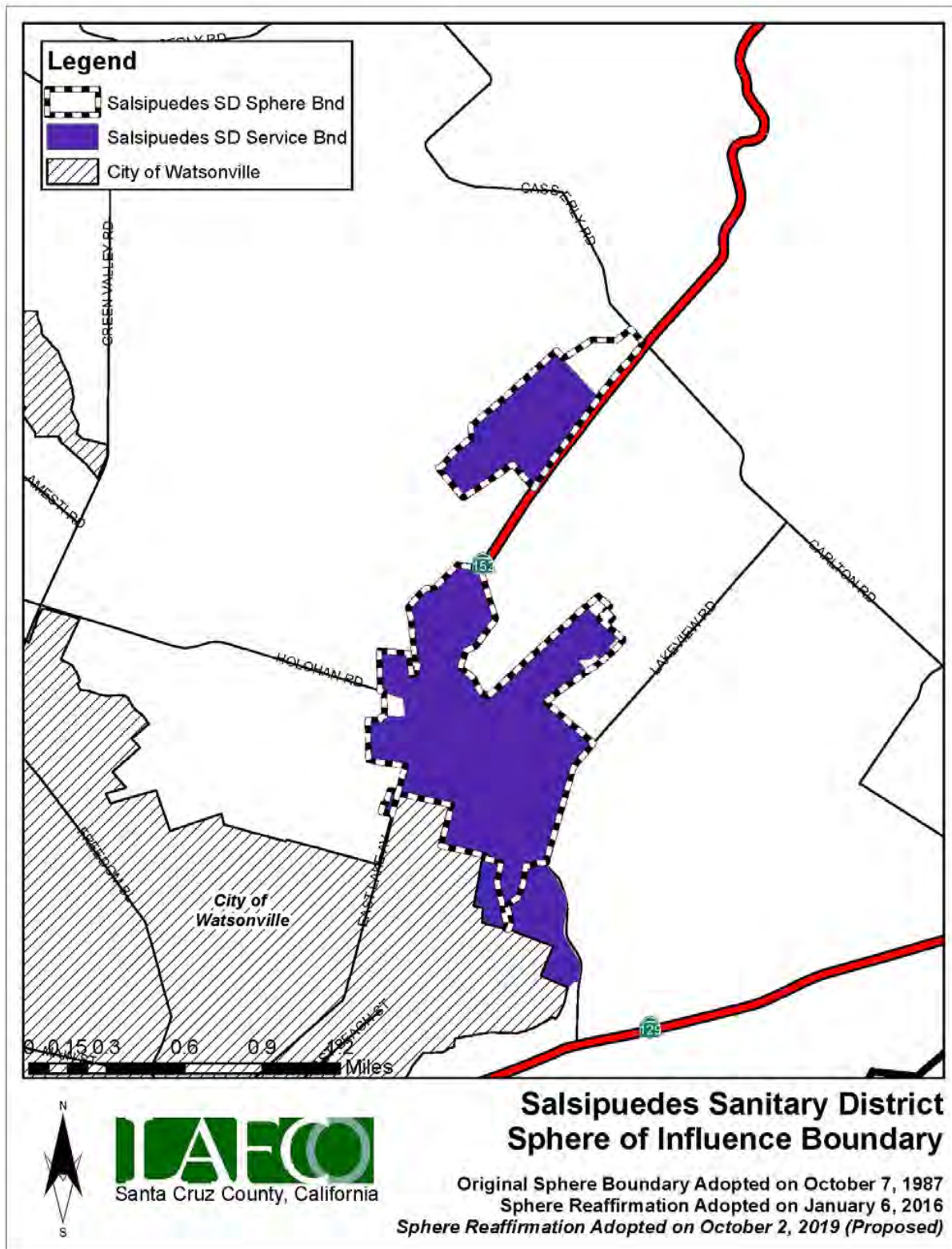
LAFCO staff is not aware of any social or economic communities of interest in the area. The District's service area is primarily residential units.

**5. For an update of a 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, that occurs pursuant to subdivision (g) on or after July 1, 2012, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.**

Neither the County nor LAFCO has identified any sub-area within or contiguous to the Salsipuedes Sanitary District's service or sphere boundaries that meet the definition of a disadvantaged unincorporated community. That said, the District has adequate transmission and treatment capacity for the present and planned facilities within the sphere of influence. The District's principal needs are repair and replacement of aging infrastructure.

**EXHIBIT 27**  
**SALSIPUEDES SANITARY DISTRICT**  
**SPHERE OF INFLUENCE MAP**

LAFCO maintains the Sphere of Influence of Salsipuedes Sanitary District with no amendments.



**EXHIBIT 28**  
**SANTA CRUZ COUNTY SANITATION DISTRICT**  
**2019 SERVICE REVIEW DETERMINATIONS**

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**1. Growth and population projections for the affected area.**

There are no growth projections available for the Santa Cruz County Sanitation District. In general, the Santa Cruz County unincorporated area is projected to have slow growth over the next fifteen years. However, the District also includes the entire City of Capitola. The Public Works Department has estimated the population within the total area at approximately 72,000. Based on the growth rate of approximately 1% for the unincorporated areas in the County, LAFCO staff projects that the District's entire population in 2020 will be around 73,600.

**2. The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence.**

Based on the criteria set forth by SB 244, staff's analysis located two DUCs near the Santa Cruz County Sanitation District (as shown in the figure below). However, these two DUC areas are not within or adjacent to the District's service or sphere boundary. Additionally, these two DUCs are on vacant parcels outside the University of California, Santa Cruz. The County's General Plan designates the upper DUC, located north of McLaughlin Drive, as Special Use. The lower DUC, located south of Empire Grade, is designated as Commercial Agriculture. Based on the two identified DUCs being undeveloped and uninhabited, the Commission should not consider these areas as a disadvantaged unincorporated community in future boundary changes.

**3. 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.**

The Santa Cruz County Sanitation District provides wastewater collection service for the City of Capitola and the unincorporated communities of Aptos, Soquel and Live Oak. The District also serves Harbor High School, a satellite medical center and the Port District which are within the City of Santa Cruz and outside the District's boundary. The District receives periodic inquiries regarding sewer service in the La Selva Beach area due to septic problems in that area, but that area lies outside its current sphere of influence.

The Santa Cruz County Sanitation District was formed in 1973 by the consolidation of three sanitation districts: East Cliff, Capitola, and Aptos. At that time each district had a primary treatment plant and ocean outfall into Monterey Bay. The discharges did not meet either the Federal or State clean water standards. During the 1970s the District participated in regional sewer studies and ultimately acted to abandon its treatment plants and outfall, build a transmission line into the City of Santa Cruz, and contract with the city to treat and dispose of the District's sewage. The city built a new outfall in 1989 and added secondary treatment in 1998.

**4. Financial ability of agencies to provide services.**

For FY 19-20, the County adopted a budget of \$42 million in anticipated revenue. The District has successfully kept costs below its revenue stream since 2014. Audited financial statements from Fiscal Years 2014 to 2018 indicate that the increase in net position has ranged from \$2.6 million to \$3.9 million. As of June 30, 2018, the District is operating with a net position of approximately \$134 million, of which \$14 million is in cash and investments. However, the two most recently adopted budgets (FY 18-19 and FY 19-20) indicate potential revenue shortage ranging between \$8-10 million.

**5. Status of, and opportunities for, shared facilities.**

Several sanitation districts, including entities managed and operated by the County, have expressed interest in transferring sewer responsibilities to another agency due to funding issues, limited long-term planning, or lack of economies of scale. Establishment of a countywide memorandum of understanding or a joint powers authority may unify the already-established collaboration set by the sanitation providers in the county. Such agreements may also lay the foundation for future changes of organization, including but not limited to annexations, consolidations, or mergers.

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

The Santa Cruz County Sanitation District provides wastewater collection service for the City of Capitola and the unincorporated communities of Aptos, Soquel and Live Oak. The District also serves Harbor High School, a satellite medical center and the Port District which are within the City of Santa Cruz and outside the District's boundary.

The County currently has a contractual agreement with the City of Santa Cruz to transfer collected wastewater to the City of Santa Cruz's treatment system. The City treats the sewage at its Neary Lagoon Wastewater Treatment Facility and disposes the treated wastewater into the Pacific Ocean off West Cliff Drive. The District currently has 36,000 connections and serves over 72,000 residents.

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

No additional local LAFCO policies are specifically relevant to this service and sphere review.

**EXHIBIT 29**  
**SANTA CRUZ COUNTY SANITATION DISTRICT**  
**2019 SPHERE OF INFLUENCE DETERMINATIONS**

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

There are no agricultural or open-space lands within the service area.

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

The Santa Cruz County Sanitation District provides wastewater collection service for the City of Capitola and the unincorporated communities of Aptos, Soquel and Live Oak. The District also serves Harbor High School, a satellite medical center and the Port District which are within the City of Santa Cruz and outside the District's boundary. The County currently has a contractual agreement with the City of Santa Cruz to transfer collected wastewater to the City of Santa Cruz's treatment system. The City treats the sewage at its Neary Lagoon Wastewater Treatment Facility and disposes the treated wastewater into the Pacific Ocean off West Cliff Drive. The District currently has 36,000 connections and serves over 72,000 residents.

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

LAFCO originally adopted a sphere of influence for the Santa Cruz County Sanitation District back in 1983. The adopted sphere of influence boundary included the areas of the District in Live Oak, Capitola, Soquel, and Aptos and many developed and undeveloped areas of Live Oak (Santa Cruz Gardens), Soquel, and Aptos that were inside the Urban Services Line, but not yet annexed or connected for sewer service. That said, there are still inconsistencies between the District's jurisdiction and sphere boundaries and the Urban Services Line.

**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.**

LAFCO staff is not aware of any social or economic communities of interest in the area. The CSA's service area is primarily residential units.

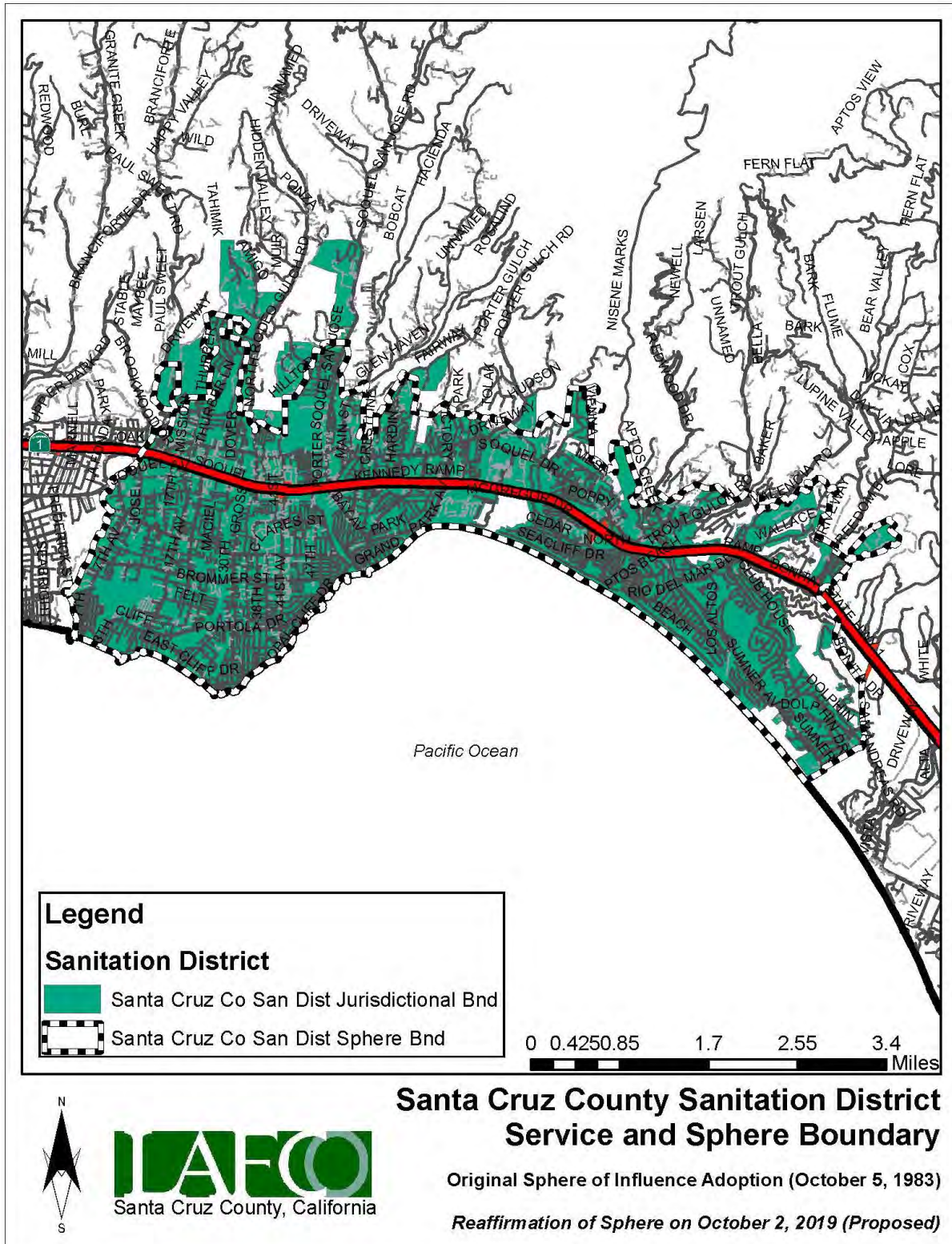
**5. For an update of a sphere of influence of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, that occurs pursuant to subdivision (g) on or after July 1, 2012, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.**

Neither the County nor LAFCO has identified any sub-area within or contiguous to the District's service or sphere boundaries that meet the definition of a disadvantaged unincorporated community. That said, the District has adequate transmission and treatment capacity for the present and planned facilities within the sphere of influence. The District's principal needs are repair and replacement of aging infrastructure.



# **EXHIBIT 30** **SANTA CRUZ COUNTY SANITATION DISTRICT** **SPHERE OF INFLUENCE MAP**

LAFCO maintains the Sphere of Influence of Santa Cruz County Sanitation District with no amendments.



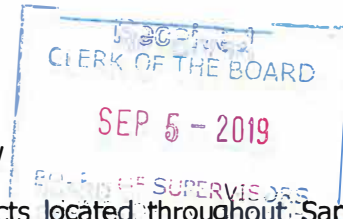
235-19

**Notice of Exemption**

To: ☐ Office of Planning and Research  
1400 Tenth Street, Room 121  
Sacramento CA 95814

From: (Public Agency)  
Santa Cruz Local Agency Formation Commission  
701 Ocean Street, Room 318-D  
Santa Cruz CA 95060

To: ☒ Clerk of the Board  
County of Santa Cruz  
701 Ocean Street, Room 500  
Santa Cruz CA 95060



**Project Title:** Comprehensive Sanitation Service and Sphere Review

**Project Location:** The project area includes ten sanitation districts located throughout Santa Cruz County. These districts include Bear Creek Estates Wastewater System, Davenport County Sanitation District, Freedom County Sanitation District, Salsipuedes Sanitary District, Santa Cruz County Sanitation District, and County Service Areas 2, 5, 7, 10, and 20. A vicinity map depicting the location of each subject agency is included (refer to Attachment A).

**Project Location City:** N/A **Project Location County:** Santa Cruz

**Description of Nature, Purpose, and Beneficiaries of Project:** The report is for use by the Local Agency Formation Commission in conducting a statutorily required review and update process. The Cortese-Knox-Hertzberg Act requires that the Commission conduct periodic reviews and updates of spheres of influence of all cities and districts in Santa Cruz County (Government Code section 56425). It also requires LAFCO to conduct a review of municipal services before adopting Sphere updates (Government Code section 56430). Santa Cruz LAFCO has prepared a municipal service review, and sphere of influence update for ten sanitation districts. The purpose of the report is to ensure the effectiveness and efficiency in the delivery of sewer provisions by each subject agency, in accordance to the statutory requirements outlined in the Cortese-Knox-Hertzberg Act.

**Name of Public Agency Approving Project:** Santa Cruz Local Agency Formation Commission. The LAFCO public hearing on this proposal is scheduled for 10:00 a.m. on October 2, 2019.

**Name of Person or Agency Carrying Out Project:** Santa Cruz Local Agency Formation Commission

**Exempt Status:** (check one)

- ☐ Ministerial (Sec. 21080(b)(1); 15268);  
☐ Declared Emergency (Sec. 21080(b)(3); 15269(a));  
☐ Emergency Project (Sec. 21080(b)(4); 15269 (b)(c));  
☐ Categorical Exemption: State type and section number  
☐ Statutory Exemptions: State code number  
☒ Other: The activity is not a project subject to CEQA.

THIS NOTICE HAS BEEN POSTED AT THE CLERK  
OF THE BOARD OF SUPERVISORS OFFICE FOR A  
PERIOD COMMENCING Sep 05 2019  
AND ENDING Oct 05 2019

**Reason Why Project is Exempt:** The LAFCO action does not change the services or the planned service area of the ten sanitation districts. There is no possibility that the activity may have a significant impact on the environment--State CEQA Guidelines Section 15061(b)(3).

**Lead Agency Contact Person:** Joe A. Serrano

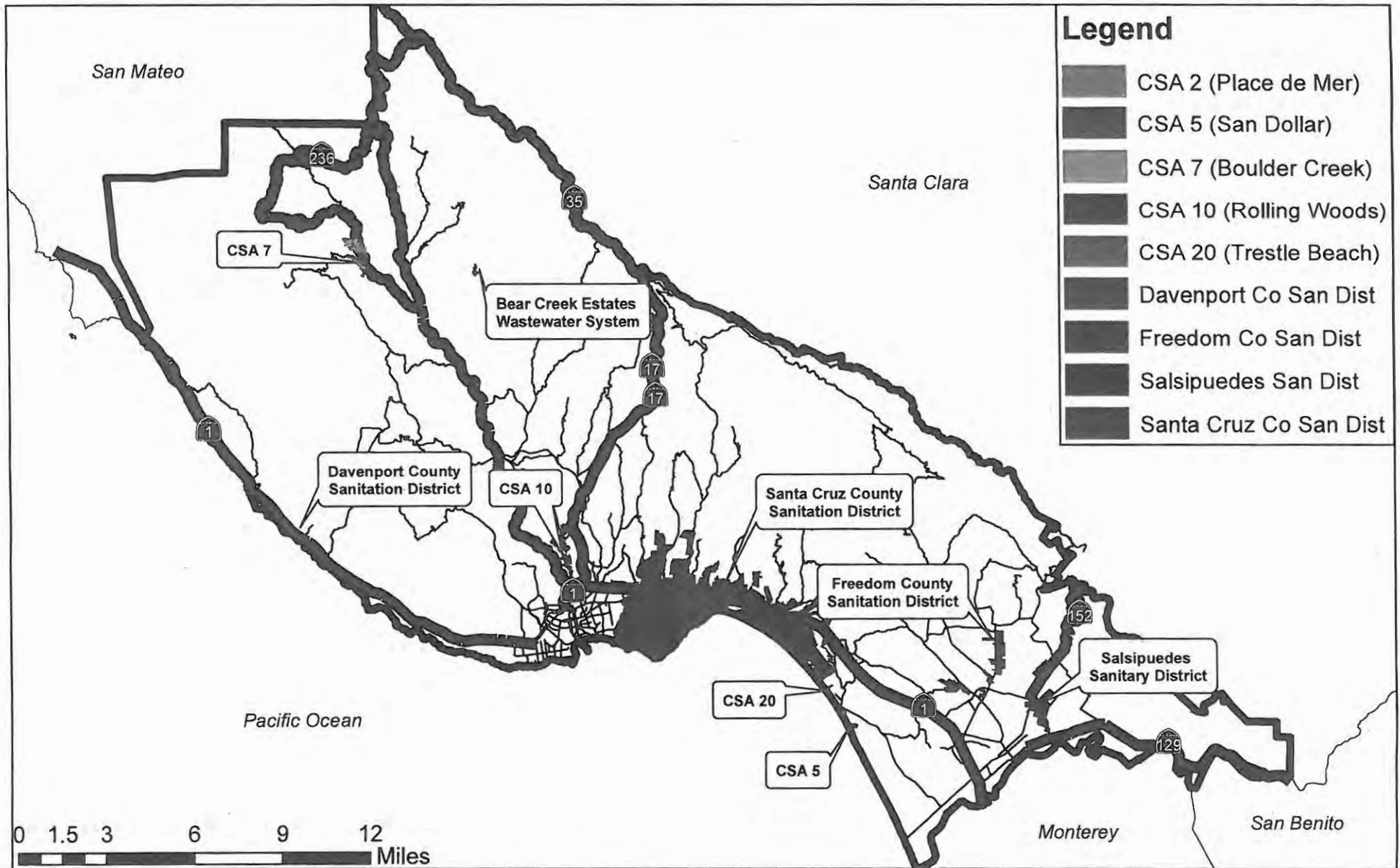
**Area Code/Phone Extension:** 831-454-2055.

**Signature:**   
Joe A. Serrano, Executive Officer

**Date:** September 5, 2019

☒ Signed by Lead Agency





## Comprehensive Sanitation Service and Sphere Review Vicinity Map



**NOTICE OF PUBLIC HEARING  
LOCAL AGENCY FORMATION COMMISSION**

NOTICE IS HEREBY GIVEN that at 10:00 a.m., Wednesday, October 2, 2019, in Room 525 of the County Governmental Center, 701 Ocean Street, Santa Cruz, the Local Agency Formation Commission of Santa Cruz County (LAFCO) will hold a public hearing on the following items:

- **Comprehensive Sanitation Service and Sphere of Influence Review:** Consideration of a service review and sphere of influence update for the following ten sanitation districts – Bear Creek Estates Wastewater System, Davenport County Sanitation District, Freedom County Sanitation District, Salsipuedes Sanitary District, Santa Cruz County Sanitation District, and County Service Areas 2, 5, 7, 10, and 20. The purpose of the review is to ensure the effectiveness and efficiency in the delivery of sewer provisions by each subject agency, in accordance to the statutory requirements outlined in the Cortese-Knox-Hertzberg Act. In compliance with the California Environmental Quality Act (CEQA), LAFCO staff has prepared a Categorical Exemption for the service and sphere determination. No environmental impact report will be prepared for LAFCO's service and sphere of influence review.
- **City Selection Committee Policy:** Consideration of a new policy regarding the selection of city representatives on LAFCO. The proposed new policy will reflect the established rotation procedure. This procedure ensures that each of the 4 cities in Santa Cruz County have equal representation on the Commission.
- **Meeting Rules Policy Update:** Consideration of proposed modifications to LAFCO's meeting rules policy. The proposed modifications include several non-substantive changes, removal of outdated language, and minor clarifications to reflect the Commission's meeting practices.

At the hearing, the Commission will consider oral or written comments from any interested person. Maps, written reports, environmental review documents and further information can be obtained by contacting LAFCO's staff at 701 Ocean Street, Room 318-D, Santa Cruz CA 95060, (831)454-2055 or from LAFCO's website at [www.santacruzlafco.org](http://www.santacruzlafco.org).

LAFCO does not discriminate on the basis of disability, and no person shall, by reason of a disability, be denied the benefits of its services, programs or activities. The Commission meetings are held in an accessible facility. If you wish to attend this meeting and you will require special assistance in order to participate, please contact the LAFCO office at least 48 hours in advance of the meeting to make arrangements.

A handwritten signature in blue ink, appearing to read 'Joe A. Serrano'. The signature is fluid and cursive, with a long horizontal stroke at the end.

Joe A. Serrano  
Executive Officer

Date: September 11, 2019



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**Santa Cruz Local Agency Formation Commission**

Date: October 2, 2019  
To: LAFCO Commissioners  
From: Joe Serrano, Executive Officer  
Subject: **CALAFCO's Proposed New Membership Dues Structure**

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**SUMMARY OF RECOMMENDATION**

The next CALAFCO Annual Conference will occur between October 30th to November 1st in Sacramento. At the Conference, the CALAFCO Board of Directors will conduct an election to determine whether a proposed new membership dues structure will replace the current model. All 58 LAFCOs are encouraged to participate in the voting process.

It is recommended that the Commission take the following actions:

1. Discuss the proposed new membership dues structure;
  2. Adopt a voting position on the proposed new membership dues structure; and
  3. Direct the Voting Delegate (Chair Jim Anderson) to cast a vote at the upcoming CALAFCO Annual Business Meeting based on the Commission's adopted position.
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**EXECUTIVE OFFICER'S REPORT:**

The California Association of Local Agency Formation Commissions (CALAFCO) was founded back in 1971. This statewide organization is dedicated in assisting member LAFCOs with educational, technical, and legislative matters. CALAFCO currently provides coordination of LAFCO activities, serves as a resource to the State Legislature and other governmental entities, and offers a structure for sharing information among the various LAFCOs, statewide municipalities, and the general public. All 58 LAFCOs are members of CALAFCO, along with legal firms and other qualifying agencies as associate members.

While CALAFCO is a vital resource, it continues to experience a financial deficit as an organization. Based on the information provided at the 2019 CALAFCO Strategic Planning Workshop and Board Meeting, CALAFCO's core revenues has been less than its core expenses each year since inception. "Core Revenues" are primarily membership dues received by all 58 LAFCOs. "Core Expenses" are related to annual operational costs. It is important to note that revenues and expenses from conferences, workshops, training courses, or any other educational events are separate from CALAFCO's operational or "core" component.

The following table depicts the financial shortage being faced by CALAFCO.

**Table A: CALAFCO's Financial Performance (ending balance as of June 30)**

|   | 2014             | 2015            | 2016              | 2017              | 2018             |
|---|------------------|-----------------|-------------------|-------------------|------------------|
| <b>Operational Component</b>                |                  |                 |                   |                   |                  |
| Core Revenue                                | \$179,345        | \$185,312       | \$188,172         | \$201,738         | \$215,662        |
| Core Expenses                               | \$187,576        | \$217,503       | \$250,172         | \$260,375         | \$259,056        |
| Surplus/(Deficit)                           | (\$8,231)        | (\$32,191)      | (\$62,000)        | (\$58,637)        | (\$43,394)       |
| <b>Educational Component</b>                |                  |                 |                   |                   |                  |
| Training Revenue                            | \$152,323        | \$165,255       | \$168,033         | \$179,658         | \$180,963        |
| Training Expenses                           | <u>\$130,008</u> | <u>\$96,509</u> | <u>\$123,582</u>  | <u>\$141,880</u>  | <u>\$145,696</u> |
| Surplus/(Deficit)                           | \$22,315         | \$68,746        | \$44,451          | \$37,778          | \$35,267         |
| <b>Operational + Educational Components</b> |                  |                 |                   |                   |                  |
| Total Revenue                               | \$331,668        | \$350,567       | \$356,205         | \$381,396         | \$396,625        |
| Total Expenses                              | \$317,584        | \$314,012       | \$373,754         | \$402,255         | \$404,752        |
| <b>Surplus/(Deficit)</b>                    | <b>\$14,084</b>  | <b>\$36,555</b> | <b>(\$17,549)</b> | <b>(\$20,859)</b> | <b>(\$8,127)</b> |

*\*Footnote – Educational revenue and expenses derive from annual conferences, workshops, and training courses*

Based on staff's analysis, membership funding is not enough to cover year-round operational expenses. Fortunately, revenues from educational events have subsidized previous budgets. In the last three years, however, educational funds were unable to balance CALAFCO's recent budgets. Funds from annual conferences and other educational events fluctuate each year and cannot be a reliable source of revenue - that is why CALAFCO is considering the establishment of a new membership dues structure to help address the ongoing funding deficit.

#### Current Membership Dues Structure

The current structure is population-based using three categories: urban, suburban, and rural, which was modeled after the California State Association of Counties (CSAC) membership structure. The formula uses a per capita rate that includes a maximum rate and minimum rates for both the rural and suburban categories. Dues may be increased by the CALAFCO Board on an annual basis to reflect the Consumer Price Index (CPI). The current structure has been in place since 2006.

#### Proposed New Membership Dues Structure

The CALAFCO Board of Directors has spent more than a year deliberating the structural deficit and the current dues structure. They considered input and feedback from LAFCOs at the 2018 Annual Conference. The overall consensus was that CALAFCO should work towards a more sustainable dues structure model.



After extensive research and discussion, the CALAFCO Board of Directors unanimously approved a dues structure based on a flat rate, county population threshold, and a per capita rate. CALAFCO will conduct an election during the upcoming Annual Conference to determine whether this proposed new structure replaces the current model. A complete overview of the proposed new membership dues structure was provided by CALAFCO and attached to this report (see Attachment 1).

Based on this proposed new structure, Santa Cruz LAFCO will pay approximately \$4,900 to CALAFCO in FY 2020-21. Table B shows the most recent dues in comparison to next year's estimated amount.

**Table B: Santa Cruz LAFCO's Membership Dues**

|                                   | FY 18-19<br>(Actual) | FY 19-20<br>(Actual) | <b>FY 20-21<br/>(Proposed)</b> |
|-----------------------------------|----------------------|----------------------|--------------------------------|
| Santa Cruz LAFCO                  | \$2,805              | \$3,261              | \$4,900.87                     |
| Change in (\$) from previous year |                      | \$456                | \$1,639.87                     |
| Change in (%) from previous year  |                      | 16%                  | 50%                            |

Staff Recommendation

LAFCO staff believes that CALAFCO is a vital resource and plays an important role in California. CALAFCO has been underbudget since inception with insufficient membership funding. It has managed to subsidize its previous budgets with revenues from annual conferences and educational events. Such budgetary practices are susceptible to a number of factors, including low conference attendance and minimal sponsorship donations. Establishing a new membership dues structure that focuses on a flat rate, population threshold, and a per capita rate, is expected to address the ongoing financial gap. LAFCO staff believes that the Commission will have the necessary funds to accommodate the estimated increase in CALAFCO dues under this new structure.

LAFCO staff is recommending that the Commission support the proposed new membership dues structure and direct Chair Jim Anderson, as the Commission's Voting Delegate, to vote on behalf of Santa Cruz LAFCO at the upcoming Annual Conference.

Respectfully Submitted,



Joe A. Serrano  
Executive Officer

Attachment:

1. Proposed New Membership Dues Structure – Background Material (including CALAFCO letter dated August 12, 2019, table depicting dues for all 58 LAFCOs under new model, and frequently asked questions).



August 12, 2019

**TO: Member LAFCos**  
**SUBJECT: Proposed new dues structure for approval at 2019 Annual Business Meeting**

Dear Member LAFCos:

The CALAFCO Board of Directors continues to develop services to meet the evolving needs of our members, yet we find ourselves continually challenged to meet those needs with limited resources.

At the CALAFCO Annual Meeting in Yosemite last fall, the Board explained that additional revenues must be raised to close the ongoing structural deficit, which the association has operated with since its inception. As many of you heard, CALAFCO has had an unhealthy reliance on Conference revenue to balance the budget which is not a sound fiscal practice. After receiving your feedback during the roundtable discussions at that Conference and after process of almost 18 months, the Board took a two-phase approach to addressing the ongoing structural deficit.

First, as a short-term strategy to address this structural deficit in FY 2019-20, the Board approved a one-time cost sharing option in which member LAFCo dues were increased by 16.25% and the Board used one-time Conference net profits to close the deficit (\$33,452 raised through the 16.25% increase and \$31,138 coming from Conference net profit). As we move into FY 2019-20, the adopted budget has a structural deficit of \$37,980.

The Board was also committed to a long-term strategy of revising the current dues structure into a more sustainable model. As a result, at their May 10, 2019 meeting, the Board considered several options for a new dues structure brought forward from the Finance Ad Hoc Committee. This Committee undertook a lengthy and detailed process, considering eleven (11) different options before deciding on the two brought to the Board.

After much discussion and careful consideration, the Board unanimously approved presenting the proposed new dues structure to you, the membership, for a vote at the October 31, 2019 Annual Business Meeting. A new dues structure requires the approval of the membership as it is a change in the Bylaws.

The structure is population based with a number of variables including an annual base rate, population threshold and a per capita rate. Population data will be updated annually.

The first step to changing the dues structure is for the membership to discuss it at the Annual Business Meeting and vote. Should the membership approve the new structure, the Board will adopt policies relating to the three variables. To help you better understand the process up to this point in time, a Q&A document has been created and included with this letter. It provides details and answers to the questions we know many of you have. Additionally we are including a matrix of what the new dues structure looks like for the first year of implementation (FY 2020-21) should the membership approve.

Also the Annual Business Meeting Agenda and meeting packet will contain a full staff report with details and the proposed changes to the Bylaws associated with the new dues structure. This will be published early August.

We understand raising dues at any time is a difficult proposition. Our work at CALAFCO strives to support the success and meet the needs of all member LAFCos, large and small. We are committed to continually enhancing the services of CALAFCO and fulfilling our mandate "to assist member LAFCos with educational and technical resources that otherwise would not be available." We hope you will agree when we discuss this at our Annual Business Meeting at this year's Conference.

We and the rest of the Board are available to answer any questions you may have. You are encouraged to seek out the feedback of your regional Board members.

On behalf of the CALAFCO Board of Directors,

A handwritten signature in black ink, appearing to read "Joshua J. Susman".

Josh Susman  
Chair of the Board

A handwritten signature in black ink, appearing to read "Pamela Miller".

Pamela Miller  
Executive Director

Cc: CALAFCO Board of Directors  
enclosures

CALAFCO  
Proposed member LAFCo dues structure and dues beginning FY 2020-21

| County          | Population<br>Estimate<br>2020 | Population<br>For Dues<br>Calculation | Base<br>Dues | Per Capita<br>Dues | Base + Per<br>Capita Dues | Total Per<br>Capita Rate |
|-----------------|--------------------------------|---------------------------------------|--------------|--------------------|---------------------------|--------------------------|
| ALAMEDA         | 1,703,660                      | 700,000                               | 1,000        | 9,662              | 10,662                    | 0.0063                   |
| ALPINE          | 1,107                          | 1,107                                 | 1,000        | 15                 | 1,015                     | 0.9171                   |
| AMADOR          | 37,560                         | 37,560                                | 1,000        | 518                | 1,518                     | 0.0404                   |
| BUTTE           | 230,701                        | 230,701                               | 1,000        | 3,184              | 4,184                     | 0.0181                   |
| CALAVERAS       | 44,953                         | 44,953                                | 1,000        | 620                | 1,620                     | 0.0360                   |
| COLUSA          | 23,144                         | 23,144                                | 1,000        | 319                | 1,319                     | 0.0570                   |
| CONTRA COSTA    | 1,178,639                      | 700,000                               | 1,000        | 9,662              | 10,662                    | 0.0090                   |
| DEL NORTE       | 26,997                         | 26,997                                | 1,000        | 373                | 1,373                     | 0.0508                   |
| ELDORADO        | 189,576                        | 189,576                               | 1,000        | 2,617              | 3,617                     | 0.0191                   |
| FRESNO          | 1,033,095                      | 700,000                               | 1,000        | 9,662              | 10,662                    | 0.0103                   |
| GLENN           | 29,691                         | 29,691                                | 1,000        | 410                | 1,410                     | 0.0475                   |
| HUMBOLDT        | 137,711                        | 137,711                               | 1,000        | 1,901              | 2,901                     | 0.0211                   |
| IMPERIAL        | 195,814                        | 195,814                               | 1,000        | 2,703              | 3,703                     | 0.0189                   |
| INYO            | 18,724                         | 18,724                                | 1,000        | 258                | 1,258                     | 0.0672                   |
| KERN            | 930,885                        | 700,000                               | 1,000        | 9,662              | 10,662                    | 0.0115                   |
| KINGS           | 154,549                        | 154,549                               | 1,000        | 2,133              | 3,133                     | 0.0203                   |
| LAKE            | 65,302                         | 65,302                                | 1,000        | 901                | 1,901                     | 0.0291                   |
| LASSEN          | 30,626                         | 30,626                                | 1,000        | 423                | 1,423                     | 0.0465                   |
| LOS ANGELES     | 10,435,036                     | 700,000                               | 1,000        | 9,662              | 10,662                    | 0.0010                   |
| MADERA          | 162,990                        | 162,990                               | 1,000        | 2,250              | 3,250                     | 0.0199                   |
| MARIN           | 265,152                        | 265,152                               | 1,000        | 3,660              | 4,660                     | 0.0176                   |
| MARIPOSA        | 18,031                         | 18,031                                | 1,000        | 249                | 1,249                     | 0.0693                   |
| MENDOCINO       | 90,175                         | 90,175                                | 1,000        | 1,245              | 2,245                     | 0.0249                   |
| MERCED          | 286,746                        | 286,746                               | 1,000        | 3,958              | 4,958                     | 0.0173                   |
| MODOC           | 9,422                          | 9,422                                 | 1,000        | 130                | 1,130                     | 0.1199                   |
| MONO            | 13,986                         | 13,986                                | 1,000        | 193                | 1,193                     | 0.0853                   |
| MONTEREY        | 454,599                        | 454,599                               | 1,000        | 6,274              | 7,274                     | 0.0160                   |
| NAPA            | 143,800                        | 143,800                               | 1,000        | 1,985              | 2,985                     | 0.0208                   |
| NEVADA          | 99,548                         | 99,548                                | 1,000        | 1,374              | 2,374                     | 0.0238                   |
| ORANGE          | 3,260,012                      | 700,000                               | 1,000        | 9,662              | 10,662                    | 0.0033                   |
| PLACER          | 397,368                        | 397,368                               | 1,000        | 5,485              | 6,485                     | 0.0163                   |
| PLUMAS          | 19,374                         | 19,374                                | 1,000        | 267                | 1,267                     | 0.0654                   |
| RIVERSIDE       | 2,500,975                      | 700,000                               | 1,000        | 9,662              | 10,662                    | 0.0043                   |
| SACRAMENTO      | 1,572,886                      | 700,000                               | 1,000        | 9,662              | 10,662                    | 0.0068                   |
| SAN BENITO      | 60,067                         | 60,067                                | 1,000        | 829                | 1,829                     | 0.0305                   |
| SAN BERNARDINO  | 2,230,602                      | 700,000                               | 1,000        | 9,662              | 10,662                    | 0.0048                   |
| SAN DIEGO       | 3,398,672                      | 700,000                               | 1,000        | 9,662              | 10,662                    | 0.0031                   |
| SAN FRANCISCO   | 905,637                        | 700,000                               | 1,000        | 9,662              | 10,662                    | 0.0118                   |
| SAN JOAQUIN     | 782,662                        | 700,000                               | 1,000        | 9,662              | 10,662                    | 0.0136                   |
| SAN LUIS OPISPO | 284,126                        | 284,126                               | 1,000        | 3,922              | 4,922                     | 0.0173                   |
| SAN MATEO       | 792,271                        | 700,000                               | 1,000        | 9,662              | 10,662                    | 0.0135                   |

CALAFCO  
Proposed member LAFCo dues structure and dues beginning FY 2020-21

| County        | Population Estimate 2020 | Population For Dues Calculation | Base Dues | Per Capita Dues | Base + Per Capita Dues | Total Per Capita Rate |
|---------------|--------------------------|---------------------------------|-----------|-----------------|------------------------|-----------------------|
| SANTA BARBARA | 460,444                  | 460,444                         | 1,000     | 6,355           | 7,355                  | 0.0160                |
| SANTA CLARA   | 2,011,436                | 700,000                         | 1,000     | 9,662           | 10,662                 | 0.0053                |
| SANTA CRUZ    | 282,627                  | 282,627                         | 1,000     | 3,901           | 4,901                  | 0.0173                |
| SHASTA        | 180,198                  | 180,198                         | 1,000     | 2,487           | 3,487                  | 0.0194                |
| SIERRA        | 3,129                    | 3,129                           | 1,000     | 43              | 1,043                  | 0.3334                |
| SISKIYOU      | 44,186                   | 44,186                          | 1,000     | 610             | 1,610                  | 0.0364                |
| SOLANO        | 453,784                  | 453,784                         | 1,000     | 6,263           | 7,263                  | 0.0160                |
| SONOMA        | 515,486                  | 515,486                         | 1,000     | 7,115           | 8,115                  | 0.0157                |
| STANISLAUS    | 572,000                  | 572,000                         | 1,000     | 7,895           | 8,895                  | 0.0156                |
| SUTTER        | 101,418                  | 101,418                         | 1,000     | 1,400           | 2,400                  | 0.0237                |
| TEHAMA        | 65,119                   | 65,119                          | 1,000     | 899             | 1,899                  | 0.0292                |
| TRINITY       | 13,389                   | 13,389                          | 1,000     | 185             | 1,185                  | 0.0885                |
| TULARE        | 487,733                  | 487,733                         | 1,000     | 6,732           | 7,732                  | 0.0159                |
| TUOLUMNE      | 53,976                   | 53,976                          | 1,000     | 745             | 1,745                  | 0.0323                |
| VENTURA       | 869,486                  | 700,000                         | 1,000     | 9,662           | 10,662                 | 0.0123                |
| YOLO          | 229,023                  | 229,023                         | 1,000     | 3,161           | 4,161                  | 0.0182                |
| YUBA          | 79,087                   | 79,087                          | 1,000     | 1,092           | 2,092                  | 0.0264                |

As proposed, the formula described below is used to create the proposed FY 2020-21 dues as noted above.

Notwithstanding the foregoing, Member LAFCO annual membership dues shall be levied based upon a formula that includes the following components:

1. Dues are population based. The fiscal year 2020-2021 dues uses a 0.013802199 per capita rate and 2020 population estimates based on data from the California Department of Finance.
2. A base charge as set by the Board of Directors, which shall be the same for each LAFCO. The base charge for fiscal year 2020-2021 is \$1,000 per LAFCO.
3. A population threshold as set by the Board of Directors.
4. Population estimates per County updated annually based on data provided by the California Department of Finance.
5. The per capita rate shall be set by the Board of Directors.
6. No LAFCO will pay less than its current dues based on the baseline dues of fiscal year 2018-2019.

# CALAFCO BULLETIN

## Proposed LAFCo Membership New Dues Structure

To be presented to the Membership for consideration and vote at the  
2019 Annual Business Meeting in Sacramento, California on  
October 31, 2019

### Questions & Answers



**Question:** *How did the Board come up with the proposed dues structure?*

**Answer:** The Board spent over a year deliberating the structural deficit and dues structure through their Finance Ad Hoc Committee. They considered feedback received from the membership at the 2018 Annual Conference from the regional roundtable discussions and the message to work towards a more sustainable dues structure model. The Board discussed at length options presented to them by the Ad Hoc Committee in February and May.

**Question:** *Why was this structure selected over other options considered?*

**Answer:** After extensive research and discussion by the Ad Hoc Committee, and after considering a variety of possible structures including those based on LAFCo budget, County category (urban-suburban-rural), flat rate increases and population, ultimately it was a population-based structure that was favored. The Ad Hoc Committee presented two options to the Board with this population-based structural model and the Board agreed the population-based structure created the fewest irregularities to resolve and created a more sustainable funding formula. Ultimately this structure was unanimously approved by the Board.

**Question:** *What are the variables in the formula?*

**Answer:** The formula includes: (1) A flat annual fee or base rate (each LAFCo will pay the same flat rate); (2) Population threshold number; and (3) A per capita rate.

**Question:** *How will these variables be determined each year as CALAFCO considers member LAFCo dues?*

**Answer:** Should the membership approve the new structure, the Board will create policies to support the new structure. These policies will include the consideration of each of these variables and possible future adjustments. These policies will include keeping the Board's discretion to increase the dues by the CPI annually.

**Question:** *Where will the population data come from?*

**Answer:** The population data will be updated annually as the Board considers the next fiscal year dues. The data source to be used for updates is the California Department of Finance population estimates.

**Question:** *Is CALAFCO still budgeting for a net profit for the Annual Conference and how does that impact the annual budget?*

**Answer:** Yes. The Board has given clear direction that each year the annual budget should have a 15% net profit built into the budget for the Annual Conference (pursuant to Board Policy 4.2). CALAFCO's current FY 2019-20 budget calls for a 15% (or \$20,817) net profit. This net profit is still used to help balance the budget. However, the goal is for CALAFCO to move away from the unhealthy and unsustainable reliance on any higher net profit assumptions to balance the budget and fill the structural deficit.

The Ad Hoc Committee and the Board discussed at length using sponsorships to boost revenue and the Board continues to feel this revenue is unreliable and unpredictable and therefore unrealistic to use as a reliable revenue source.

**Question:** *How were the proposed base rate, population threshold and per capita rate selected?*

**Answer:** First, the Board committed to using the FY 2018-19 dues as the baseline from which to work, which they did (the FY 2018-19 dues are lower than the FY 2019-20 dues). The Board anticipated the FY 2020-2021 operational costs to be close to \$300,000, which was the baseline budget number from which they worked. The Ad Hoc Finance Committee considered eleven (11) different options before deciding on the population-based model with the three variables. To narrow that further, after looking at several (three) options with different variable numbers, the Board selected the current formula (\$1,000 base rate, 700,000 population threshold, per capita rate of 0.013802199 and population estimates for 2020 given that is the year the new dues structure would take effect, should it be approved). While this and other formulas realized the \$300,000 anticipated operational budget, these particular variables created dues for each LAFCo that the Board felt were the most equitable at this time.

**Question:** *How is this structure different than the current structure?*

**Answer:** The straight 3-category model no longer effectively serves the Association's member LAFcos. County populations vary enough that 3 categories just did not accurately capture the broader population picture. With the proposed model, the gap in the amount paid between the more populated rural LAFcos and their suburban colleagues has been reduced, as has the gap between the higher populated suburban LAFcos and the urban LAFcos.

**Question:** *Are LAFcos in counties with a population over 700,000 exempt from any future increase based on population growth?*

**Answer:** The proposed changes call for the Board to set the population threshold annually. Should the membership approve this proposed structure, the Board will set policies around the variables of population threshold, base rate and per capita rate. This means that population threshold can change based on Board discretion.

**Question:** *What if our LAFCo has a financial hardship? Is that still addressed in the Bylaws?*

**Answer:** Yes. The Board unanimously agreed to keep the provision of allowing any LAFCo with a financial hardship to bring that to the Board for consideration. (Please refer to Bylaws Section 2.2.4).

**Question:** *What will the dues be for my LAFCo if the membership approves this new structure?*

**Answer:** The spreadsheet accompanying this bulletin details what the first year will look like with this formula. As a starting point, the Bylaws will reflect the formula used to get at these rates and the rate chart itself. That detailed information will be contained in the meeting packet for the October 31, 2019 Annual Membership meeting.

**Question:** *When will the membership vote on this proposed structure?*

**Answer:** The proposed structure is being presented to member LAFcos for voting at the Annual Business meeting on October 31, 2019 during the Annual Conference in Sacramento. The Annual Business Meeting agenda and meeting packet will be distributed in early August, allowing approximately three months for discussion prior to the vote.

**Question:** *Can we vote by proxy or absentee ballot if we are not attending the Annual Business meeting?*

**Answer:** No, all member LAFcos must be present to vote at the Annual Business meeting pursuant to Bylaws Section 3.7. For purposes of voting, each member LAFCo must be in good standing – which means all dues are current and paid in full by September 30, 2019. Further, each member LAFCo shall submit to CALAFCO the name of their voting delegate by September 30, 2019.

**Question:** *What happens if the membership does not approve the proposed new dues structure?*

**Answer:** The Association will continue to have a structural deficit and may need to rely on accessing Fund Reserves to balance the budget. Further, in order to have a balanced budget, without additional sustainable and reliable revenues, expenses will need to be reduced which will equate to a reduction in services offered.

**Question:** *Who can I talk to if I have questions?*

**Answer:** If you have questions you are encouraged to contact Pamela Miller, CALAFCO's Executive Director at [pmiller@calafco.org](mailto:pmiller@calafco.org) or 916-442-6536. You can also contact the CALAFCO Board Chair Josh Susman at [jsusman@calafco.org](mailto:jsusman@calafco.org). You are highly encouraged to reach out to any of your regional Board members and/or your regional staff representatives. All of their names and contact information can be found on the CALAFCO website at [www.calafco.org](http://www.calafco.org).





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**Santa Cruz Local Agency Formation Commission**

Date: October 2, 2019  
To: LAFCO Commissioners  
From: Joe Serrano, Executive Officer  
Subject: **LAFCO Meeting Rules Policy Update**

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**SUMMARY OF RECOMMENDATION**

This Commission maintains a written set of rules, regulations, and procedures for the conduct of its meetings. Previous amendments to the Meeting Rules Policy occurred back in May 1999, September 2007, April 2008, and March 2016. LAFCO staff believes that additional modifications to the existing policy is warranted. The proposed modifications include several non-substantive changes, removal of outdated language, and minor clarifications that reflect the Commission's current meeting practices.

It is recommended that the Commission receive the Executive Officer's report and adopt a resolution approving the changes made to the Commission's Meeting Rules Policy.

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**EXECUTIVE OFFICER'S REPORT:**

The current Meeting Rules Policy was last revised in March 2016, when the Commission made minor edits throughout the policy to modernize and clarify outdated language. LAFCO staff recently reviewed the policy and has identified additional amendments for the Commission's consideration. The proposed modifications are shown as tracked changes in Attachment 1 and summarized below:

- **Agenda Structure** – The Meeting Rules Policy currently limits the format of LAFCO's regular meeting agenda. Proposed edits allow LAFCO staff more flexibility on how to structure the agenda.
- **Resolution Review** – LAFCO Legal Counsel currently reviews all draft resolutions prior to Commission consideration. Proposed edits would reflect this review process in the policy.
- **Commission Stipends** – Commissioners currently receive a \$50 stipend for each LAFCO meeting. Proposed edits would reflect this compensation in the policy.
- **Attendance at Meetings** – The Meeting Rules Policy currently states that the Executive Officer should notify the appointing authority when a Regular or Alternate Commissioner is absent for three consecutive regularly scheduled LAFCO meetings. Proposed edits would remove Alternate Commissioners since alternate members are not required to attend all LAFCO meetings, unless a regular member is unable to attend.

Staff is also recommending minor edits throughout the Policy to modernize and clarify outdated language.

Staff Recommendation

The primary reason for the proposed changes is to clarify the Commission's meeting practices that are already in place, but not necessarily reflected in the current policy. Therefore, staff is recommending that the Commission adopt the attached resolution (see Attachment 2) and approve the changes made to the Commission's Meeting Rules Policy. The attached resolution includes a "clean" version of the amended policy, without the tracked changes.

Respectfully Submitted,



Joe A. Serrano  
Executive Officer

Attachments:

1. Proposed Meeting Rules Policy (with tracked changes)
2. Meeting Rules Policy Resolution No. 2019-20

**MEETING RULES**

~~SANTA CRUZ~~ LOCAL AGENCY FORMATION COMMISSION OF SANTA CRUZ COUNTY

~~AS REVISED~~ PREVIOUS REVISION: MARCH 2, 2016 (

~~BY SANTA CRUZ~~ LAFCO RESOLUTION NO. 2016-3)

LATEST REVISION: OCTOBER 2, 2019 (LAFCO RESOLUTION NO. 2019-1420)

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## 1. TIME AND PLACE OF MEETINGS

The Local Agency Formation Commission of ~~the County of Santa Cruz~~ Santa Cruz County shall hold regular meetings on the first Wednesday of each month at the hour of 10:00 o'clock A. M. in the Board of Supervisors Chambers in the County ~~Governmental~~ Governmental Center, 701 Ocean Street, Santa Cruz, California. Meetings may be cancelled at the Chairperson's discretion.

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## 2. AGENDA

The agenda packet shall be available for the Commissioners by ~~the~~ Thursday evening, six days preceding the Wednesday meeting. The agenda packet will also be made available on the LAFCO website for the general public.

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The Chairperson or the Chairperson's designee shall determine the appropriate content of the agenda ~~and~~, and arrange the order of the agenda, or may delegate the same to the Executive Officer. ~~;~~ provided, a majority of the Commission may direct the placement of any item on a future agenda by action taken in a noticed public meeting of the Commission.

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~~All reports, communications, resolutions, or other matters to be submitted to the Commission shall be submitted to the Executive Officer not later than 12:00 o'clock noon on the Monday, nine days preceding a regular Commission meeting.~~

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~~Items not on the agenda should not be considered at the scheduled meeting, but should be set for the next available meeting, unless the Commission grants its consent for urgent matters consistent with the Ralph M. Brown Act (Government Code Section 54950.5 et seq.).~~

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The agenda ~~shall~~ may be organized in the following manner:

1. Roll Call
2. Adoption of Minutes
3. Oral Communications
4. Public Hearings
  - a. Continued Items
  - b. Newly Scheduled Hearings
5. Other Business
6. Written Correspondence

7. Press Articles
- 7.8. Commissioners' Business
9. Adjournment

In some cases, special items may be added to the agenda, including but not limited to Oath of Office, Closed Sessions, or other non-periodic items. The agenda outline listed above may include such special items, when applicable.

All reports, communications, resolutions, or other matters to be submitted to the Commission shall be submitted to the Executive Officer no later than noon on Monday, nine days preceding a regular Commission meeting. Correspondence presented to the Commission after that date but before the regular meeting will be made available on the LAFCO website and at the meeting for public review.

Items not on the agenda should not be considered at the scheduled meeting, but should be set for the next available meeting, unless the Commission grants its consent for urgent matters consistent with the Ralph M. Brown Act (Government Code Section 54950.5 et seq.).

8. \_\_\_\_\_

### 3. ELECTION OF CHAIRPERSON

The Commission shall, at its first regular meeting in January of each year, or as ~~may be~~ duly continued by action of the Commission, choose one of its members to serve as Chairperson and one of its members to serve as Vice-Chairperson, to serve the balance of the calendar year or until the election of their successors.

Should the office of Chairperson or Vice-Chairperson become vacant during the calendar year, the Commission shall, at the meeting at which the vacancy occurs, choose a successor to fill the vacancy for the balance of that calendar year, or until the election of a successor.

### 4. CHAIRPERSON TO PRESIDE

The Chairperson shall preside at the meetings of the Commission. If the Chairperson is absent or unable to act, the Vice-Chairperson shall serve until the Chairperson returns or is able to act. The Vice-Chairperson has ~~all of the~~ same powers and duties of the Chairperson while acting as Chairperson.

### 5. QUORUM

A majority of the regular members of the Commission shall constitute a quorum for the transaction of business. Alternate members, when seated in place of regular members, shall be considered a regular member for quorum ~~determination~~ ~~and determination~~. When there is no quorum, the Chairperson or Vice-Chairperson, or if no Commissioners are present, the Executive Officer shall adjourn the meeting.

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## 6. MAJORITY VOTE

An affirmative vote of at least four members of the Commission, including alternate members when seated in place of regular members, shall be required to approve any motion before the Commission.

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## 7. READING OF MINUTES

Unless a Commissioner requests a reading of the minutes, the Commission may approve minutes without formal reading if the Executive Officer has previously furnished each member with a draft of the minutes.

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Sturgis Rules of Order shall be followed by the Commission to the fullest extent possible; provided, procedural failure shall not invalidate an otherwise legal act of the Commission. In addition, the Chairperson may second motions and enter into debate regarding all Commission items.

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## 9. MANNER OF ADDRESSING THE COMMISSION--TIME LIMIT

All persons addressing the Commission shall step up to the podium, give their name, geographical area (or City) of residence, and interest in the area under consideration in an audible tone for the records, and unless further time is granted by the Commission, shall limit their address time to three minutes. The Chairperson, unless otherwise changed by a motion and vote from the Commission, may set a different time limit. All remarks shall be addressed to the Commission as a body and not to any member thereof. No person, other that than the Chairperson and the person having the floor, shall be permitted to enter into any discussion, either directly or through a member of the Commission, without permission of the Chairperson. No question shall be asked of a Commissioner or staff member except through the Chairperson.

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## 10. METHOD OF VOTING

The Commission shall vote by voice vote, unless one Commissioner requests a roll call vote.

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Roll call voting shall be random with the Chairperson voting last.

Unless a member of the Commission states that ~~the Commissioner~~ he or she ~~they are~~ is disqualified or abstaining from voting, the silence shall be recorded as an affirmative vote.

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#### 11. ABSTAINING FROM VOTING

No Commissioner shall abstain from voting without first notifying the Chairperson of the Commissioner's intent to abstain from the vote.

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#### 12. DISQUALIFICATION FROM VOTING

Whenever any Commissioner is disqualified from voting, that Commissioner shall announce ~~his or her~~their disqualification to the extent required by law, step from the dais, and may then participate to the extent permitted by the California Political Reform Act.

#### 13. ALTERNATE COMMISSIONERS

Whenever present at a Commission meeting, Alternate Commissioners shall take part in all of the proceedings of the Commission, but shall not vote on any matter before the Commission, nor attend a closed session unless seated in place of an absent or disqualified regular member of the Commission.

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The Chairperson is empowered to summarily, and without motion, second, or voting, declare a meeting of the Commission adjourned if the Chairperson is unable to enforce the proper decorum of a meeting.

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#### 16. RESOLUTION

No resolution shall be adopted by the Commission unless it is presented before the Commission in writing and read aloud. When each Commissioner has received a copy of the resolution, the reading of the resolution is automatically waived unless a Commissioner specifically requests that it is read.

Prior to Commission consideration, draft resolutions will be reviewed by Legal Counsel. Resolutions will be signed by the Chair, Legal Counsel, and the Executive Officer after the Commission has approved them at a public meeting.

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#### 17. SPECIAL COMMITTEES

The Commission may appoint special committees at any time for any lawful purpose



of the Commission. Unless otherwise directed by the Commission, all special committees shall be appointed by the Chairperson, subject to approval of the Commission.

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#### 18. PROTESTS AND DISSENTS BY COMMISSIONERS

Any Commissioner shall have the right to have the reasons for ~~his or her~~their dissent from, or protest against, any action of the Commission, entered in the minutes.

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#### 19. POSTING NOTICES

Posting of official notices ~~of the Commission~~, notices of public hearings, and any other official papers of the Commission where posting is required by law, shall be posted on the Official Bulletin Board of the ~~Santa Cruz~~ Local Agency Formation Commission of Santa Cruz County at the County Governmental Center at 701 Ocean Street, Santa Cruz, California.

These official postings shall also be ~~placed~~posted on the Commission's website at [www.santacruzlafco.org](http://www.santacruzlafco.org).

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Should the Commission hold a public hearing at any other location than its regular place of meeting, then, in addition to ~~the~~ posting ~~of the~~ notice on the Official Bulletin Board ~~as listed above~~above listed, posting shall be made upon or near the door to the stated place of meeting.

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#### 20. DOCUMENTS SUBMITTED AFTER AGENDA PACKET IS DISTRIBUTED

Materials related to an item on ~~this the~~ agenda that are submitted to the Commission after ~~the~~ agenda packet ~~is distribution~~distributed, are available to the public at the LAFCO office and during the meeting at the meeting location. Each agenda shall include a statement that the public may review these materials at the Commission office or during the meeting at the meeting location.

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#### 21. ATTENDANCE AT MEETINGS

Should any Regular Commissioner ~~or Alternate Commissioner~~ be absent for three consecutive regular meetings of the Commission without valid excuse, the Chairperson shall, through the Executive Officer, notify the appointing authority of such unexcused absences.

#### 22. COMMISSION STIPENDS AND EXPENSE REIMBURSEMENT

Commissioners receive a stipend payment of \$50 per posted meeting of the Commission and for attendance at any other Commission approved meetings (i.e. standing or special committee meeting). Commissioners may also receive reimbursement for expenses such as mileage or transportation costs, lodging, and food for approved travel associated with LAFCO business.

LOCAL AGENCY FORMATION COMMISSION OF SANTA CRUZ COUNTY  
RESOLUTION NO. 2019-20  
On the motion of Commissioner  
duly seconded by Commissioner  
the following resolution is adopted:

ADOPTION OF REVISED MEETING RULES

\*\*\*\*\*

WHEREAS, Government Code Section 56375(i) authorizes each LAFCO to make and enforce regulations for the orderly and fair conduct of hearings by the Commission; and

WHEREAS, the Commission maintains a set of rules to govern the conduct of its meetings; and

WHEREAS, the Commission previously reviewed and updated its Meeting Rules Policy in May 1999, September 2007, April 2008, and March 2016;

NOW, THEREFORE, BE IT RESOLVED, the Commission hereby amends its Meeting Rules Policy, as shown in Exhibit A, to include several non-substantive changes, remove outdated language, and reflect the Commission’s current meeting practices.

PASSED AND ADOPTED by the Local Agency Formation Commission of Santa Cruz County this 2nd day of October 2019.

AYES:  
  
NOES:  
  
ABSENT:

\_\_\_\_\_  
JAMES W. ANDERSON, CHAIRPERSON

Attest:

Approved as to form:

\_\_\_\_\_  
Joe A. Serrano  
Executive Officer

\_\_\_\_\_  
Jason M. Heath  
LAFCO Counsel

## EXHIBIT A: MEETING RULES

### LOCAL AGENCY FORMATION COMMISSION OF SANTA CRUZ COUNTY

PREVIOUS REVISION: MARCH 2, 2016 (LAFCO RESOLUTION NO. 2016-3)

LATEST REVISION: OCTOBER 2, 2019 (LAFCO RESOLUTION NO. 2019-20)

#### 1. TIME AND PLACE OF MEETINGS

The Local Agency Formation Commission of Santa Cruz County shall hold regular meetings on the first Wednesday of each month at the hour of 10:00 o'clock A. M. in the Board of Supervisors Chambers in the County Governmental Center, 701 Ocean Street, Santa Cruz, California. Meetings may be cancelled at the Chairperson's discretion.

#### 2. AGENDA

The agenda packet shall be available for the Commissioners by Thursday evening, six days preceding the Wednesday meeting. The agenda packet will also be made available on the LAFCO website for the general public.

The Chairperson or the Chairperson's designee shall determine the appropriate content of the agenda, and arrange the order of the agenda, or may delegate the same to the Executive Officer. A majority of the Commission may direct the placement of any item on a future agenda by action taken in a noticed public meeting of the Commission.

The agenda may be organized in the following manner:

1. Roll Call
2. Adoption of Minutes
3. Oral Communications
4. Public Hearings
  - a. Continued Items
  - b. Newly Scheduled Hearings
5. Other Business
6. Written Correspondence
7. Press Articles
8. Commissioners' Business
9. Adjournment

In some cases, special items may be added to the agenda, including but not limited to Oath of Office, Closed Sessions, or other non-periodic items. The agenda outline above may include such special items, when applicable.

All reports, communications, resolutions, or other matters to be submitted to the Commission shall be submitted to the Executive Officer no later than noon on Monday, nine days preceding a regular Commission meeting. Correspondence presented to the Commission after that date but before the regular meeting will be made available on the LAFCO website and at the meeting for public review.

Items not on the agenda should not be considered at the scheduled meeting, but should be set for the next available meeting, unless the Commission grants its consent for urgent matters consistent with the Ralph M. Brown Act (Government Code Section 54950.5 *et seq.*).

### 3. ELECTION OF CHAIRPERSON

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--end--



**Santa Cruz Local Agency Formation Commission**

Date: October 2, 2019  
To: LAFCO Commissioners  
From: Joe Serrano, Executive Officer  
Subject: **Regular and Alternate City Member Rotation Procedure**

**SUMMARY OF RECOMMENDATION**

Local representation on LAFCO consists of members from the County, independent special districts, cities, and the general public. The cities, under the direction of the City Selection Committee, have followed a rotation procedure to ensure equal representation on the Commission. LAFCO staff regularly receives inquiries on when a city is scheduled to be a regular or alternate member. This report will discuss the upcoming rotation schedule and clarify the selection process. No Commission action is required. Therefore, it is recommended that the Commission receive and file the Executive Officer's report.

**EXECUTIVE OFFICER'S REPORT:**

Pursuant to Government Code Section 50276, the City Selection Committee is tasked to appoint city representatives on LAFCO. The County Administrative Officer functions as the recording officer for the City Selection Committee. Historically, the four cities rotate staggered, four-year terms on the Commission. This procedure ensures that the Cities of Capitola, Santa Cruz, Scotts Valley, and Watsonville have equal representation on the Commission. **Attachment 1** depicts past city appointments under this model.

During this year's appointment of Watsonville and Capitola as the new regular and alternate members, it was brought to staff's attention that there is no schedule indicating when a city will be the next regular and/or alternate member on the Commission. Assuming the City Selection Committee continues this practice, LAFCO staff has developed a 10-year schedule to clarify future rotation appointments, as shown below.

**Table A: City Rotation Schedule (2019 to 2029)**

| Year | Capitola         | Santa Cruz       | Scotts Valley    | Watsonville      |
|------|------------------|------------------|------------------|------------------|
| 2019 | Alternate Member | Regular Member   | Off Commission   | Regular Member   |
| 2020 | Alternate Member | Regular Member   | Off Commission   | Regular Member   |
| 2021 | Alternate Member | Regular Member   | Off Commission   | Regular Member   |
| 2022 | Regular Member   | Off Commission   | Alternate Member | Regular Member   |
| 2023 | Regular Member   | Alternate Member | Regular Member   | Off Commission   |
| 2024 | Regular Member   | Alternate Member | Regular Member   | Off Commission   |
| 2025 | Regular Member   | Alternate Member | Regular Member   | Off Commission   |
| 2026 | Off Commission   | Regular Member   | Regular Member   | Alternate Member |
| 2027 | Alternate Member | Regular Member   | Off Commission   | Regular Member   |
| 2028 | Alternate Member | Regular Member   | Off Commission   | Regular Member   |
| 2029 | Alternate Member | Regular Member   | Off Commission   | Regular Member   |

*Note: The city rotation goes with the city and not with the person. All terms end on the first Monday in May.*

The City Selection Committee has an efficient method in place. It may be beneficial for the Committee to adopt a policy or bylaws to provide further information regarding the rotation protocol. In the interim, LAFCO staff believes that the rotation schedule in this report reflects the established rotation protocol and provides cities with supplemental reference material. Representatives from the City Selection Committee and the four cities have received copies of this staff report for their records.

Respectfully Submitted,



Joe A. Serrano  
Executive Officer

Attachment: Past City Rotations (1995 to 2019)

cc: City Selection Committee  
City of Capitola  
City of Santa Cruz  
City of Scotts Valley  
City of Watsonville

| PAST CITY ROTATION ON LAFCO<br>(1995 to 2019) |                  |                  |                  |                  |
|---|------------------|------------------|------------------|------------------|
| YEAR  | CAPITOLA         | SANTA CRUZ       | SCOTTS VALLEY    | WATSONVILLE      |
| 1995  | Alternate Member | Regular Member   | Off Commission   | Regular Member   |
| 1996  | Alternate Member | Regular Member   | Off Commission   | Regular Member   |
| 1997  | Alternate Member | Regular Member   | Off Commission   | Regular Member   |
| 1998  | Regular Member   | Off Commission   | Alternate Member | Regular Member   |
| 1999  | Regular Member   | Alternate Member | Regular Member   | Off Commission   |
| 2000  | Regular Member   | Alternate Member | Regular Member   | Off Commission   |
| 2001  | Regular Member   | Alternate Member | Regular Member   | Off Commission   |
| 2002  | Off Commission   | Regular Member   | Regular Member   | Alternate Member |
| 2003  | Alternate Member | Regular Member   | Off Commission   | Regular Member   |
| 2004  | Alternate Member | Regular Member   | Off Commission   | Regular Member   |
| 2005  | Alternate Member | Regular Member   | Off Commission   | Regular Member   |
| 2006  | Regular Member   | Off Commission   | Alternate Member | Regular Member   |
| 2007  | Regular Member   | Alternate Member | Regular Member   | Off Commission   |
| 2008  | Regular Member   | Alternate Member | Regular Member   | Off Commission   |
| 2009  | Regular Member   | Alternate Member | Regular Member   | Off Commission   |
| 2010  | Off Commission   | Regular Member   | Regular Member   | Alternate Member |
| 2011  | Alternate Member | Regular Member   | Off Commission   | Regular Member   |
| 2012  | Alternate Member | Regular Member   | Off Commission   | Regular Member   |
| 2013  | Alternate Member | Regular Member   | Off Commission   | Regular Member   |
| 2014  | Regular Member   | Off Commission   | Alternate Member | Regular Member   |
| 2015  | Regular Member   | Alternate Member | Regular Member   | Off Commission   |
| 2016  | Regular Member   | Alternate Member | Regular Member   | Off Commission   |
| 2017  | Regular Member   | Alternate Member | Regular Member   | Off Commission   |
| 2018  | Off Commission   | Regular Member   | Regular Member   | Alternate Member |
| 2019  | Alternate Member | Regular Member   | Off Commission   | Regular Member   |

*Note: All terms end on the first Monday in May. See Government Code Section 56334 for additional information.*



**Santa Cruz Local Agency Formation Commission**

Date: October 2, 2019  
To: LAFCO Commissioners  
From: Joe Serrano, Executive Officer  
Subject: **Comprehensive Quarterly Report – Fourth Quarter (FY 2019-20)**

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**SUMMARY OF RECOMMENDATION**

This report provides an overview of projects currently underway, the status of the Commission's Work Program and Annual Budget, and information regarding staff's outreach efforts during the first quarter (July to September). This agenda item is for informational purposes only and does not require any action. Therefore, it is recommended that the Commission receive and file the Executive Officer's report.

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**EXECUTIVE OFFICER'S REPORT**

The Cortese-Knox-Hertzberg Act delegates LAFCOs with regulatory and planning duties to coordinate the logical formation and development of local governmental agencies. The following sections summarize how several of these statutory mandates are being met through the consideration of boundary changes, development of several service reviews, and staff's ongoing collaboration with local agencies.

**Active Proposals**

Santa Cruz LAFCO currently has one active application and one recently recorded proposal, as summarized below.

1. **Roaring Camp Annexation (LAFCO No. 967)**: This application was initiated by petition and proposes to annex approximately 170 acres to the San Lorenzo Valley Water District (SLVWD). The purpose of the annexation is for the provision of water services to an unincorporated area, commonly known as Roaring Camp.

**Latest Status:** LAFCO staff is waiting for several documents from the applicant in order to deem the application complete. Pending items include an environmental document, map and legal description, and clarification of whether additional parcels will be included as part of the annexation.

2. **Cumbre Lane Reorganization (LAFCO No. 965)**: This application was initiated by petition to annex approximately 1.5 acres to the City of Scotts Valley and Scotts Valley Water District. The proposal was approved by the Commission on February 6; however, the adopted resolution excluded the concurrent detachments from various special districts as part of the change of organization. The administrative error was corrected, and the Commission adopted a revised resolution on March 6.

**Latest Status:** LAFCO staff successfully recorded this item on September 5. The subject territory is now part of Scotts Valley Water District and the City of Scotts Valley.

## Work Program

The annual work program identifies essential services to accomplish the Commission's legislative purposes, mandates and local priorities. At present, the work program's primary focus is to complete the current round of service and sphere reviews by December 2019. A total of 14 local agencies will be evaluated in 5 separate service and sphere reviews. Below is a status update for each service and sphere review.

1. **CSA 3 Service & Sphere Review**: Adopted on June 5, 2019.
2. **CSA 57 Service & Sphere Review**: Adopted on June 5, 2019.
3. **Santa Cruz Port District Service & Sphere Review**: Adopted on August 7, 2019.
4. **Countywide Sanitation Districts Service & Sphere Review**: A comprehensive service and sphere review will evaluate 10 sanitation districts in Santa Cruz County: Bear Creek Estates Wastewater System, Davenport County Sanitation District, Freedom County Sanitation District, Salsipuedes Sanitary District, Santa Cruz County Sanitation District, and County Service Areas 2, 5, 7, 10, and 20. Staff's analysis will highlight the agencies' achievements, current and future service demand, and explore alternative governance options.

**Latest Status:** In September, an advance copy of the draft service and sphere review was provided to the service providers for feedback and input. Comments provided have been incorporated into the draft version of the service review.

5. **Midpeninsula Regional Open Space District Service & Sphere Review**: Midpeninsula Regional Open Space District (MROSD) owns and manages over 63,000 acres of public land and manages 26 open space preserves. The District operates in three counties: Santa Clara, San Mateo and a small portion of Santa Cruz. The District may be considering further expansion, and possible annexation, into Santa Cruz County in the foreseeable future. Therefore, it is timely to conduct a service and sphere review for the MROSD. This review is scheduled to be completed by November 2019.

**Latest Status:** The ad-hoc committees from the District and LAFCO met on Wednesday, September 25 to discuss the service review. A summary of that meeting is available on page 3 of this report.

## Budget Report

The first quarter of Fiscal Year 2019-20 ended on August 30, 2019. During this 3-month period, the Commission received \$400,128 in revenue. This amount represents approximately 60% of the anticipated revenue for the entire year. During the same period, the Commission incurred \$84,925 in total expenses which represents only 13% of estimated costs for the entire year.

A detailed review of LAFCO's financial performance during the first quarter (July to August) is attached to this report (refer to **Attachment 2**).



## **Recent & Upcoming Meetings**

LAFCO staff values the benefits from collaborating with local agencies, members of the public, and other LAFCOs that explore and initiate methods to improve efficiency in the overall delivery of municipal services. During the months of June and July, LAFCO staff met with local representatives to discuss potential and/or upcoming LAFCO projects. A summary of each meeting is discussed below.

1. **Civil Grand Jury Meeting:** LAFCO's Executive Officer was invited by the Civil Grand Jury to be a guest speaker at their August 14 meeting. During the meeting, LAFCO staff conducted a thorough presentation that provided the 19-member board a better understanding of LAFCO's role in the county.
2. **Aptos/La Selva & Central Fire Chiefs Meeting:** LAFCO staff met with both fire chiefs on August 22 to discuss the consolidation application. The fire chiefs informed LAFCO staff that the Board of Directors for each fire district have recently adopted an initiating resolution to begin the consolidation effort. LAFCO staff anticipates receiving a joint application in early 2020. In the interim, both districts will conduct several townhall meetings to inform the communities about the consolidation. LAFCO staff has been invited to be a guest speaker at those community workshops.
3. **Sanitation Service Review Meetings:** LAFCO staff provided an advance copy of the comprehensive sanitation service and sphere of influence review to each affected agency. Additionally, LAFCO staff met with representatives of County Public Works on August 3 and Salsipuedes Sanitary District on August 5 to further discuss the draft report and answer any questions. Correspondence between LAFCO and San Lorenzo Valley Water District, regarding the Bear Creek Wastewater System, also occurred during the months of August and September.
4. **Midpeninsula Regional Open Space District Ad-Hoc Committee Meeting:** A meeting between ad-hoc committee members from LAFCO and the District occurred on September 25. At the meeting, the committee members discussed the purpose of the upcoming service review and whether the District had any interest in further expansion into Santa Cruz County.
5. **Bay Area LAFCO Clerks Workshop:** The Bay Area LAFCO Clerks Group will be conducting a small workshop on October 11. Santa Cruz LAFCO will be hosting this meeting. Topics that will be discussed include statutory deadlines, how to fully utilize Microsoft Excel, and learn ways to improve administrative and analytical skills as a LAFCO employee.

Respectfully Submitted,



Joe A. Serrano  
Executive Officer

Attachment: LAFCO FY 2019-20 Budget Review (first quarter)

**LAFCO Budget - Fiscal Year 2019-20**  
**Actuarial Data (by quarter)**

**5D: ATTACHMENT 1**

| <b>FISCAL YEAR 2019-20</b>             | <b>FY 19-20<br/>First Qtr<br/>(Jul - Sep)</b> | <b>FY 19-20<br/>Adopted<br/>Budget</b> | <b>Difference<br/>(\$)</b> | <b>Budget Line<br/>Item Notes</b>                     |
|--|---|--|----------------------------|---|
| <b>REVENUES DESCRIPTION</b>            |   |  |                            |   |
| Interest                               | \$ 624  | \$ 6,000                               | \$ 5,376                   | Anticipated Funds                                     |
| Contributions from Other Govt Agencies | \$ 399,300                                    | \$ 399,300                             | \$ -                       | All Dues Received                                     |
| LAFC Processing Fees                   | \$ -  | \$ 6,500                               | \$ 6,500                   | Anticipated Funds                                     |
| Medical Charges-Employee               | \$ 204  | \$ 1,000                               | \$ 796                     | Anticipated Funds                                     |
| Copy Charges                           | \$ -  | \$ 100                                 | \$ 100                     | Anticipated Funds                                     |
| Re-budget from Fund Balance            | \$ -  | \$ 249,500                             | \$ 249,500                 | Net Position Funds (if needed)                        |
| <b>TOTAL REVENUES</b>                  | <b>\$ 400,128</b>                             | <b>\$ 662,400</b>                      | \$ 262,272                 | <b>Anticipated Funds in<br/>Total Revenue</b>         |
| <b>EXPENDITURES DESCRIPTION</b>        |   |  |                            |   |
| Regular Pay                            | \$ 27,250                                     | \$ 245,400                             | \$ 218,150                 | Remaining Funds                                       |
| Overtime Pay                           | \$ -  | \$ 1,000                               | \$ 1,000                   | Remaining Funds                                       |
| Extra Help                             | \$ -  | \$ 1,000                               | \$ 1,000                   | Remaining Funds                                       |
| Sick Leave                             | \$ -  | \$ 1,000                               | \$ 1,000                   | Remaining Funds                                       |
| Holiday Pay                            | \$ 288  | \$ 10,100                              | \$ 9,812                   | Remaining Funds                                       |
| Social Security                        | \$ 2,107                                      | \$ 18,200                              | \$ 16,093                  | Remaining Funds                                       |
| PERS                                   | \$ 37,202                                     | \$ 59,800                              | \$ 22,598                  | Remaining Funds                                       |
| Insurances                             | \$ 6,313                                      | \$ 50,500                              | \$ 44,187                  | Remaining Funds                                       |
| Unemployment                           | \$ 86   | \$ 400                                 | \$ 314                     | Remaining Funds                                       |
| Workers Comp                           | \$ -  | \$ 1,000                               | \$ 1,000                   | Remaining Funds                                       |
| <b>Salaries Sub-total</b>              | <b>\$ 73,245</b>                              | <b>\$ 388,400</b>                      | \$ 315,155                 | <b>Remaining Funds in Salaries<br/>&amp; Benefits</b> |
|  |   |  |                            |   |
| Telecom                                | \$ 314  | \$ 2,000                               | \$ 1,686                   | Remaining Funds                                       |
| Office Equipment                       | \$ -  | \$ 200                                 | \$ 200                     | Overbudget  |
| Memberships                            | \$ 3,261                                      | \$ 4,500                               | \$ 1,239                   | Remaining Funds                                       |
| Hardware                               | \$ -  | \$ 300                                 | \$ 300                     | Remaining Funds                                       |
| Duplicating                            | \$ 89   | \$ 1,200                               | \$ 1,111                   | Remaining Funds                                       |
| PC Software                            | \$ -  | \$ 600                                 | \$ 600                     | Remaining Funds                                       |
| Postage                                | \$ 254  | \$ 1,400                               | \$ 1,146                   | Overbudget  |
| Subscriptions                          | \$ -  | \$ 500                                 | \$ 500                     | Remaining Funds                                       |
| Supplies                               | \$ 24   | \$ 1,500                               | \$ 1,476                   | Remaining Funds                                       |
| Accounting                             | \$ -  | \$ 1,500                               | \$ 1,500                   | Remaining Funds                                       |
| Attorney                               | \$ 1,250                                      | \$ 150,000                             | \$ 148,750                 | Remaining Funds                                       |
| Data Process GIS                       | \$ 483  | \$ 16,700                              | \$ 16,217                  | Remaining Funds                                       |
| Director Fees                          | \$ -  | \$ 6,000                               | \$ 6,000                   | Remaining Funds                                       |
| Surveyor                               | \$ -  | \$ 1,000                               | \$ 1,000                   | Remaining Funds                                       |
| Prof. Services                         | \$ -  | \$ 50,000                              | \$ 50,000                  | Remaining Funds                                       |
| Legal Notices                          | \$ 160  | \$ 1,700                               | \$ 1,540                   | Remaining Funds                                       |
| Rents                                  | \$ -  | \$ 8,500                               | \$ 8,500                   | Remaining Funds                                       |
| Misc. Expenses                         | \$ 1,550                                      | \$ 6,500                               | \$ 4,950                   | Remaining Funds                                       |
| Books                                  | \$ -  | \$ 200                                 | \$ 200                     | Remaining Funds                                       |
| Air Fare                               | \$ -  | \$ 3,000                               | \$ 3,000                   | Remaining Funds                                       |
| Auto Rental                            | \$ -  | \$ 200                                 | \$ 200                     | Remaining Funds                                       |
| Training                               | \$ -  | \$ 1,800                               | \$ 1,800                   | Remaining Funds                                       |
| Lodging                                | \$ -  | \$ 5,200                               | \$ 5,200                   | Remaining Funds                                       |
| Meals                                  | \$ -  | \$ 600                                 | \$ 600                     | Remaining Funds                                       |
| Mileage                                | \$ 84   | \$ 3,000                               | \$ 2,916                   | Remaining Funds                                       |
| Travel-Other                           | \$ -  | \$ 500                                 | \$ 500                     | Remaining Funds                                       |
| Registrations                          | \$ 4,210                                      | \$ 5,400                               | \$ 1,190                   | Remaining Funds                                       |
| <b>Supplies Sub-total</b>              | <b>\$ 11,679</b>                              | <b>\$ 274,000</b>                      | \$ 262,321                 | <b>Remaining Funds in Services<br/>&amp; Supplies</b> |
|  |   |  |                            |   |
| <b>TOTAL EXPENDITURES</b>              | <b>\$ 84,925</b>                              | <b>\$ 662,400</b>                      | \$ 577,475                 | <b>Remaining Funds in<br/>Total Expenditures</b>      |



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**Santa Cruz Local Agency Formation Commission**

Date: October 2, 2019  
To: LAFCO Commissioners  
From: Joe Serrano, Executive Officer  
Subject: **Legislative Update**

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**SUMMARY OF RECOMMENDATION**

LAFCO staff tracks bills during the legislative session and provides periodic updates. The legislative website (<http://leginfo.legislature.ca.gov/>) offers additional information on this year's session. The Commission may take a position on any tracked bill. All bills were required to pass through both houses by September 13 with a 30-day period for the Governor to either sign or veto passed bills. This agenda item is for informational purposes only and does not require any action. Therefore, it is recommended that the Commission receive and file the Executive Officer's report.

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**EXECUTIVE OFFICER'S REPORT:**

The California Association of LAFCOs (CALAFCO) monitors legislative matters that may impact the Commission's ability to effectively administer its regulatory responsibilities. There were a total of 24 bills that directly or indirectly impacted LAFCOs during this year's legislative session. Out of these 24 bills: 11 failed, 6 were signed by the Governor, 5 were enrolled for Governor approval, and 2 bills are still being considered at the preliminary stage. Attachment 1 provides an overview for each bill.

Out of the 24 bills, the Commission took official positions on four of them (AB 600, AB 2013, AB 1253, and AB 1822). The following provides a status update on those four bills:

- **AB 1253 (Rivas), Local Agency Formation Commissions - Grant Program:** This bill is sponsored by CALAFCO and would provide grant funding to LAFCOs to dissolve small districts and study reorganizations of local governmental services. The Commission adopted a "Support" position on March 6.

***Latest Status** – Failed deadline pursuant to Rule 61(a)(10) on July 10, 2019. May be acted upon again in January 2020.*

- **AB 213 (Reyes), Local Government, Finance - Vehicle License Fee Adjustments:** This bill is sponsored by the League of Cities and would restore Vehicle Licensing Fee (VLF) revenue to cities that have annexed territory or have incorporated since 2005. The Commission adopted a "Support" position on March 6.

***Latest Status** – Failed deadline pursuant to Rule 61(a)(10) on August 30, 2019. May be acted upon again in January 2020.*

- **AB 1822 (Committee on Local Government) Local Government - Omnibus:** This is CALAFCO's annual Omnibus bill, which makes minor and/or non-substantive changes to the Cortese-Knox-Hertzberg Act to clarify and provide consistency in how the CKH Act is applied throughout the State. The Commission adopted a "Support" position on June 5.

***Latest Status*** – *Approved by the Governor (June 26, 2019).*

- **AB 600 (Chu), Local Government, Organization – Disadvantaged Unincorporated Communities:** This bill is sponsored by the Leadership Counsel for Justice and Accountability and makes changes to LAFCO requirements for approving specified annexations involving disadvantaged unincorporated communities. AB 600's original language conflicted with the CKH Act and undermined LAFCO's purview over extraterritorial services. The Commission adopted an "Oppose" position on June 5.

The bill author attempted to address the issues outlined in the Commission's opposition letter. There are still concerns regarding on the Legislature's approach to address service delivery issues involving disadvantaged unincorporated communities. At this time, it is unknown whether the Governor will sign or veto AB 600.

***Latest Status*** – *Senate amendments concurred in. To Engrossing and Enrolling. (September 12, 2019).*

Respectfully Submitted,



Joe A. Serrano  
Executive Officer

Attachment:

1. Tracking Sheet of LAFCO-related Bills (as of September 23, 2019)

# CALAFCO Daily Legislative Report as of Monday, September 23, 2019

1

## **AB 315 (Garcia, Cristina D) Local government: lobbying associations: expenditure of public funds.**

**Current Text:** Amended: 7/5/2019 [html](#) [pdf](#)

**Introduced:** 1/30/2019

**Last Amended:** 7/5/2019

**Status:** 9/13/2019-Re-referred to Com. on RLS. pursuant to Assembly Rule 96.

| Desk      | Policy | Fiscal | Floor | Desk      | Policy | Fiscal | Floor | Conf. Conc. | Enrolled | Vetoed | Chaptered |
|-----------|--------|--------|-------|-----------|--------|--------|-------|-------------|----------|--------|-----------|
| 1st House |        |        |       | 2nd House |        |        |       |             |          |        |           |

### **Summary:**

Current law authorizes the legislative body of a local agency, defined as a county, city, or city and county, or a district, defined broadly to include other political subdivisions or public corporations in the state other than the state or a county, city and county, or city, to attend the Legislature and the Congress of the United States, and any committees thereof, and to present information regarding legislation that the legislative body or the district deems to be beneficial or detrimental to the local agency or the district. Current law also authorizes the legislative body of a local agency or a district to enter into an association for these purposes and specifies that the cost and expense incident to the legislative body's or district's membership in the association and the activities of the association are proper charges against the local agencies or districts comprising the association. This bill, with respect to moneys paid to or otherwise received by an association from a local agency or district member of the association, would prohibit an association of local agencies or districts from expending those moneys for any purpose other than the above-described activities and educational activities.

**Position:** Watch

**CALAFCO Comments:** As gut an amended, this bill appears to have significant impact to CALAFCO in the uses of member LAFCO and certain Associate Member dues being limited to only direct educational activities. CALAFCO will engage with stakeholders and the author's office as the bill moves forward in the next legislative year.

## **AB 508 (Chu D) Drinking water: consolidation and extension of service: domestic wells.**

**Current Text:** Enrollment: 9/11/2019 [html](#) [pdf](#)

**Introduced:** 2/13/2019

**Last Amended:** 8/12/2019

**Status:** 9/11/2019-Enrolled and presented to the Governor at 3:30 p.m.

| Desk      | Policy | Fiscal | Floor | Desk      | Policy | Fiscal | Floor | Conf. Conc. | Enrolled | Vetoed | Chaptered |
|-----------|--------|--------|-------|-----------|--------|--------|-------|-------------|----------|--------|-----------|
| 1st House |        |        |       | 2nd House |        |        |       |             |          |        |           |

### **Summary:**

The California Safe Drinking Water Act requires the state board, before ordering consolidation or extension of service, to, among other things, obtain written consent from any domestic well owner for consolidation or extension of service. The act makes any domestic well owner within the consolidation or extended service area that does not provide written consent ineligible, until consent is provided, for water-related grant funding, as specified. The act also requires the state board, before ordering consolidation or extension of service, to make a finding that consolidation of the receiving water system and subsumed water system or extension of service to the subsumed water system is appropriate and technically and economically feasible. The act defines "subsumed water system" for these purposes as the public water system, state small water system, or affected residences consolidated into or receiving service from the receiving water system. This bill would modify the provision that authorizes consolidation or extension of service if a disadvantaged community is reliant on a domestic well described above to instead authorize consolidation or extension of service if a disadvantaged community, in whole or in part, is substantially reliant on domestic wells that consistently fail to provide an adequate supply of safe drinking water.

**Position:** Watch

**Subject:** Disadvantaged Communities, Water

**CALAFCO Comments:** This bill allows the SWRCB to order an extension of service in the case a disadvantaged community has at least one residence that are reliant on a domestic well that fails to provide safe drinking water. It allows members of the disadvantaged community to petition the SWRCB to initiate the process. It allows the owner of the property to opt out of the extension. The bill also places limitations on fees, charges and terms and conditions imposed as a result of the extension of service. Finally, the extension of service does not require annexation in the cases where that would be appropriate.

## **AB 600 (Chu D) Local government: organization: disadvantaged unincorporated communities.**

**Current Text:** Enrolled: 9/17/2019 [html](#) [pdf](#)

**Introduced:** 2/14/2019

**Last Amended:** 9/4/2019

**Status:** 9/12/2019-Senate amendments concurred in. To Engrossing and Enrolling.

| Desk      | Policy | Fiscal | Floor | Desk      | Policy | Fiscal | Floor | Conf.<br>Conc. | Enrolled | Vetoed | Chaptered |
|-----------|--------|--------|-------|-----------|--------|--------|-------|----------------|----------|--------|-----------|
| 1st House |        |        |       | 2nd House |        |        |       |                |          |        |           |

**Summary:**

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 provides the authority and procedure for the initiation, conduct, and completion of changes of organization, reorganization, and sphere of influence changes for cities and districts, as specified. Existing law prohibits a local agency formation commission from approving an annexation to a city of any territory greater than 10 acres, or as determined by commission policy, where there exists a disadvantaged unincorporated community that is contiguous to the area of proposed annexation, unless an application to annex the disadvantaged unincorporated community into the subject city has been filed. This bill would clarify that the prohibition on approving an annexation involving a disadvantaged unincorporated community, as described above, applies to the annexation of territory greater than 10 acres, or smaller as determined by commission policy. The bill would also provide that the existing approval prohibition and the exemptions to the application requirement apply to the annexation of two or more contiguous areas that take place within 5 years of each other and that are individually less than 10 acres but cumulatively more than 10 acres.

**Attachments:**

[LAFCo Removal of opposition with concerns template 09 19](#)

[CALAFCO Removal of opposition but concerns 09 19](#)

[CALAFCO Oppose letter 05 07 19](#)

[LAFCo Oppose letter template 05 07 19](#)

[CALAFCO Oppose Letter REV April 19, 2019](#)

[LAFCo Oppose letter template REVISED](#)

[CALAFCO Oppose Letter April 16, 2019](#)

[LAFCo Oppose letter template](#)

**Position:** Watch With Concerns

**Subject:** Disadvantaged Communities, Water

**CALAFCO Comments:** UPDATE: As amended September 4, 2019, the bill removes all of CALAFCO's direct policy concerns. The bill now provides clean up and clarification to 8(B) and 8(B)(i) by adding "disadvantaged" to unincorporated community; and prohibits the approval of an annexation of two or more contiguous areas that take place within 5 years of each other and are individually less than 10 acres but cumulatively greater than 10 acres. As a result of the changes in this version of the bill, CALAFCO has removed our opposition. We do, however, remain concerned over the lack of a holistic approach by the Legislature to address service delivery issues to DUCs and the definition of a DUC.

**[AB 1253](#) ([Rivas, Robert D](#)) Local agency formation commissions: grant program.**

**Current Text:** Introduced: 2/21/2019 [html](#) [pdf](#)

**Introduced:** 2/21/2019

**Status:** 7/10/2019-Failed Deadline pursuant to Rule 61(a)(10). (Last location was GOV. & F. on 6/6/2019)(May be acted upon Jan 2020)

| Desk      | Policy | Fiscal | Floor | Desk      | 2 year | Fiscal | Floor | Conf.<br>Conc. | Enrolled | Vetoed | Chaptered |
|-----------|--------|--------|-------|-----------|--------|--------|-------|----------------|----------|--------|-----------|
| 1st House |        |        |       | 2nd House |        |        |       |                |          |        |           |

**Summary:**

This bill would require the Strategic Growth Council, until July 31, 2025, to establish and administer a local agency formation commissions grant program for the payment of costs associated with initiating and completing the dissolution of districts listed as inactive, the payment of costs associated with a study of the services provided within a county by a public agency to a disadvantaged community, as defined, and for other specified purposes, including the initiation of an action, as defined, that is limited to service providers serving a disadvantaged community and is based on determinations found in the study, as approved by the commission. The bill would specify application submission, reimbursement, and reporting requirements for a local agency formation commission to receive grants pursuant to the bill. The bill would require the council, after consulting with the California Association of Local Agency Formation Commissions, to develop and adopt guidelines, timelines, and application and reporting criteria for development and implementation of the program, as specified, and would exempt these guidelines, timelines, and criteria from the rulemaking provisions of the Administrative Procedure Act. The bill would make the grant program subject to an appropriation for the program in the annual Budget Act, and would repeal these provisions on January 1, 2026. This bill contains other existing laws.

**Attachments:**

[LAFCo Support Letter Template](#)

[CALAFCO Support letter Feb 2016](#)

**Position:** Sponsor

**Subject:** Disadvantaged Communities, LAFCo Administration, Municipal Services, Special District Consolidations

**CALAFCO Comments:** This is a CALAFCO sponsored bill following up on the recommendation of the Little Hoover Commission report of 2017 for the Legislature to provide LAFCos one-time grant funding for in-depth studies of potential reorganization of local service providers. Last year, the Governor vetoed AB 2258 - this is the same bill. The Strategic Growth Council (SGC) will administer the grant program. Grant funds will be used specifically for conducting special studies to identify and support opportunities to create greater efficiencies in the provision of municipal services; to potentially initiate actions based on those studies that remove or reduce local costs thus incentivizing local agencies to work with the LAFCo in developing and implementing reorganization plans; and the dissolution of inactive districts (pursuant to SB 448, Wieckowski, 2017). The grant



program would sunset on July 31, 2024.

The bill also changes the protest threshold for LAFCo initiated actions, solely for the purposes of actions funded pursuant to this new section. It allows LAFCo to order the dissolution of a district (outside of the ones identified by the SCO) pursuant to Section 11221 of the Elections code, which is a tiered approach based on registered voters in the affected territory (from 30% down to 10% depending).

The focus is on service providers serving disadvantaged communities. The bill also requires LAFCo pay back grant funds in their entirety if the study is not completed within two years and requires the SGC to give preference to LAFCOs whose decisions have been aligned with the goals of sustainable communities strategies.

We were unsuccessful in getting the \$1.5 M into the budget so the author has decided to make this a 2-year bill and try again in the next budget. As this is a new Governor we are unsure about his willingness to make General Fund appropriations for items not in the budget.

#### **AB 1389 (Eggman D) Special districts: change of organization: mitigation of revenue loss.**

**Current Text:** Introduced: 2/22/2019 [html](#) [pdf](#)

**Introduced:** 2/22/2019

**Status:** 5/3/2019-Failed Deadline pursuant to Rule 61(a)(3). (Last location was L. GOV. on 3/14/2019)(May be acted upon Jan 2020)

| Desk      | 2 year | Fiscal | Floor | Desk      | Policy | Fiscal | Floor | Conf. Conc. | Enrolled | Vetoed | Chaptered |
|-----------|--------|--------|-------|-----------|--------|--------|-------|-------------|----------|--------|-----------|
| 1st House |        |        |       | 2nd House |        |        |       |             |          |        |           |

##### **Summary:**

Would authorize the commission to propose, as part of the review and approval of a proposal for the establishment of new or different functions or class of services, or the divestiture of the power to provide particular functions or class of services, within all or part of the jurisdictional boundaries of a special district, that the special district, to mitigate any loss of property taxes, franchise fees, and other revenues to any other affected local agency, provide payments to the affected local agency from the revenue derived from the proposed exercise of new or different functions or classes of service.

**Position:** Watch

**Subject:** CKH General Procedures

**CALAFCO Comments:** This bill allows LAFCo, when approving a proposal for new or different functions or class of service for a special district, to propose the district provide payments to any affected local agency for taxes, fees or any other revenue that may have been lost as a result of the new service being provided.

#### **AB 1628 (Rivas, Robert D) Environmental justice.**

**Current Text:** Enrollment: 9/18/2019 [html](#) [pdf](#)

**Introduced:** 2/22/2019

**Last Amended:** 8/26/2019

**Status:** 9/18/2019-Enrolled and presented to the Governor at 3:30 p.m.

| Desk      | Policy | Fiscal | Floor | Desk      | Policy | Fiscal | Floor | Conf. Conc. | Enrolled | Vetoed | Chaptered |
|-----------|--------|--------|-------|-----------|--------|--------|-------|-------------|----------|--------|-----------|
| 1st House |        |        |       | 2nd House |        |        |       |             |          |        |           |

##### **Summary:**

Current law requires the Office of Planning and Research to be the coordinating agency in state government for environmental justice programs. Current law requires the Director of State Planning and Research to, among other things, coordinate its efforts and share information regarding environmental justice programs with various federal agencies. Existing law defines "environmental justice" for these purposes to mean the fair treatment of people of all races, cultures, and incomes with respect to the development, adoption, implementation, and enforcement of environmental laws, regulations, and policies. This bill would revise the definition of "environmental justice" to also include the meaningful involvement of people of all races, cultures, incomes, and national origins with respect to those same actions, and would provide that "environmental justice" includes, among other things, the availability of a healthy environment for all people.

**Position:** Watch

**Subject:** Environmental Justice

**CALAFCO Comments:** Amended on August 26 to reflect work between CALAFCO, the author and sponsors of the bill, the definition change in section 56668 now contains a definition specific to the context of the section rather than the same definition contained in 30107.3 of the Public Resources Code (which has been amended via this bill). It expands the scope of the definition of environmental justice (as one of the factors to be considered in the review of a proposal) to include national origins and a reference to the effects of pollution not being disproportionately borne by any particular population or community.

#### **AB 1751 (Chiu D) Water and sewer system corporations: consolidation of service.**

**Current Text:** Amended: 7/5/2019 [html](#) [pdf](#)

**Introduced:** 2/22/2019

**Last Amended:** 7/5/2019

**Status:** 8/30/2019-Failed Deadline pursuant to Rule 61(a)(12). (Last location was APPR. SUSPENSE FILE on 8/12/2019)(May be acted upon Jan 2020)

| Desk      | Policy | Fiscal | Floor | Desk      | Policy | 2 year | Floor | Conf. Conc. | Enrolled | Vetoed | Chaptered |
|-----------|--------|--------|-------|-----------|--------|--------|-------|-------------|----------|--------|-----------|
| 1st House |        |        |       | 2nd House |        |        |       |             |          |        |           |

**Summary:**

The California Safe Drinking Water Act provides for the operation of public water systems and imposes on the State Water Resources Control Board related responsibilities and duties. Current law authorizes the state board to order consolidation of public water systems where a public water system or state small water system serving a disadvantaged community consistently fails to provide an adequate supply of safe drinking water, as provided. This bill, the Consolidation for Safe Drinking Water Act of 2019, would authorize a water or sewer system corporation to file an application and obtain approval from the commission through an order authorizing the water or sewer system corporation to consolidate with a public water system or state small water system that has fewer than 3,300 service connections and serves a disadvantaged community, or to implement rates for the subsumed water system.

**Position:** Watch

**Subject:** Water

**CALAFCO Comments:** This bill allows for water (public or state small) or sewer systems corps to file an application for consolidation with the SWRCB.

**AB 1822 (Committee on Local Government) Local Government: omnibus.**

**Current Text:** Chaptered: 6/26/2019 [html](#) [pdf](#)

**Introduced:** 3/11/2019

**Last Amended:** 4/8/2019

**Status:** 6/26/2019-Approved by the Governor. Chaptered by Secretary of State - Chapter 20, Statutes of 2019.

| Desk      | Policy | Fiscal | Floor | Desk      | Policy | Fiscal | Floor | Conf. Conc. | Enrolled | Vetoed | Chaptered |
|-----------|--------|--------|-------|-----------|--------|--------|-------|-------------|----------|--------|-----------|
| 1st House |        |        |       | 2nd House |        |        |       |             |          |        |           |

**Summary:**

Current law requires a commission to develop and determine the sphere of influence of each city and each special district within the county and enact policies designed to promote the logical and orderly development of areas within each sphere. Current law requires the commission, in order to prepare and update spheres of influence in accordance with this requirement, to conduct a service review of the municipal services provided in the county or other appropriate area designated by the commission, as specified. Current law defines "sphere of influence" to mean a plan for the probable physical boundaries and service area of a local agency. Current law defines the term "service" for purposes of the act to mean a specific governmental activity established within, and as a part of, a general function of the special district, as specified. This bill would revise the definition of the term "service" for these purposes to mean a specific governmental activity established within, and as a part of, a function of the local agency.

**Attachments:**

[CALAFCO Support letter April 16, 2019](#)

[LAFCo Support letter template](#)

**Position:** Sponsor

**Subject:** LAFCo Administration

**CALAFCO Comments:** This is the annual Omnibus bill.

**SB 272 (Morrell R) Fire Protection District Law of 1987.**

**Current Text:** Amended: 4/4/2019 [html](#) [pdf](#)

**Introduced:** 2/13/2019

**Last Amended:** 4/4/2019

**Status:** 5/3/2019-Failed Deadline pursuant to Rule 61(a)(3). (Last location was GOV. & F. on 2/21/2019)(May be acted upon Jan 2020)

| Desk      | 2 year | Fiscal | Floor | Desk      | Policy | Fiscal | Floor | Conf. Conc. | Enrolled | Vetoed | Chaptered |
|-----------|--------|--------|-------|-----------|--------|--------|-------|-------------|----------|--------|-----------|
| 1st House |        |        |       | 2nd House |        |        |       |             |          |        |           |

**Summary:**

The Fire Protection District Law of 1987 provides that whenever a district board determines that it is in the public interest to provide different services, to provide different levels of service, or to raise additional revenues within specific areas of the district, it may form one or more service zones by adopting a resolution that includes specified information, fixing the date, time, and place for public hearing on the formation of the zone, publishing notice, as specified, hearing and considering any protests to the formation of the zone at the hearing, and, at the conclusion of the hearing, adopting a resolution ordering the formation of the zone. If a resolution adopted after the public hearing would substantially expand the provision of services outside of an existing service zone and the extension of service would result in those persons in the expanded area paying charges for the expansion of services, this bill would provide that the resolution does not become effective unless approved by a majority of the voters within the expanded service area.

**Position:** Watch

**CALAFCO Comments:** As amended, the bill amends the Health & Safety code regarding the formation of zones within a fire protection district by requiring the district hold an election, regardless of the protest level, if the district wants to substantially expand (as defined in the bill) services outside the zone. This is unrelated to 56133. CALAFCO will retain a Watch position.

**SB 414 (Caballero D) Small System Water Authority Act of 2019.**

**Current Text:** Amended: 6/25/2019 [html](#) [pdf](#)

**Introduced:** 2/20/2019

**Last Amended:** 6/25/2019**Status:** 8/30/2019-Failed Deadline pursuant to Rule 61(a)(12). (Last location was APPR. SUSPENSE FILE on 8/21/2019)(May be acted upon Jan 2020)

| Desk      | Policy | Fiscal | Floor | Desk      | Policy | 2 year | Floor | Conf. Conc. | Enrolled | Vetoed | Chaptered |
|-----------|--------|--------|-------|-----------|--------|--------|-------|-------------|----------|--------|-----------|
| 1st House |        |        |       | 2nd House |        |        |       |             |          |        |           |

**Summary:**

Would create the Small System Water Authority Act of 2019 and state legislative findings and declarations relating to authorizing the creation of small system water authorities that will have powers to absorb, improve, and competently operate noncompliant public water systems. The bill, no later than March 1, 2020, would require the state board to provide written notice to cure to all public agencies, private water companies, or mutual water companies that operate a public water system that has either less than 3,000 service connections or that serves less than 10,000 people, and are not in compliance, for the period from July 1, 2018, through December 31, 2019, with one or more state or federal primary drinking water standard maximum contaminant levels, as specified.

**Position:** Support**Subject:** Water

**CALAFCO Comments:** This bill is very similar to AB 2050 (Caballero) from 2018. Several changes have been made. This bill is sponsored by Eastern Municipal Water District and the CA Municipal Utilities Assoc. The intent is to give the State Water Resources Control Board (SWRCB) authority to mandate the dissolution of existing drinking water systems (public, mutual and private) and authorize the formation of a new public water authority. The focus is on non contiguous systems. The SWRCB already has the authority to mandate consolidation of these systems, this will add the authority to mandate dissolution and formation of a new public agency.

LAFCo will be responsible for dissolving any state mandated public agency dissolution, and the formation of the new water authority. The SWRCB's appointed Administrator will act as the applicant on behalf of the state. LAFCo will have ability to approve with modifications the application, and the new agency will have to report to the LAFCo annually for the first 3 years.

**SB 646 (Morrell R) Local agency utility services: extension of utility services.****Current Text:** Chaptered: 7/10/2019 [html](#) [pdf](#)**Introduced:** 2/22/2019**Last Amended:** 5/7/2019**Status:** 7/10/2019-Approved by the Governor. Chaptered by Secretary of State. Chapter 78, Statutes of 2019.

| Desk      | Policy | Fiscal | Floor | Desk      | Policy | Fiscal | Floor | Conf. Conc. | Enrolled | Vetoed | Chaptered |
|-----------|--------|--------|-------|-----------|--------|--------|-------|-------------|----------|--------|-----------|
| 1st House |        |        |       | 2nd House |        |        |       |             |          |        |           |

**Summary:**

The Mitigation Fee Act, among other things, requires fees for water or sewer connections, or capacity charges imposed by a local agency to not exceed the estimated reasonable cost of providing the service for which the fee or charge is imposed, unless a question regarding the amount of the fee or charge imposed in excess of the reasonable cost of providing the service or materials is submitted to and approved by 2/3 of the electors voting on the issue. The Mitigation Fee Act defines the term "fee" for these purposes. This bill would revise the definition of "fee" to mean a fee for the physical facilities necessary to make a water connection or sewer connection, and that the estimated reasonable cost of labor and materials for installation of those facilities bears a fair or reasonable relationship to the payor's burdens on, or benefits received from, the water connection or sewer connection.

**Position:** Neutral**Subject:** CKH General Procedures

**CALAFCO Comments:** UPDATE AS OF THE 4/11/19 AMENDMENTS: These amendments address all of our concerns and the bill now only addresses fees.

**AB 213 (Reyes D) Local government finance: property tax revenue allocations: vehicle license fee adjustments.****Current Text:** Introduced: 1/15/2019 [html](#) [pdf](#)**Introduced:** 1/15/2019**Status:** 8/30/2019-Failed Deadline pursuant to Rule 61(a)(12). (Last location was APPR. SUSPENSE FILE on 8/19/2019)(May be acted upon Jan 2020)

| Desk      | Policy | Fiscal | Floor | Desk      | Policy | 2 year | Floor | Conf. Conc. | Enrolled | Vetoed | Chaptered |
|-----------|--------|--------|-------|-----------|--------|--------|-------|-------------|----------|--------|-----------|
| 1st House |        |        |       | 2nd House |        |        |       |             |          |        |           |

**Summary:**

Would, for the 2019–20 fiscal year, require the vehicle license fee adjustment amount to be the sum of the vehicle license fee adjustment amount in the 2018–19 fiscal year, the product of that sum and the percentage change in gross taxable assessed valuation within the jurisdiction of that entity between the 2018–19 fiscal year to the 2018–19 fiscal year, and the product of the amount of specified motor vehicle license fee revenues that the Controller allocated to the applicable city in July 2010 and 1.17.

**Attachments:**[CALAFCO Support Letter](#)

**Position:** Support**Subject:** Tax Allocation**CALAFCO Comments:** Sponsored by the League, this bill will reinstate ERAF funding for inhabited annexations. This bill is the same as AB 2268 (Reyes) from last year.**AB 818 (Cooley D) Local government finance: vehicle license fee adjustment amounts.****Current Text:** Introduced: 2/20/2019 [html](#) [pdf](#)**Introduced:** 2/20/2019**Status:** 5/17/2019-Failed Deadline pursuant to Rule 61(a)(5). (Last location was APPR. SUSPENSE FILE on 4/3/2019)(May be acted upon Jan 2020)

| Desk      | Policy | 2 year | Floor | Desk      | Policy | Fiscal | Floor | Conf. Conc. | Enrolled | Vetoed | Chaptered |
|-----------|--------|--------|-------|-----------|--------|--------|-------|-------------|----------|--------|-----------|
| 1st House |        |        |       | 2nd House |        |        |       |             |          |        |           |

**Summary:**

Current property tax law, for the 2006–07 fiscal year, and for each fiscal year thereafter, requires the vehicle license fee adjustment amount to be the sum of the vehicle license fee adjustment amount for the prior fiscal year, if specified provisions did not apply, and the product of the amount as so described and the percentage change from the prior fiscal year in the gross taxable valuation within the jurisdiction of the entity. Current law establishes a separate vehicle license fee adjustment amount for a city that was incorporated after January 1, 2004, and on or before January 1, 2012. This bill would establish a separate vehicle license fee adjustment amount for a city incorporating after January 1, 2012, including an additional separate vehicle license fee adjustment amount for the first fiscal year of incorporation and for the next 4 fiscal years thereafter.

**Attachments:**[LAFCo Support letter template](#)[CALAFCO Support March 2019](#)**Position:** Support**Subject:** Financial Viability of Agencies**CALAFCO Comments:** Sponsored by the League, this bill will reinstate ERAF funding for cities incorporating after 2018. This is the same bill as AB 2491 from 2018.**AB 1304 (Waldron R) Water supply contract: Native American tribes.****Current Text:** Amended: 5/6/2019 [html](#) [pdf](#)**Introduced:** 2/22/2019**Last Amended:** 5/6/2019**Status:** 7/12/2019-Failed Deadline pursuant to Rule 61(a)(11). (Last location was N.R. & W. on 5/29/2019)(May be acted upon Jan 2020)

| Desk      | Policy | Fiscal | Floor | Desk      | 2 year | Fiscal | Floor | Conf. Conc. | Enrolled | Vetoed | Chaptered |
|-----------|--------|--------|-------|-----------|--------|--------|-------|-------------|----------|--------|-----------|
| 1st House |        |        |       | 2nd House |        |        |       |             |          |        |           |

**Summary:**

Current law provides for the establishment and operations of various water districts. This bill would specifically authorize a water district, as defined, to enter into a contract with a Native American tribe to receive water deliveries from an infrastructure project on tribal lands. The bill would repeal its provisions on January 1, 2025.

**Position:** Watch**Subject:** Municipal Services, Water**CALAFCO Comments:** This bill amends the water code to allow a Native American tribe to sell/deliver water to a water district (as defined in the water code section 20200). The bill sunsets on January 1, 2025.**SB 379 (Committee on Governance and Finance) Validations.****Current Text:** Chaptered: 7/10/2019 [html](#) [pdf](#)**Introduced:** 2/20/2019**Status:** 7/10/2019-Approved by the Governor. Chaptered by Secretary of State. Chapter 74, Statutes of 2019.

| Desk      | Policy | Fiscal | Floor | Desk      | Policy | Fiscal | Floor | Conf. Conc. | Enrolled | Vetoed | Chaptered |
|-----------|--------|--------|-------|-----------|--------|--------|-------|-------------|----------|--------|-----------|
| 1st House |        |        |       | 2nd House |        |        |       |             |          |        |           |

**Summary:**

This bill would enact the First Validating Act of 2019, which would validate the organization, boundaries, acts, proceedings, and bonds of the state and counties, cities, and specified districts, agencies, and entities.

**Attachments:**[CALAFCO Support March 2019](#)**Position:** Support**Subject:** LAFCo Administration**CALAFCO Comments:** This is one of three annual validating acts.**SB 380 (Committee on Governance and Finance) Validations.****Current Text:** Chaptered: 7/10/2019 [html](#) [pdf](#)**Introduced:** 2/20/2019**Status:** 7/10/2019-Approved by the Governor. Chaptered by Secretary of State. Chapter 75, Statutes of 2019.

| Desk | Policy | Fiscal | Floor | Desk | Policy | Fiscal | Floor | Conf. | Enrolled | Vetoed | Chaptered |
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|           |           |       |  |  |  |
|-----------|-----------|-------|--|--|--|
| 1st House | 2nd House | Conc. |  |  |  |
|-----------|-----------|-------|--|--|--|

**Summary:**

This bill would enact the Second Validating Act of 2019, which would validate the organization, boundaries, acts, proceedings, and bonds of the state and counties, cities, and specified districts, agencies, and entities.

**Attachments:**

[CALAFCO Support March 2019](#)

**Position:** Support

**Subject:** LAFCo Administration

**CALAFCO Comments:** This is one of three annual validating acts.

**[SB 381](#) (Committee on Governance and Finance) Validations.**

**Current Text:** Chaptered: 7/10/2019 [html](#) [pdf](#)

**Introduced:** 2/20/2019

**Status:** 7/10/2019-Approved by the Governor. Chaptered by Secretary of State. Chapter 76, Statutes of 2019.

|           |        |        |       |           |        |        |       |             |          |        |           |
|-----------|--------|--------|-------|-----------|--------|--------|-------|-------------|----------|--------|-----------|
| Desk      | Policy | Fiscal | Floor | Desk      | Policy | Fiscal | Floor | Conf. Conc. | Enrolled | Vetoed | Chaptered |
| 1st House |        |        |       | 2nd House |        |        |       |             |          |        |           |

**Summary:**

This bill would enact the Third Validating Act of 2019, which would validate the organization, boundaries, acts, proceedings, and bonds of the state and counties, cities, and specified districts, agencies, and entities.

**Attachments:**

[CALAFCO Support March 2019](#)

**Position:** Support

**Subject:** LAFCo Administration

**CALAFCO Comments:** This is one of three annual validating acts.

**3****[AB 134](#) (Bloom D) Safe Drinking Water Restoration.**

**Current Text:** Amended: 5/20/2019 [html](#) [pdf](#)

**Introduced:** 12/5/2018

**Last Amended:** 5/20/2019

**Status:** 7/10/2019-Failed Deadline pursuant to Rule 61(a)(10). (Last location was E.Q. on 6/12/2019)(May be acted upon Jan 2020)

|           |        |        |       |           |        |        |       |             |          |        |           |
|-----------|--------|--------|-------|-----------|--------|--------|-------|-------------|----------|--------|-----------|
| Desk      | Policy | Fiscal | Floor | Desk      | 2 year | Fiscal | Floor | Conf. Conc. | Enrolled | Vetoed | Chaptered |
| 1st House |        |        |       | 2nd House |        |        |       |             |          |        |           |

**Summary:**

Would require the State Water Resources Control Board to report to the Legislature by July 1, 2025, on its progress in restoring safe drinking water to all California communities and to create an internet website that provides data transparency for all of the board's activities described in this measure. The bill would require the board to develop metrics to measure the efficacy of the fund in ensuring safe and affordable drinking water for all Californians.

**Position:** Watch

**Subject:** Water

**[AB 530](#) (Aguiar-Curry D) The Fairfield-Suisun Sewer District.**

**Current Text:** Chaptered: 7/10/2019 [html](#) [pdf](#)

**Introduced:** 2/13/2019

**Last Amended:** 4/22/2019

**Status:** 7/10/2019-Approved by the Governor. Chaptered by Secretary of State - Chapter 69, Statutes of 2019.

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|-----------|--------|--------|-------|-----------|--------|--------|-------|-------------|----------|--------|-----------|
| Desk      | Policy | Fiscal | Floor | Desk      | Policy | Fiscal | Floor | Conf. Conc. | Enrolled | Vetoed | Chaptered |
| 1st House |        |        |       | 2nd House |        |        |       |             |          |        |           |

**Summary:**

The Fairfield-Suisun Sewer District Act creates the Fairfield-Suisun Sewer District and grants to the district various powers relating to the treatment and disposal of sewage. The current act provides for the election of a board of directors for the district and administrative procedures for the operation of the district. Violation of regulations adopted by the board is a misdemeanor. This bill would make various administrative changes to the act, including removing the requirement that the district appoint a clerk and changing the posting requirements for regulations.

**Position:** Watch

**Subject:** Special District Powers, Special Districts Governance

**CALAFCO Comments:** This bill makes administrative changes to this special act district. It also allows for an extension of service pursuant to 56133 (keeping that LAFCo process intact).

**[AB 948](#) (Kalra D) Coyote Valley Conservation Program.**

**Current Text:** Enrollment: 9/9/2019 [html](#) [pdf](#)

**Introduced:** 2/20/2019**Last Amended:** 8/12/2019**Status:** 9/9/2019-Enrolled and presented to the Governor at 3:30 p.m.

| Desk      | Policy | Fiscal | Floor | Desk      | Policy | Fiscal | Floor | Conf. Conc. | Enrolled | Vetoed | Chaptered |
|-----------|--------|--------|-------|-----------|--------|--------|-------|-------------|----------|--------|-----------|
| 1st House |        |        |       | 2nd House |        |        |       |             |          |        |           |

**Summary:**

Would authorize the authority to establish and administer the Coyote Valley Conservation Program to address resource and recreational goals of the Coyote Valley, as defined. The bill would authorize the authority to collaborate with state, regional, and local partners to help achieve specified goals of the program. The bill would authorize the authority to, among other things, acquire and dispose of interests and options in real property. The bill would require a proponent or party to a certain proposed development project within Coyote Valley to provide notice to the authority of the proposed project, and would authorize the authority to provide analysis of the environmental values and potential impacts of the proposed project. The bill would require Coyote Valley to be acknowledged as an area of statewide significance in local planning documents developed or updated on or after January 1, 2020, affecting land use within Coyote Valley. To the extent that this bill would impose new duties on local entities, it would impose a state-mandated local program. This bill contains other related provisions and other existing laws.

**Attachments:**

[CALAFCO Support Letter 06 27 19](#)

**Position:** Support**[AB 1053](#) (Dahle R) Fallen Leaf Lake Community Service District.****Current Text:** Amended: 3/25/2019 [html](#) [pdf](#)**Introduced:** 2/21/2019**Last Amended:** 3/25/2019**Status:** 7/12/2019-Failed Deadline pursuant to Rule 61(a)(11). (Last location was GOV. & F. on 5/22/2019)(May be acted upon Jan 2020)

| Desk      | Policy | Fiscal | Floor | Desk      | 2 year | Fiscal | Floor | Conf. Conc. | Enrolled | Vetoed | Chaptered |
|-----------|--------|--------|-------|-----------|--------|--------|-------|-------------|----------|--------|-----------|
| 1st House |        |        |       | 2nd House |        |        |       |             |          |        |           |

**Summary:**

Would prohibit, on and after January 1, 2020, the Fallen Leaf Lake Community Services District from providing any services or facilities except fire protection, including medical response and emergency services, and parks and recreation services or facilities.

**Position:** Watch**CALAFCO Comments:** CALAFCO will watch this bill to determine if the outcome of the State Audit on this district will have an impact on all CSDs.**[AB 1457](#) (Reyes D) Omnitrans Transit District.****Current Text:** Amended: 5/24/2019 [html](#) [pdf](#)**Introduced:** 2/22/2019**Last Amended:** 5/24/2019**Status:** 7/10/2019-Failed Deadline pursuant to Rule 61(a)(10). (Last location was GOV. & F. on 6/25/2019)(May be acted upon Jan 2020)

| Desk      | Policy | Fiscal | Floor | Desk      | 2 year | Fiscal | Floor | Conf. Conc. | Enrolled | Vetoed | Chaptered |
|-----------|--------|--------|-------|-----------|--------|--------|-------|-------------|----------|--------|-----------|
| 1st House |        |        |       | 2nd House |        |        |       |             |          |        |           |

**Summary:**

Would create the Omnitrans Transit District in the County of San Bernardino. The bill would provide that the jurisdiction of the district would initially include the Cities of Chino, Chino Hills, Colton, Fontana, Grand Terrace, Highland, Loma Linda, Montclair, Ontario, Rancho Cucamonga, Redlands, Rialto, San Bernardino, Upland, and Yucaipa, and specified portions of the unincorporated areas of the County of San Bernardino. The bill would authorize other cities in the County of San Bernardino to subsequently join the district.

**Attachments:**

[CALAFCO Oppose unless amended letter April 2019](#)

**Position:** Neutral**CALAFCO Comments:** This is a special act district formation. The bill takes what is currently a JPA and transforms it into a special district. CALAFCO has been working with the author and sponsor on amendments and the May 24 version addresses the vast majority of concerns. CALAFCO continues to work with the author and sponsor on minor technical amendments.**[SB 654](#) (Moorlach R) Local government: planning.****Current Text:** Introduced: 2/22/2019 [html](#) [pdf](#)**Introduced:** 2/22/2019**Status:** 3/14/2019-Referred to Com. on RLS.

| Desk      | Policy | Fiscal | Floor | Desk      | Policy | Fiscal | Floor | Conf. Conc. | Enrolled | Vetoed | Chaptered |
|-----------|--------|--------|-------|-----------|--------|--------|-------|-------------|----------|--------|-----------|
| 1st House |        |        |       | 2nd House |        |        |       |             |          |        |           |

**Summary:**

Current law, the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, makes certain findings



and declarations relating to local government organizations, including, among other things, the encouragement of orderly growth and development, and the logical formation and modification of the boundaries of local agencies, as specified. This bill would make nonsubstantive changes to these findings and declarations.

**Position:** Watch

**CALAFCO Comments:** This is a spot bill. The author indicates he has no plans to use this for LAFCo law.

**[SB 780](#) (Committee on Governance and Finance) Local Government Omnibus Act of 2019.**

**Current Text:** Chaptered: 9/20/2019 [html](#) [pdf](#)

**Introduced:** 2/28/2019

**Last Amended:** 8/12/2019

**Status:** 9/20/2019-Signed by the Governor

| Desk      | Policy | Fiscal | Floor | Desk      | Policy | Fiscal | Floor | Conf.<br>Conc. | Enrolled | Vetoed | Chaptered |
|-----------|--------|--------|-------|-----------|--------|--------|-------|----------------|----------|--------|-----------|
| 1st House |        |        |       | 2nd House |        |        |       |                |          |        |           |

**Summary:**

Current law requires the governing body of a public agency, within 70 days after the commencement of the agency's legal existence, to file with the Secretary of State, on a form prescribed by the secretary, and also with the county clerk of each county in which the public agency maintains an office, a specified statement of facts about the agency. Current law requires this information to be updated within 10 days of a change in it. Current law requires the Secretary of State and each county clerk to establish and maintain an indexed Roster of Public Agencies that contains this information. This bill would instead require the Secretary of State and each county clerk to establish and maintain an indexed Registry of Public Agencies containing the above-described information.

**Position:** Watch

**CALAFCO Comments:** This is the Senate Governance & Finance Committee's annual Omnibus bill.

Total Measures: 24

Total Tracking Forms: 24

9/23/2019 1:53:09 PM



# Announcing The 2019 CALAFCO Annual Conference

Hosted by CALAFCO

**October 30 – November 1**

Hyatt Regency, Sacramento



## Value-Added and Diverse General & Breakout Session Topics

- Stress-testing LAFcos and local agencies in changing times\*
- It takes a village: LAFco, County and State collaboration to solve a local problem\* *This special session will be held in the State Capitol*
- Water, water everywhere but not a drop to drink
- Planning the legislative menu rather than being on the menu
- What's your story? Crafting and communicating a compelling LAFco narrative
- MSRs: You get out what you put in
- Opportunities and challenges for LAFco in addressing the housing call
- Solving difficult service issues with creative and innovative solutions
- Leading your LAFco into the next decade with courage and independence\*
- Annual CALAFCO Legislative Update\*
- CALAFCO Annual Business Meeting (for all CALAFCO members)\*

**Note:** The Program is subject to change.

\*Indicates General Session

Mark your calendar and  
plan to attend!

Registration is now open!  
Visit [www.calafco.org](http://www.calafco.org)

## Special Highlights

### Mobile Workshop

We are working on a tour of the **West Sacramento Port** and **Farmers Rice Coop** plant followed by a visit to the new **Sacramento Fire Fighter's Museum** with a special farm to fork lunch and several guest speakers.

Details will be announced shortly – but register now to secure your seat!

**Wednesday from  
7:30 a.m. to 12:00 p.m.**  
(times approx.)

### LAFco 101

An introduction to LAFco and LAFco law for Commissioners, Staff, and anyone interested in learning more about LAFco

**Wednesday from  
10:00 a.m. to Noon**

### Special Thursday luncheon keynote

**Best-selling author &  
award-winning journalist  
Mark Arax**

*Hear him talk about the history of agriculture in the state, the consequences of building in rural areas and the need for water to support the ever-growing state.*

## Invaluable Networking Opportunities

- Regional Roundtable discussions on current regional LAFco issues
- Extended roundtable discussion for LAFco legal counsel
- Networking breakfasts and breaks
- Pre-dinner Reception with Sponsors Wednesday
- Awards Banquet Wednesday
- Welcome Reception Thursday

## Hyatt Regency downtown



Make your reservations now at the **Hyatt Regency** at the special CALAFCO rate of \$139 (excludes tax and fees). Special rates available 2 days pre and post-conference on availability, includes in-room wifi and parking.

**Reservation cutoff date is 10/08/19.**

TO MAKE HOTEL RESERVATIONS, PLEASE VISIT: [Hyatt Regency Online Reservation](http://HyattRegencyOnlineReservation) or call **877-803-7534** and reference CALAFCO Conference.

Visit [www.calafco.org](http://www.calafco.org) for Conference details or call us at 916-442-6536.



# **Announcing The 2019 CALAFCO Annual Conference Preliminary Program**

(Last updated September 9, 2019)

*Breakout sessions are subject to time change on Thursday*

*Speakers are being finalized*

*Look for the final program soon*

*Please note new start time of 1:00 on Wednesday and the  
change of location for the last general session of the day*

**Wednesday – October 30**

**7:30 a.m. – 12:30 p.m.**

**Mobile Workshop** *info coming soon*

**10:00 a.m. – 12:00 p.m.**

**Regency A-B-C**

**LAFCo 101 – Understanding and applying the basics**

This informative and interactive session is intended to provide elected officials and staff members of LAFCo's, counties, cities, and special districts with a better working knowledge of LAFCo's history, processes, legal framework and procedures. Participants will also have the opportunity to work together in small groups to discuss and resolve some challenging LAFCo scenarios. Panelists and participants will discuss a number of topics including the authority and purpose of LAFCo; the LAFCo review process; the laws involved in LAFCo decisions; and updating Spheres of Influence and Municipal Service Reviews. You always learn something by attending a LAFCo 101 session. Participants will also get the chance to work through several LAFCo case studies to put that knowledge into practice.

**Speakers confirmed:** Paula de Sousa Mills (LAFCo legal counsel), David West (Imperial Commissioner), Carole Cooper (Sonoma Asst. EO). **Moderator:** David Church (SLO EO).

**1:00 p.m. – 1:30 p.m.**

**Regency A-B-C**

**Conference Opening**

**Welcoming Remarks**

Welcome to the 2019 CALAFCO Annual Conference in Sacramento! The Sacramento Area Firefighters Honor Guard and Pipes and Drum Corps will help us officially open the Conference, along with CALAFCO Board Chair Josh Susman, Conference Chair Anita Paque and Executive Director Pamela Miller.





1:30 p.m. – 2:45 p.m.

Regency A-B-C

**General session: Stress-testing LAFCos and local agencies in changing times**

The landscape of the state is changing – both literally and metaphorically. LAFCos have the responsibility of considering many of the causes for those changes when reviewing applications and conducting MSRs; and there is an opportunity for LAFCos to step into a larger role in facilitating responses to local catastrophes that are the result of radical changes caused by nature or humans. This session will explore LAFCos' role as facilitator, engager and participant in the planning, review and response in these instances.

*Speakers confirmed: Kate Gordon, Director of OPR, Ellen Hanak (Center Director on Water Policy, Public Policy Institute of CA), Bill Connelly (Butte Commissioner) and Keene Simonds (San Diego EO).*

2:45 p.m. – 3:00 p.m.

Refreshment Break

3:00 p.m. & 3:10 p.m.

Groups escorted to State Capitol for final general session of the day

3:30 p.m. – 5:00 p.m.

State Capitol, Room 4202

*Join us for a one-time unique experience in the State Capitol for this session.*

**General session: It takes a village: LAFCo, County and State collaboration to solve a local problem**

Sometimes solving local issues locally is tough and at times we all need a little help. What do you do with a service provider who just can't do the right thing? How do you know if and when you have exhausted all of the local options? What's the response when the situation reaches crisis levels? At what point does the LAFCo seek state assistance and intervention? This session explores these questions through a case study of the Santa Clara County Water Agency and the extraordinary collaborative effort it took to resolve the problem.

*Speakers confirmed: Assemblymember Mike Gipson, Janice Hahn (LA County Supervisor), Jeff O'Keefe (SWRCB), Mark Pestrella (Director, LA County DPW) and Paul Novak (LA EO).*

6:00 p.m. – 7:00 p.m.

Regency Foyer & Corridor

Pre-dinner Reception with Sponsors

7:00 p.m. – 9:00 p.m.

Regency D-E-F

Banquet and Awards

9:00 p.m. – 11:00 p.m.

Capitol Parkview Room

After dinner gathering





Thursday – October 31

7:00 a.m. – 9:00 a.m.

**Continental Breakfast Buffet**

8:00 a.m. – 8:45 a.m.

**Regional Caucus meetings and Elections**

9:00 a.m. – 10:15 a.m.

**Regency A-B-C**

**CALAFCO Annual Business meeting**

*All members are invited to attend.*

10:15 a.m. – 10:30 a.m.

**Regency Corridor**

**Refreshment Break**

10:30 a.m. – 11:45 a.m.

**Regional Roundtables**

12:00 p.m. – 1:30 p.m.

**Regency D-E-F**

**Luncheon Keynote, Award-winning journalist and best-selling author Mark Arax**

Mark will share his unique insights and perspectives on the history of agriculture in California, the growing need for the rare resource of water and the growing pressures of farming and housing on the land, particularly in rural areas.

**1:45 p.m. – 3:00 p.m. - Breakout Sessions**

### **Water, water everywhere but not a drop to drink**

As we continue to grapple with ensuring all California's have access to adequate and safe drinking water, we see the SWRCB's authority expand, the Legislature create more local mandates and more unsustainable systems created. What are the unintended consequences of these action which are meant to be "fixes"? How does the impact of climate change on water affect local conditions and potential solutions? Join us for a multi-perspective conversation on this critical issue.

**Speakers confirmed: Michelle Frederick (SWRCB), Sara Lytle-Pinhey (Stanislaus EO) and Dan Feron (Santa Margarita Water District). Moderator: David Church (SLO EO).**







## Planning the legislative menu rather than being on the menu

Learn how your active participation in the legislative process and awareness of how you can make a difference in impacting legislation that affects LAFcos. We will also discuss which conditions create the perfect storm for legislation to address a specific local issue (whether that be LAFco-generated or otherwise).

**Speakers confirmed:** *Curt Pringle, former Speaker of Assembly, Mayor of Anaheim, Chairman of High Speed Rail*

## Solving difficult service issues with creative and innovative solutions

Over time the issues LAFco deals with have become more complex. This means that more creative and innovative solutions are required to solve these difficult governance and service issues. Join the conversation about those complex issues and some unique and creative solutions for your LAFco to consider.

**Speakers confirmed:** *Laura Taylor, Cordova Park and Rec District, Mai Ann Healy and John Garn, BioFiltro and Almis Urdrys, City of San Diego Mayor's Office*

3:00 p.m. – 3:45 p.m.

Regency Corridor

Refreshment Break with Sponsors

3:45 p.m. – 5:00 p.m. - Breakout Sessions

## MSRs: You get out what you put in

This session focuses on MSRs from a commissioner perspective – mustering up the political will to prioritize the resources to conduct MSRs; to address deficiencies identified by implementing recommendations; how to effectively assert LAFco influence for full agency involvement in the MSR process; and what to do with them once they are done so they create maximum value for your local governance.

**Speakers confirmed:** *Susan Wilson (Santa Clara Commissioner), Shiva Frentzen (El Dorado Commissioner), Debbie Kurita (Orange Asst. EO), Holly Whatley (LAFco legal counsel) and Steve Lucas (Butte EO)*

## Opportunities and Challenges for LAFco in addressing the housing call

In the face of the state's housing crisis, local and state agencies are feverishly working to understand the issues and take action to address the lack of housing. LAFco involvement in this conversation has long been debated, and with recent trends at the state and local level, it is becoming evident we should wake up to the call for action related to housing. Join us for a provocative discussion on how we do this and why we should care.

**Speakers confirmed:** *Lucy Dunn, Former Director of HCD, Carolyn Emery (Orange EO)*







## What's your story? Crafting and communicating a compelling LAFCo narrative

So the majority of the population has no idea what a LAFCo is or what a LAFCo does, and we struggle with communicating and connecting with those that don't. This session will explore one LAFCo's experience in creating an outreach and engagement plan and the tangible results that have come from this outreach. Learn how to create your own LAFCo's story.

*Speakers being confirmed.*

5:30 p.m. – 7:00 p.m.

**CALAFCO Reception**

Capitol Parkview Room

*Dinner on your own*

**Friday – November 1**

7:30 a.m. – 9:00 a.m.

Regency D-E-F

**Breakfast Buffet**

7:30 a.m. – 8:45 a.m.

**CALAFCO Board of Directors meeting**

9:00 a.m. – 10:15 a.m.

Regency A-B-C

**General session: Leading your LAFCo into the next decade with courage and independence**

Join us as we explore the delicate high-wire balancing act of independent LAFCo thinking and decision-making as well as what it looks like to lead your LAFCo into the next decade.

*Speaker invited: Karen Pinkos, ICMA President and City Manager, El Cerrito*

10:15 a.m. – 10:30 a.m.

Regency Corridor

**Refreshment Break**

10:30 a.m. – 12:00 p.m.

Regency A-B-C

**General session: CALAFCO legislative update**

*Speakers confirmed: Jimmy MacDonald (ALGC), Pamela Miller (CALAFCO ED), Lou Ann Texiera (Contra Costa EO) and Sam Martinez (San Bernardino EO). Speaker invited: Senator Mike McGuire.*





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**Santa Cruz Local Agency Formation Commission**

Date: October 2, 2019  
To: LAFCO Commissioners  
From: Joe Serrano, Executive Officer  
Subject: **Press Articles during the Month of September**

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**SUMMARY OF RECOMMENDATION**

LAFCO staff monitors local newspapers, publications, and other media outlets for any news affecting local agencies or LAFCOs around the State. Articles are presented to the Commission on a periodic basis. This agenda item is for informational purposes only and does not require any action. Therefore, it is recommended that the Commission receive and file the Executive Officer's report.

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**EXECUTIVE OFFICER'S REPORT**

The following is a summary of recent press articles. Full articles are attached.

1. **"Rick Moran fills SLV water board vacancy"**: The article, dated September 1st, indicates that the San Lorenzo Valley Water District Board selected Rick Moran to fill the term of former board member Bill Smallman, who resigned in July. Board Member Moran's term will end in 2020.
2. **"Why Conservation Isn't Cutting Santa Cruz Water Rates"**: The article, dated September 3rd, analyses the recent rates increases involving Soquel Creek Water District and how conservation efforts may contribute to rising costs.
3. **"Snapshots of a movement"**: The article, dated September 3rd, highlights the recent unveiling of historical photographs at the Watsonville Public Library. The exhibit, titled "Pictures from the Field," captures Salinas Valley farmworkers during the 1970s march for rights and protection. The exhibit runs until the end of October.
4. **"Uncontained wildfire in Boulder Creek burns 10 acres"**: The article, dated September 3rd, discusses how Cal FIRE and local fire districts addressed the recent fire in Boulder Creek. Firefighters from Aptos Fire, La Selva Fire, Santa Cruz Fire, Scotts Valley Fire, and Santa Cruz County Fire departments responded to the wildfire.
5. **"Fire consolidation kicked around by LAFCO"**: The El Dorado County article, dated September 4th, highlights recent consolidation discussions between fire districts and LAFCO in the Central Region.

6. **"Is Santa Cruz Ready for Fire Season"**: The article, dated September 16th, discusses the recent historical fires in California and how local agencies and communities can prepare for this type of natural disaster.

Respectfully Submitted,



Joe A. Serrano  
Executive Officer

Attachments:

1. "Rick Moran fills SLV water board vacancy"
2. "Why conservation isn't cutting Santa Cruz water rates"
3. "Snapshots of a movement"
4. "Uncontained wildfire in Boulder Creek burns 10 acres"
5. "Fire consolidation kicked around by LAFCO"
6. "Is Santa Cruz ready for fire season?"

NEWS > LOCAL NEWS

## Rick Moran fills SLV water board vacancy | Government corner wrap up

By [SANTA CRUZ SENTINEL](#) |

September 1, 2019 at 4:00 pm

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**BOULDER CREEK** — The San Lorenzo Valley Water District Board voted Wednesday to fill a board vacancy.

Ben Lomond resident Rick Moran will fill the term of former board member Bill Smallman, who resigned in July, through the end of 2020.

Moran is a US Navy submarine service veteran, a retired public school teacher and a lifelong gardener.

Moran served on the district's Environmental Committee as a volunteer public member in 2016 and 2017, where he was instrumental in the district banning glyphosate from all district properties.

### SANTA CRUZ

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The Santa Cruz City City Council met Tuesday, establishing a work plan for the coming six months and directing city officials and an ad-hoc committee to draft a formal proposal for some type of educational memorialization near the Water Street Bridge related to an 1877 lynching.

The council also voted to eliminate a city Planning Commission outreach subcommittee that attended community development meetings, but to adopt performance rules for commissioners who attend such meetings on their own.

A contentious debate over resolution language to endorse federal “Green New Deal” legislation gained council approval, with modifications including that businesses, organizations, multinational corporations and big oil should be held accountable for the environmental impacts.

The city also will incorporate Vision Zero policies that offer guidance on reducing traffic injuries and fatalities.

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Tags: [Government Corner](#)

**7A: ATTACHMENT 2**

# Why Conservation Isn't Cutting Santa Cruz Water Rates - Good Times Santa Cruz

Susan Landry

Soquel Creek Water District customer Nicole Behar's water bill went up more than 50% this year, after the agency hiked rates in March. She feels that the district may be getting "greedy."

"It's almost \$200 a month, and we were paying \$74," Behar says.

The trend is "super frustrating," she adds. "I feel like it's shady."

The water agency bills customers in two ways—a fixed service charge, which often sits around \$40 per month—and an additional charge based on the quantity of water used. The district bills households \$6.43 for each of the first six units of water, based on about 748 gallons per unit. After that, billing increases sharply, to \$29.19 per unit.

For customers with large meters or fire line connections, charges are even higher. While aimed at promoting conservation, the tiered rate system can have expensive consequences for those with large families like Behar, a stay-at-home mom of four boys.

"I'm pretty conservative with water. I get dinged just because we have six people in my house," she says, compared to smaller households that may use water in other ways. "People that have lavish lawns and use tons of water are actually getting a cheaper rate."

Rates at Soquel Creek Water District will continue to increase by 9% per year for the next four years. In a county with notoriously high costs of living, the increases could represent another way for residents to get priced out of the area, worries Soquel Creek Water customer Marty Fletscher, whose bill went up \$40 per month. "I didn't get a \$40 a month raise," he says.

There are some, however, who think the bills aren't high enough. Retired journalist John Dickinson served for two years on Soquel Creek's Water Rates Advisory Committee, which aimed to create a fair rate scheme for consumers and the district.

"The problem is that water is way too cheap. We don't charge enough, and people basically think it ought to be free," he says. "But they're perfectly happy to pay all sorts of prices for gasoline and perfume and whiskey." Dickinson adds that increased rates might incentivize people to conserve more.

## Paying More For Less?

The problem is that conservation efforts by Soquel Creek Water customers in previous years are also contributing to today's rising costs.

"When people use less water, our costs don't drop, so we have to charge more for the water that's being used," says Leslie Strohm, finance and business services manager for the district. That declining revenue stream, she says, creates a financial planning catch 22 for a district that hiked rates partly to disincentive unnecessary water use, but also to raise money for conservation and new projects.

Customers, in turn, responded by aggressively cutting their usage, not only to save water, but also to save



money. That has prompted the district to keep raising rates in an effort to make up the difference, and it's left customers paying more for less.

Soquel Creek's tier-one revenue covers expenses like maintenance and transport costs. The second-tier revenue will fund supplemental water supply sources, namely the Pure Water Soquel project, a \$90 million venture aimed at replenishing groundwater levels and preventing seawater intrusion by pumping treated wastewater back into the over-drafted groundwater basin.

If all goes as planned, Pure Water Soquel will treat the wastewater using methods like reverse osmosis filtration, disinfection and ultraviolet light. "Once we've purified it to that level, you can drink it, but we won't be doing that," says Strohm.

At least not right away. Instead, water will be funneled into recharge wells where it will seep down and replenish the aquifer. Over time, the water will move through the aquifer and back to production wells, where it will be re-treated and delivered to residents' homes.

Soquel Creek is not alone in upping its rates to pay for big projects. The neighboring Santa Cruz Water District saw rates increase again last month, for the fourth time since 2016. The city has \$300 million worth of improvement projects lined up over the next several years on its backbone infrastructure to address issues like antiquated technology, pipes and treatment systems.

Since no federal or state funding is pre-allocated to help pay for these improvements, the cost burden falls primarily on ratepayers. Neither district has a program in place to assist low-income ratepayers.

Santa Cruz Water Director Rosemary Menard says it's almost impossible for any water district to offer bill assistance as a result of a voter-approved 1996 proposition that prohibits any ratepayer revenue from being used to assist another group of ratepayers.

"The business model that we're stuck in is not conducive to maintaining equity and access for people who are less able to pay," says Menard. "That issue has been emerging all over the state."

Statewide, water rates went up 45% from 2007 to 2015, according to data from the American Water Works Association. With no end to increases in sight, things may have reached a tipping point as the state aims to address access issues through Assembly Bill 401. The bill, which was signed into law four years ago, established the Low-Income Water Rate Assistance Act, with the goal of establishing a statewide program for low-income ratepayers. It's still in the research and development phase.

Menard says she's focused on immediate solutions to try and keep costs down for Santa Cruz ratepayers. That includes grant funding, debt financing and a \$25-40 million bond measure to help pay for the next wave of projects.

"We deal with people every day who have challenges and issues, and really our toolbox isn't very full," she says. "We're trying to figure out how to get some more tools in the toolbox, but we're not all the way there yet."

## 7A: ATTACHMENT 3

# Snapshots of a movement

*By: JOHANNA MILLER - Updated: 2 days ago*

**WATSONVILLE**—On June 6, 1975, California Governor Jerry Brown signed a law giving farmworkers groundbreaking rights and protections. The law allowed workers to petition for secret-ballot elections as well as vote to join a union.

Men and women took to the fields of the Salinas Valley in the lead-up to the new election, campaigning and spreading awareness. Among them was a young Cesar Chavez—who led a 58-day march, or “Caminata,” through the fields of California.

Mimi Plumb, a photography student from the San Francisco Bay Area, spent months with the farmworkers, shooting dozens of rolls of film photographs. For four decades the images remained boxed away as negatives. That is until Plumb, who had gone onto have a successful career as an artist and educator, rediscovered them.

The Watsonville Public Library is currently displaying 18 of these historic photographs.

“It’s incredible to have these here,” said Principal Librarian Alicia Martinez. “It brings awareness... to how big of an impact this time had on history.”

The exhibition, “Pictures from the Field: The Caminata in the Summer of 1975,” is an offshoot of “Democracy in the Fields,” which debuted at the National Steinbeck Center in 2016. On Tuesday organizers were putting the finishing touches on the show.

Librarian Susan Renison said the show had garnered plenty of attention—even before it was finished being assembled.

“Just while I was hanging it, people told stories about how they had marched with Cesar... how the photographs made them cry,” she said. “It was amazing.”



*Cesar Chavez is shown with others at Camp Roberts, an old Army base at the southern end of the Salinas Valley on July 26, 1975. — Photo by Mimi Plumb*

Watsonville City Councilman Lowell Hurst found time to view the exhibit after a meeting at the library on Tuesday.

“Anytime we can revisit history, reflect on it, and build on it, it helps us move forward,” Hurst said. “Isn’t it interesting how we see things repeat themselves.”

“Pictures from the Field” will be shown at the Watsonville Public Library’s main branch, 275 Main St., until the end of October. A reception for the show will coincide with a film screening of “Adios Amor: The Search for Maria Moreno” on Oct. 19.

Martinez said she hopes the photographs will inspire others to keep working for change.

“It’s important to remember... the prominent role these people played in our history,” Martinez said. “We should never, ever forget what they worked so hard for.”

## **Uncontained wildfire in Boulder Creek burns 10 acres**

**BOULDER CREEK** — A wildfire in Boulder Creek could not be contained by press time Tuesday evening and had spread up to 10 acres.

Cal Fire and local fire departments responded to a wildfire in Boulder Creek Tuesday afternoon shortly before 2 p.m. The call was reported at 18335 Deer Creek Road in Boulder Creek, according to Fire Dispatch. As of Tuesday evening, the fire about 10 acres and was completely uncontained, according to Public Information Officer Jonathan Cox.

“We’re working on getting lines around it,” said Public Information Officer Katherine Gault, adding that all local resources, including aircraft, are helping.

Five aircraft and three helicopters were attacking the fire, Cox said, along with 17 fire engines and more than 100 firefighters. Aptos Fire, La Selva Fire, Santa Cruz Fire, Scotts Valley Fire and Santa Cruz County Fire responded. Strike teams from Santa Cruz and Santa Clara counties also responded, Cox said.

“It’s burning in steep terrain, brush and timber,” Cox said, adding that the terrain makes it challenging to firefighters to contain.

One structure was in immediate danger and others could potentially be at risk as the fire burns, Cox said.

Deer Creek and Bear Creek roads were closed and Cox could not estimate when they would be reopened. He said it was “way too early” to tell when the fire would be contained. Cox said he was unsure if there were evacuations.

Cox said the cause of the fire is still under investigation. For updates, visit Cal Fire CZU on Twitter or [fire.ca.gov](https://fire.ca.gov).

**7A: ATTACHMENT 5**

# **Fire consolidation kicked around by LAFCO**

*By Dawn Hodson*

A proposed consolidation of the Garden Valley, Mosquito and Georgetown fire protection districts went nowhere at the Aug. 28 meeting of the El Dorado County Local Agency Formation Commission due to a voting stalemate.

An idea put forth by Commissioners Brian Veerkamp and Shiva Frentzen, a shortage of funding appears to be the main force behind calls for consolidation.

As LAFCO Executive Officer José Henríquez noted, “It is a known fact that half of the fire districts in El Dorado County have been struggling financially since the Aid to Fire Program and its successor program (a ‘funding patch’) ended between 2009 and 2012.”

Already this year, two fire districts have proposed additional tax measures to fund their operations. Measure B, meant to enhance the operations of the El Dorado County Fire Protection District, was defeated last week. A different measure, meant to shore up Garden Valley, will be decided this week.

Garden Valley was previously in consolidation discussions with the Mosquito and Georgetown fire districts. Georgetown withdrew and more recently the Mosquito Fire Protection District Board of Directors decided to postpone action until next year.

The efficient use of resources is another issue that was raised during the meeting, given that the county has 13 fire suppression agencies, some of which serve only a small number of people. Asked if all these small rural districts are viable, Henríquez said, no, not in the long-term.

Currently many of these rural agencies rely on volunteers to make up for the lack of paid firefighters although some in the audience questioned their continued use now that volunteers are required to have the same training and equipment as paid personnel.

Others spoke of the need to transition to a different model of providing fire services.

Agreeing to some extent with those comments, Henríquez called volunteer fire departments dinosaurs. At the same time he said volunteers do have a role to play but as an enhancement to what paid firefighters are doing or when a station would otherwise be shuttered, calling it a hybrid or enhancement model, not a replacement model.

Discussing what options are open to LAFCO, Henríquez said the Legislature gave the agency the “nuclear option” of forcing fire districts to consolidate. But he declined to advise the commission what to do, saying the agency could end up using a lot of its political and monetary capital to force consolidation without it being successful.

Those opening comments then led to input from the audience both for and against consolidation, with much of it coming from different county firefighting

organizations.

Two members of the Georgetown Fire Department Board of Directors expressed opposition to consolidation, with one saying it would go against the deep roots the agency has in the community.

Rich Todd, another member of the Georgetown board and a retired firefighter, said the board had discussed consolidation in the past. "We need our own fire district," he stated, adding that consolidation works in some cases and not in others.

"Volunteers do have a place in rural fire departments," noting that the agency can't afford full-time staff.

Todd went on to suggest bringing all the county fire agencies back to the table to discuss the issue rather than trying to force consolidation.

Commissioner Veerkamp noted that when he worked for the El Dorado Hills Fire Department, they realized in the late 1980s that they needed to consolidate, adding it was an issue of funding. Recently the Latrobe Fire Protection District was annexed to El Dorado Hills.

Maurice Johnson, El Dorado Hills' current fire chief, said the district is now in discussions with the Rescue Fire Protection District about the possibility of it consolidating with them.

"Other counties are having the same conversation," he remarked, noting that the topic of funding needs to be addressed by the state legislature.

Others in the audience argued that LAFCO should stay out of it and allow consolidations to come about as a result of local support.

Commissioner Frentzen noted that if LAFCO did vote for consolidation, those fire agencies affected would have 60 days to come up their own plan if they didn't like LAFCO's. But if they failed to come up with a plan, the LAFCO plan would automatically go into effect. At the same time, she asked how much support there is in the community for the Garden Valley, Mosquito and Georgetown fire districts to consolidate.

Pressing the commission to act, Garden Valley Fire Chief Clive Savacool said Mosquito and Georgetown were not interested in consolidation and change would only come about with action by LAFCO. Noting the failure of Measure B and his concern over whether the Garden Valley tax measure would pass, Savacool predicted that fire service on the Divide would plummet without consolidation.

Dave Souza, a member of the Garden Valley Fire Protection District Board of Directors, backed those comments, saying the fire agencies had discussed consolidation in the past and now Garden Valley wanted LAFCO to take the ball and run with it.

The issue of fire insurance was brought up by Mike Webb, a division chief with the Amador-El Dorado unit of Cal Fire. He urged LAFCO to at least study the issue, collect data and then act on it.

El Dorado County Fire Chief Lloyd Ogan also spoke about what his agency went



through, saying the district had been on the brink of bankruptcy in 2012 but did what was necessary to save itself by controlling costs. The district is still not flush, he added, but is in a stable position, has reserves and a capital improvement program.

“Measure B was more about staffing,” he noted, saying that even though it was turned down by the public, “the district is still moving forward.” Ogan added that he had previously suggested that Garden Valley, Mosquito and Georgetown consolidate with El Dorado County but said there was no interest.

County Chief Administrative Officer Don Ashton also spoke, saying the fire chiefs had been asked to handle discussions regarding consolidation.

Asked by Commissioner Veerkamp about money sharing with fire agencies, Ashton said it could be done as long as it doesn’t impact other county services. But he noted the uncertainty from year to year of how much funding they would receive. He said the county only has so many choices when it comes to providing services: it can raise taxes, promote growth that brings in more revenue or reduce services. But he said county residents are not interested in raising taxes or in growing so the only other option is cutting services.

Following the discussion two motions were put before the commission. Commissioner Frentzen moved to direct staff to prepare a consolidation study of the three fire districts, which was expected to take four months, and then give the districts two months to respond to the study.

That motion failed.

Commissioner Veerkamp then motioned to give the three fire districts six months to get back to them with a response to a proposed consolidation.

That motion also failed.

With LAFCO’s September meeting cancelled the issue of consolidation won’t be taken up again until the agency’s October meeting.

**7A: ATTACHMENT 6**

# Is Santa Cruz Ready For Fire Season? - Good Times Santa Cruz

Wallace Baine

From Shasta to San Diego, Yosemite to Santa Cruz, there is a sense of foreboding, maybe even dread, as summer turns to fall.

Fire season is here.

The last couple of years have seen some of the most devastating wildfires in the state's history. Taken as a whole, the fires of 2017 and 2018 are unprecedented, as measured by damage and death. The Camp Fire, which all but destroyed the foothill town of Paradise in 2018, is now classified as the deadliest blaze in California history, and the most lethal fire in the U.S. in a hundred years.

Several months before that, the Mendocino Complex fires became the largest wildfire event by acreage in California history. Add to that the almost-as-tragic Carr Fire in Shasta County, the Tubbs Fire which devoured large parts of Santa Rosa, the Wine Country Fires which killed 44 people across Northern California, and the Thomas Fire which laid waste to huge chunks of Ventura and Santa Barbara counties, and it's clear that the past two fire seasons could one day be remembered a particularly terrifying period in state history.

That is, if we're lucky.

Although this year's wildfires have not come close to the impact of 2017 and 2018, that's thanks in part to significant rainfall, and it's also still quite early. Most of the deadly fires of the last two years took place in October and November. The 2017 Thomas Fire in Southern California didn't begin until December.

This could be the ideal moment for an event like "California On Fire: The Past, Present and Future of Fire Ecology in the Golden State," sponsored by the Santa Cruz Museum of Natural History. The lecture/panel discussion comes to the Rio Theatre on Thursday, Sept. 19. San Francisco State University biologist and plant ecologist Thomas Parker will give the keynote presentation. Following Parker's lecture will be a panel discussion featuring the county's Emergency Services Manager Rosemary Anderson, chairman of the Amah Mutsun Tribal Band Valentin Lopez, and former Cal Fire Director Ken Pimlott.

Pimlott retired at the end of last year, after eight years leading the state agency. He says that the nightmarish recent years were the culmination of an almost decades-long period in which fires were made increasingly deadly because of the years-long drought in California. He remembers the devastating but "almost forgotten" Valley Fire of 2015 that consumed much of the small town of Middletown in Lake County in less than 24 hours.

"That was in 2015," he says, "and I remember we were all asking ourselves, how could it possibly get worse? But it did."

While most of the media coverage and public conversation surrounding catastrophic wildfires comes from the context of the human cost, keynote speaker Parker focuses on the California landscape. From his perspective, fire ecology is about the role fire plays in various landforms—forests, oak grasslands, chaparral, etc.—and how native and non-native vegetation adapts to the threat of fire.

Fire, Parker says, has been a part of the local landscape for millions of years. But human intervention and changes in climate have altered the nature and the severity of fires in recent years. Rainfall, or the lack of it, obviously plays a big role in fire season, but there are other factors.

He says that recent California autumns that have seen more frequent high-pressure systems coming from the east, the kind that drive high-wind events. “And when there’s an ignition during those high-wind events, like what happened in Santa Rosa two years ago and Paradise last year, that’s when you get the devastating fires,” he says.

If there’s good news here, it’s that, in the aftermath of the historic fire seasons, Californians may be paying more attention to fire preparation, says former Cal Fire Chief Pimlott. “In 2017, we issued red-flag warnings about critical fire conditions. But, by that time, it had become like white noise to the public,” he says. Pimlott now lives in the fire-prone Sierra foothills where, he says, “people are now hyper-aware about fire. They’re scared, and they’re listening to what other people are saying. It really has improved, as long as people maintain their attention.”

Santa Cruz County is, of course, far from immune from fire devastation. As the county’s Emergency Services Manager, Rosemary Anderson has a wide-ranging purview that includes earthquakes, floods, tsunamis, fire, and other potential disasters. Anderson says that, when the unthinkable strikes, local residents should take action instead of waiting for an authority to tell them what to do.

She notes that many local communities already have plans in place through the Community Emergency Response Team (CERT) program. Through CERT trainings, Anderson is trying to build a culture of self-reliance—about preparedness and how neighbors can take care of one other.

“In lots of neighborhoods, people don’t even know each other, because they’re not home most of the time,” she says. “How do you get these people engaged in some kind of response post-incident? The people who you are going to rely on the most are the people who live right next door to you. That’s been the case in every post-disaster we’ve had in Santa Cruz County.”

***Santa Cruz Museum of Natural History presents California On Fire on Thursday, Sept. 19, at 7 p.m. at the Rio Theatre, 1205 Soquel Ave., Santa Cruz. \$5 Museum members; \$10 general; \$25 Gold Circle. [santacruzmuseum.org/california-on-fire](http://santacruzmuseum.org/california-on-fire).***



Staff Writer at Good Times | [Blog](#)

Wallace Baine has been an arts writer, film critic, columnist and editor in Santa Cruz for more than 25 years. He is the author of “A Light in the Midst of Darkness,” a cultural history of the independent bookseller Bookshop Santa Cruz, as well as the book “Rhymes with Vain: Belabored Humor and Attempted Profundity,” and the story collection “The Last Temptation of Lincoln.” He is a staff writer for Good Times, Metro Silicon Valley and San Benito/South Valley magazine.