

# COUNTY SERVICE AREA 60

## Service and Sphere of Influence Review

Adopted Version (March 4, 2020)



Local Agency Formation Commission of Santa Cruz County

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## EXECUTIVE SUMMARY

### Introduction

This Service and Sphere of Influence Review provides information about the public services and boundaries involving County Service Area 60 (“CSA 60”). 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 for all cities and districts, including county service areas, 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 in service delivery, government organization, or spheres of influence.

Service and sphere reviews are informational documents and are generally exempt from environmental review. LAFCO staff has conducted an environmental review of this report pursuant to the California Environmental Quality Act (CEQA) and determined that the CSA’s service and sphere review 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]).

### Sphere of Influence

State law requires that spheres of influence 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. Based on staff’s evaluation, CSA 60 currently has a sphere of influence that is coterminous with its existing service area. The CSA’s sphere has remained unchanged since its original adoption in 2015.

### Key Findings

The following are key findings of the 2020 Service and Sphere Review for CSA 60:

#### 1. The CSA has been inactive since inception.

CSA 60 was created by this Commission on August 5, 2015 to help fund replacement of a bridge and provide road maintenance to the Huckleberry Island community. Due to some delays, the recordation of the CSA did not go into effect until December 5, 2017. Since then, County Public Works has indicated that no work has been done, no benefit assessments have been collected, and there are no current plans for bridge construction or road maintenance.



**2. The CSA does not have any current or previously adopted budgets, audits, or capital improvement plans.**

The Board of Supervisors authorized a benefit assessment for CSA 60 on August 22, 2017. This was a result of a mailed-in ballot election which received 66% of resident approval. However, to this date, no benefit assessment funds have been collected from the Huckleberry Island community for CSA 60 services. As a result, there are no audited financial statements, adopted budgets, or scheduled capital improvement projects.

**3. The CSA may be subject to dissolution.**

Pursuant to Government Code Section 56879, CSA 60 meets the criteria of an “inactive district” and may be subject to mandatory dissolution if identified in the State Controller’s List of Inactive Districts. This list was first published in 2018, following the enactment of Senate Bill 448, and is updated annually.

Senate Bill 448 requires inactive districts to be dissolved. Inactive districts are special districts that have no financial transactions in the previous fiscal year, have no assets and liabilities, and do not have any outstanding issues, such as debts or claims. CSA 60 meets this statutory criteria. Based on staff’s analysis, it is likely that CSA 60 will be in the November 1, 2020 edition of the inactive district list.

**4. The CSA currently has a coterminous sphere.**

CSA 60’s current sphere of influence was adopted subsequently when the CSA was formed back in 2015. The sphere boundary is coterminous with CSA 60’s service area. The CSA has remained inactive for several years and it may be designated as an inactive district by the State Controller’s Office. If that occurs, CSA 60 may be subject to a mandatory dissolution in accordance to state law.

In order for the County and the Huckleberry Island community to dictate the future of CSA 60, it may be beneficial for the County and community to develop an action plan that will begin CSA 60’s services and funding operations. This plan should be presented to the Commission no later than August 2020. Therefore, the Commission should defer taking action on the sphere determination until August.

If an action plan is developed, the Commission may consider reaffirming the current sphere boundary. If an action plan is not developed, the Commission may consider adopting a “zero” sphere of influence. A zero sphere (encompassing no territory) is adopted when the Commission has determined that the public service functions of an agency are either: nonexistent, no longer needed, or should be reallocated to some other agency of government. This designation would be the preliminary step towards dissolution.

Deferring Commission action until August allows the County and community to coordinate and determine CSA 60’s future before the State Controller’s Office takes action on their behalf.

## **Recommended Actions**

Based on the analysis and findings in the 2020 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 has 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 County Service Area 60, 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. 2020-06) approving the 2020 Service and Sphere of Influence Review for County Service Area 60 with the following conditions:
  - a. Defer action towards CSA 60's sphere of influence until August 5, 2020; and
  - b. Direct the Executive Officer to coordinate with the County Public Works Department and Huckleberry Island community to develop an action plan that will begin CSA 60's services and funding operations:
    - i. If an action plan is developed, the Commission will submit the action plan to the State Controller and consider reaffirming CSA 60's current sphere of influence; or
    - ii. If an action plan is not developed, the Commission may consider adopting a "zero" sphere of influence for CSA 60.

## DISTRICT OVERVIEW

### History

County Service Areas (CSAs) are formed specifically to provide funding for enhanced or extended services that are not normally provided to the same extent on a county-wide basis. CSA 60 was formed on August 5, 2015 to provide funding for bridge replacement, road maintenance, and common area maintenance towards an unincorporated community known as “Huckleberry Island” in Brookdale. Due to some delays, CSA 60 did not become an official district until December 5, 2017. **Attachment A** shows the Commission’s adopted formation resolution.

### Service Area

Huckleberry Island is a 30-acre residential community located in a bend of the San Lorenzo River. Access to this location is from Highway 9 and requires crossing over the existing Huckleberry Island bridge. **Figure 1**, on page 6, provides a map of the CSA.

### Population & Growth

Huckleberry Island is substantially developed as a residential neighborhood. There are 24 parcels within the CSA – 16 of which have residential units currently in place. Official growth projections are not available for CSA 60. In general, unincorporated areas in Santa Cruz County are projected to have slow growth over the next fifteen years.

Under the assumption that there are 2.5 individuals per household, LAFCO staff estimates the current population of CSA 60 to be around 40. Based on the growth rate of approximately 1% for the unincorporated areas in the County, LAFCO staff projects that CSA 60’s entire population in 2035 will be approximately 42. The projected population growth for CSA 60 are as follows:

**Table 1: Projected Population**

	2020	2025	2030	2035	Growth Rate
Santa Cruz County (unincorporated)	136,891	137,896	139,105	140,356	1%
<b>CSA 60 (Huckleberry Island)</b>	<b>40</b>	<b>41</b>	<b>41</b>	<b>42</b>	<b>1%</b>

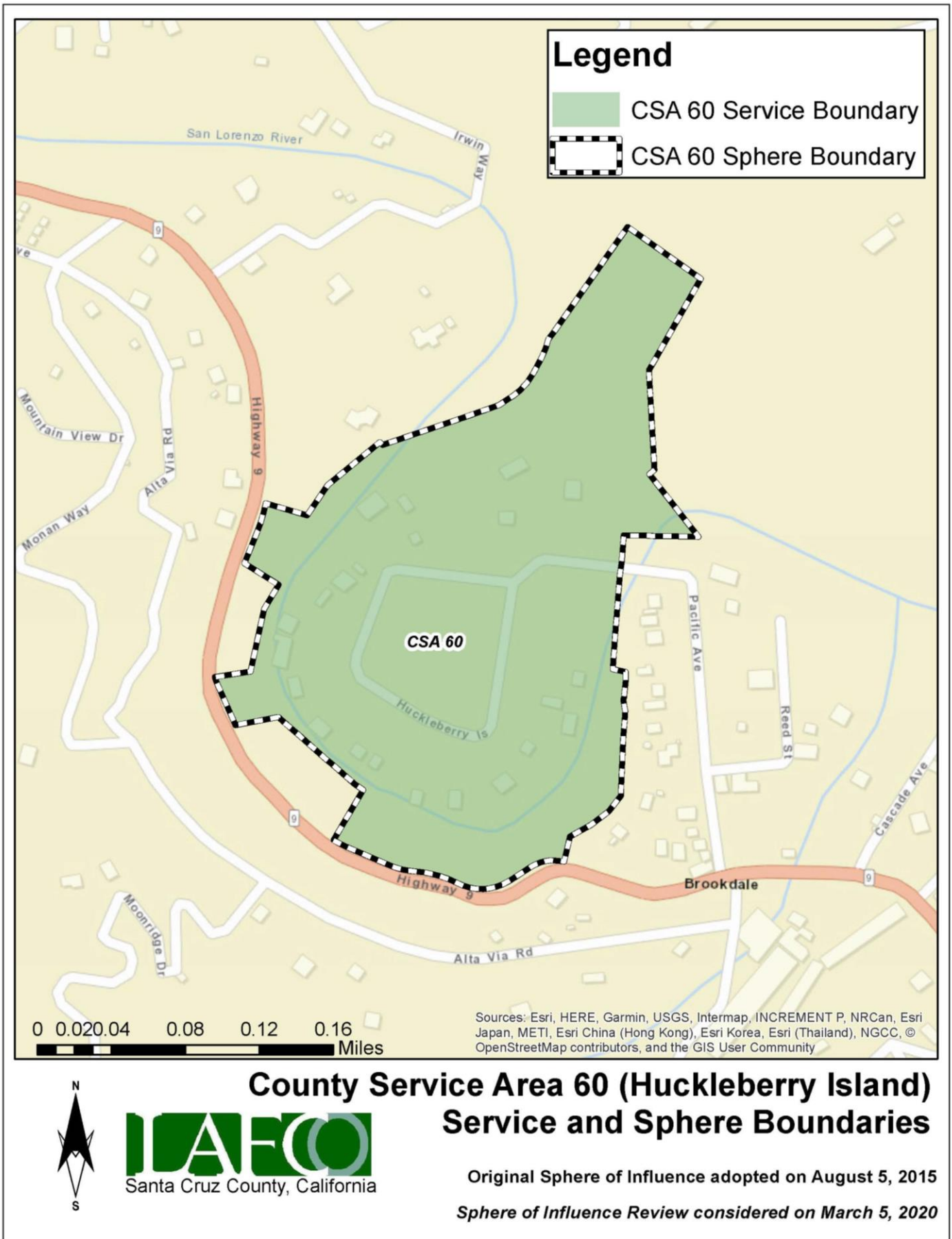
*Source: AMBAG 2018 Regional Growth Forecast*

### 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 within 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, and 80% of that was \$53,735. Based on the criteria set forth by SB 244, staff’s analysis indicates that there are no areas in CSA 60 designated as a disadvantaged unincorporated community. In addition, CSA 60 does not provide fire, sewer, or water services to the community.

Figure 1: CSA 60 Vicinity Map



## Inactive Districts (SB 448)

Senate Bill 448 was signed by the Governor on September 27, 2017 and went into effect the following year. This bill requires the State Controller, on or before November 1, 2018, and every year thereafter, to create a list of special districts that are inactive, based upon the financial reports received by the Controller. It also requires the Controller to publish the list of inactive districts on its website: [https://www.sco.ca.gov/Files-ARD-Local/LocRep/Special\\_Districts\\_Inactive\\_List\\_FY201718.pdf](https://www.sco.ca.gov/Files-ARD-Local/LocRep/Special_Districts_Inactive_List_FY201718.pdf).

It is important to note that the Controller's Office has not identified CSA 60 as an inactive district at this time. However, the Controller's list of inactive districts is based on the *Special Districts Financial Transactions Reports* from Fiscal Year 2017-18. As previously mentioned, CSA 60 was not officially recorded until December 2017. **Attachment B** provides the latest list of inactive districts.

### Definition of Inactive Districts

SB 448 defines an "inactive district" to mean a special district that meets all of the following:

1. The special district, as defined in LAFCO law, to mean an agency of the state, formed pursuant to general law or special act, for the local performance of governmental or proprietary functions within limited, as specified;
2. The special district has had no financial transactions in the previous fiscal year;
3. The special district has no assets or liabilities; and
4. The special district has no outstanding debts, judgments, litigation, contracts, liens, or claims.

If the State Controller's Office has defined a district as inactive and places it on their list, SB 448 requires the Controller to notify the respective LAFCO(s) and initiate the dissolution process.

### LAFCO's Role

SB 448 requires LAFCO to initiate dissolution of inactive districts by resolution within 90 days of receiving notification from the Controller, unless LAFCO determines that the district does not meet the criteria, as discussed above (Definition of Inactive Districts).

- If the LAFCO determines that the district in question does not meet the criteria under SB 448, then it is required to notify the Controller of their findings; or
- If the LAFCO determines that the district in question does meet the criteria under SB 448, then it is required to dissolve the inactive district and hold at least one public hearing on the proposed dissolution.

CSA 60 currently meets the criteria under SB 448. Based on staff's analysis, it is likely that CSA 60 will be in the next edition of the Controller's list which is scheduled to be published by November 1, 2020.



## Other Factors

SB 448 includes other actions and requirements, including the following:

- ❖ Prohibits the dissolution of an inactive district from being subject to protest and election requirements or determinations by LAFCO.
- ❖ Requires the Controller to remove a district from the inactive list, if the Controller receives substantial evidence that a district does not meet the criteria for an inactive district. Requires the Controller to notify the LAFCO in the county or counties in which the district is located, if the Controller removes the district from the inactive list.
- ❖ Prohibits the dissolution process for inactive districts in this bill from applying to a special district formed by special legislation during the period of time in which the district is authorized to obtain funding.
- ❖ Requires the Controller, on or before July 1, 2019, to publish on its website a comprehensive list of independent special districts. Requires the Controller to update the list every year thereafter.
- ❖ Requires special districts to file annual audits with the LAFCO in the county or counties in which the district is located.
- ❖ Adds the dissolution of an inactive district to the list of powers and duties granted to LAFCOs.
- ❖ Provides that no reimbursement is required by this bill because a local agency or school district has the authority to levy service charges, fees, or assessments sufficient to pay for the program or level of service mandated by this bill.

## **Opportunities & Challenges**

Based on the criteria under SB 448, LAFCO staff believes that CSA 60 will be identified in this year's List of Inactive Districts. If that occurs, it may trigger the mandatory dissolution process outlined in Government Code Section 56879. It may be beneficial for the County Public Works Department and the Huckleberry Island community to determine the future of CSA 60 before it is identified in the Controller's list.

Staff strongly encourages the County and the community to develop an action plan that will begin CSA 60's services and funding operations. This plan could be sufficient evidence to remove CSA 60 from the list and prevent the mandatory dissolution requirement. LAFCO staff is willing to assist in this effort. The publication of the next list is tentatively scheduled to be released by November 2020.

***Staff Recommendation:*** Complete and present an action plan to the Commission no later than August 2020.

## FINANCES

### Fiscal Situation

CSA 60 is inactive. This CSA does not presently provide any services, and based on the lack of bridge construction and road maintenance, it appears that CSA 60 has never provided services since its formation back in 2015. As a result, there are no audited financial statements or adopted budgets to analyze.

The only financial documentation available for CSA 60 was the Board of Supervisor's adopted resolution, approving the initiation of a benefit assessment for FY 2017-18.

**Attachment C** provides a copy of that adopted resolution. Even though the benefit assessment was adopted, it is staff's understanding that the benefit assessment was never charged or collected from the Huckleberry Island residents.

## GOVERNANCE

### Legal Authority

CSA 60 is governed by the County Service Area Law (Government Code Section 25210 et seq.). The Legislature finds and declares all of the following:

- a) Population growth and development in unincorporated areas result in new and increased demands for public facilities and services that promote the public peace, health, safety, and general welfare.
- b) The residents and property owners in unincorporated areas should have reasonable methods available so that they can finance and provide these needed public facilities and services.
- c) The residents and property owners in some unincorporated areas may propose the incorporation of new cities or annexations to existing cities as a way to fulfill these demands for public facilities and services.
- d) In other unincorporated areas, independent special districts with directly elected or appointed governing boards can fulfill these demands for public facilities and services.
- e) County boards of supervisors need alternative organizations and methods to finance and provide needed public facilities and services to the residents and property owners of unincorporated areas.
- f) In enacting the County Service Area Law by this chapter, it is the intent of the Legislature to continue a broad statutory authority for county boards of supervisors to use county service areas as a method to finance and provide needed public facilities and services.
- g) Further, it is the intent of the Legislature that county boards of supervisors, residents, and property owners use the powers and procedures provided by the County Service Area Law to meet the diversity of local conditions, circumstances, and resources.

## Local Accountability & Structure

County Service Area 60 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 2: Board of Directors**

Board Member	Supervisory District	Term of Office
John Leopold	<b>First District</b> (Live Oak, Soquel, Summit, Santa Cruz Gardens, Carbonera, and parts of Scotts Valley & Capitola)	First Elected: 2008 Next Election: Primary 2020
Zach Friend	<b>Second District</b> (Aptos, Freedom, Corralitos, La Selva Beach, and parts of Capitola & Watsonville)	First Elected: 2012 Next Election: Primary 2020
Ryan Coonerty	<b>Third District</b> (Santa Cruz, Bonny Doon, North Coast)	First Elected: 2014 Next Election: Primary 2022
Greg Caput	<b>Fourth District</b> (Pajaro Valley, Watsonville)	First Elected: 2010 Next Election: Primary 2022
Bruce McPherson	<b>Fifth District</b> (San Lorenzo Valley, most of Scotts Valley, parts of Santa Cruz, and Paradise Park)	First Elected: 2012 Next Election: Primary 2020

It is staff's understanding that the Board of Supervisors has not conducted any meetings as the Board of Directors for CSA 60.

## SPHERE OF INFLUENCE

### Cortese-Knox-Hertzberg Act

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
- ❖ 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.

### **Current Sphere Boundary**

CSA 60's current sphere of influence was adopted subsequently when the CSA was formed back in 2015. The sphere boundary is coterminous with CSA 60's service area. **Figure 2**, on page 12, shows the current sphere boundary. As previously mentioned, the CSA has remained inactive for several years and it may be designated as an inactive district by the State Controller's Office. If that occurs, CSA 60 may be subject to a mandatory dissolution in accordance to Government Code Section 56879.

In order for the County and the Huckleberry Island community to dictate the future of CSA 60, it may be beneficial for the County and community to develop an action plan that will begin CSA 60's services and funding operations. This plan should be presented to the Commission no later than August 2020.

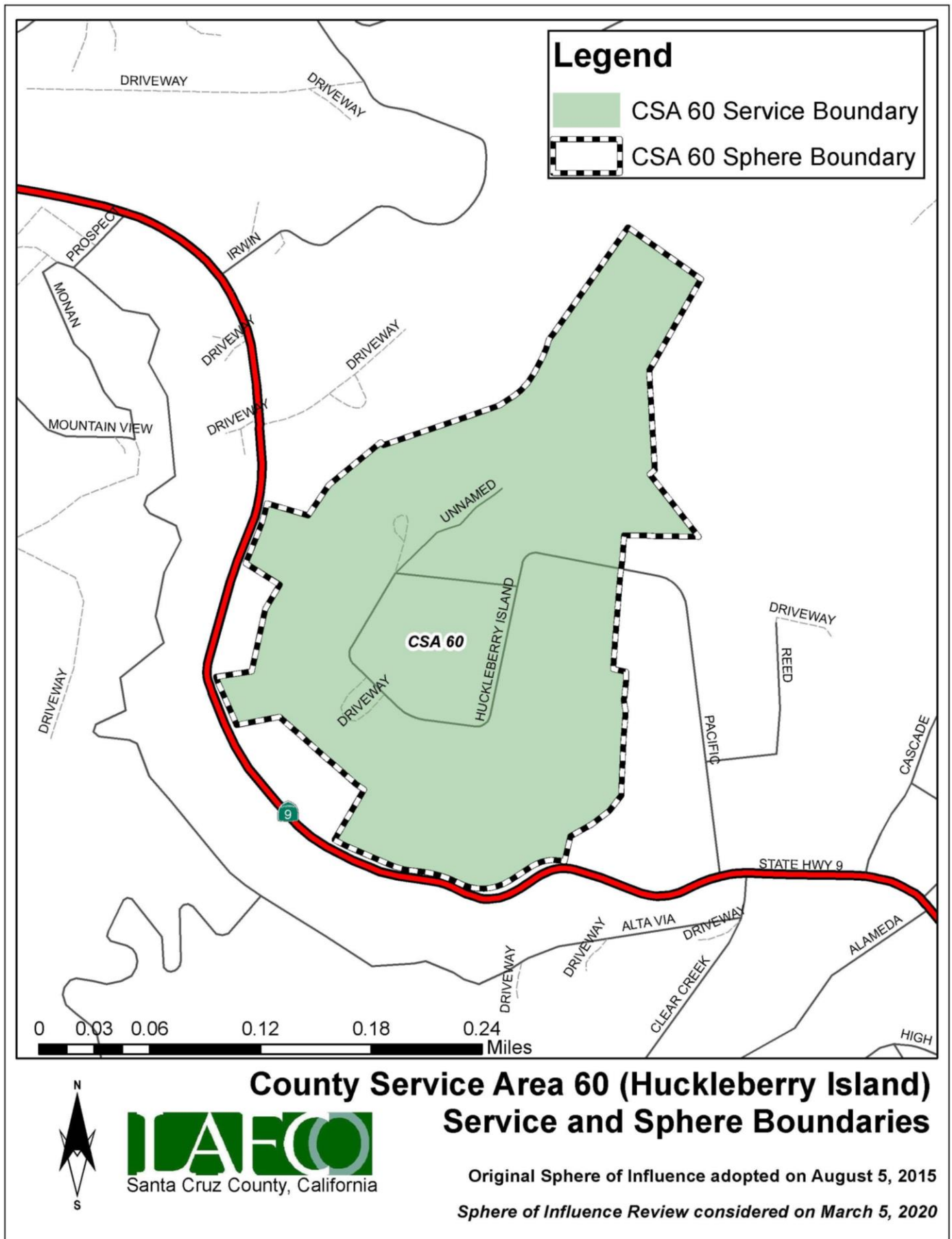
Therefore, the Commission should defer taking action on the sphere determination until August 5th. At the August Meeting, the Commission should take one of the following two actions:

1. If an action plan is developed, the Commission will submit the action plan to the State Controller and consider reaffirming the current sphere boundary; **or**
2. If an action plan is not developed, the Commission may consider adopting a "zero" sphere of influence.

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. This designation would be the preliminary step towards dissolution. Deferring Commission action until August allows the County and community to coordinate and determine CSA 60's future before the State Controller's Office takes action on their behalf.



Figure 2: CSA 60 – Proposed Sphere of Influence Boundary



## SERVICE & SPHERE DETERMINATIONS

The following service and sphere review determinations fulfill the requirements outlined in the Cortese-Knox-Hertzberg Act.

### Service 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.**

Official growth projections are not available for CSA 60. In general, the Santa Cruz County unincorporated areas are projected to have a slow growth over the next fifteen years. Under the assumption that there are 2.5 individuals per household, LAFCO staff estimates the current population of CSA 60 to be around 40. Based on the growth rate of approximately 1% for the unincorporated areas in the County, LAFCO staff projects that CSA 60's entire population in 2035 will be approximately 42.

**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 indicates that there are no areas in CSA 60 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 60 was created by this Commission in August 5, 2015, to help fund replacement of a bridge and provide road maintenance. Due to some delays, the recordation of the CSA did not go into effect until December 5, 2017. Since then, County Public Works has indicated that no work has been done, no benefit assessments have been collected, and there are no current plans for bridge construction or road maintenance.

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

The Board of Supervisors authorized a benefit assessment for CSA 60 on August 22, 2017. However, to this date, no benefit assessment funds have been collected from the Huckleberry Island community for CSA 60 services. As a result, there are no audited financial statements or adopted budgets.

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

CSA 60 is inactive. Staff encourages the County Public Works Department and Huckleberry Island community to develop an action plan that will begin CSA 60's services and funding operations. If such collaboration does not occur, CSA 60 may be subject to dissolution in accordance to Government Code Section 56879.

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

CSA 60 was formed in 2015 to provide funding for bridge replacement, road maintenance, and common area maintenance towards an unincorporated community known as “Huckleberry Island” in Brookdale. However, CSA 60 has remained inactive since inception.

**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 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 Huckleberry Island community is located in a bend of the San Lorenzo River and includes undeveloped parcels that remain as open space. CSA 60 does not have any agricultural lands within the service area.

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

CSA 60 was formed in 2015 to provide funding for bridge replacement, road maintenance, and common area maintenance towards an unincorporated community known as “Huckleberry Island” in Brookdale. However, CSA 60 has remained inactive since inception.

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

CSA 60 is inactive. County Public Works has indicated that no work has been done, no benefit assessments have been collected, and there are no current plans for bridge construction or road maintenance.

**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.**

CSA 60 does not provide services related to sewers, municipal and industrial water, or structural fire protection. Therefore, this determination is not applicable.



## APPENDICES

**A. Formation Resolution (No. 957-A)**

**B. State Controller's Office – List of Inactive Districts (FY 2017-18)**

**C. Benefit Assessment Resolution (No. 189-2017)**

