

Countywide Water Service and Sphere Review



Central Water District	County Service Area 54 (Summit West)	San Lorenzo Valley Water District
City of Santa Cruz (Water Service Area)	Pajaro Valley Water Management Agency	Scotts Valley Water District
City of Watsonville (Water Service Area)	Reclamation District No. 2049	Soquel Creek Water District

Administrative Version (August 3, 2022)

Local Agency Formation Commission of Santa Cruz County

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TABLE OF CONTENT

EXECUTIVE SUMMARY	7
Introduction.....	7
Structure of Report	8
Service Providers	8
Principal Acts	8
Sustainable Groundwater Management Act (SGMA)	11
Services & Infrastructure	13
Financial Health	14
Growth and Population.....	15
Transparency (Website Requirements)	15
Disadvantaged Unincorporated Communities	16
Private Water Systems.....	17
Spheres of Influence	17
Key Findings	20
Recommended Actions	25
 CENTRAL WATER DISTRICT	 26
OVERVIEW	26
Services and Infrastructure	26
Water Rates	27
Population and Growth.....	31
FINANCES	32
Revenues	33
Expenditures	34
Fund Balance / Net Position.....	35
GOVERNANCE.....	38
Local Accountability & Structure	38
Opportunities and Challenges.....	40
SPHERE OF INFLUENCE	45
Current Sphere Boundary	45
Proposed Sphere Boundary	45
DISTRICT SUMMARY	48
SERVICE AND SPHERE REVIEW DETERMINATIONS	49
Service Provision Determinations	49
Sphere of Influence Determinations.....	50

CITY OF SANTA CRUZ - WATER SERVICE AREA	51
OVERVIEW	51
Services and Infrastructure	51
Water Rates	52
Population and Growth.....	57
FINANCES	58
Revenues	59
Expenditures	60
Fund Balance / Net Position.....	61
GOVERNANCE.....	64
Local Accountability & Structure	64
Opportunities and Challenges.....	66
SPHERE OF INFLUENCE	71
Current Sphere Boundary	71
Proposed Sphere Boundary.....	71
DISTRICT SUMMARY	74
SERVICE AND SPHERE REVIEW DETERMINATIONS	75
Service Provision Determinations	75
Sphere of Influence Determinations.....	76
 CITY OF WATSONVILLE - WATER SERVICE AREA	 77
OVERVIEW	77
Services and Infrastructure	77
Water Rates	78
Population and Growth.....	82
FINANCES	83
Revenues	84
Expenditures	85
Fund Balance / Net Position.....	86
GOVERNANCE.....	89
Local Accountability & Structure	89
Opportunities and Challenges.....	91
SPHERE OF INFLUENCE	96
Current Sphere Boundary	96
Proposed Sphere Boundary.....	96
DISTRICT SUMMARY	99
SERVICE AND SPHERE REVIEW DETERMINATIONS	100
Service Provision Determinations	100
Sphere of Influence Determinations.....	101

COUNTY SERVICE AREA 54 (SUMMIT WEST)	102
OVERVIEW	102
History	102
CSA Inactivity	102
Population and Growth	104
FINANCES	104
GOVERNANCE	104
SPHERE OF INFLUENCE	104
Proposed Sphere Boundary	104
DISTRICT SUMMARY	106
SERVICE AND SPHERE REVIEW DETERMINATIONS	107
Service Provision Determinations	107
Sphere of Influence Determinations	108
 PAJARO VALLEY WATER MANAGEMENT AGENCY	 109
OVERVIEW	109
Services and Infrastructure	109
Population and Growth	115
FINANCES	116
Revenues	117
Expenditures	118
Fund Balance / Net Position	119
GOVERNANCE	122
Local Accountability & Structure	122
Opportunities and Challenges	125
SPHERE OF INFLUENCE	132
Current Sphere Boundary	132
Proposed Sphere Boundary	132
DISTRICT SUMMARY	135
SERVICE AND SPHERE REVIEW DETERMINATIONS	136
Service Provision Determinations	136
Sphere of Influence Determinations	137

RECLAMATION DISTRICT NO. 2049 (COLLEGE LAKE)	138
OVERVIEW	138
Services and Infrastructure	138
Population and Growth	141
FINANCES	142
Revenues	143
Expenditures	144
Fund Balance / Net Position	145
GOVERNANCE	148
Local Accountability & Structure	148
Opportunities and Challenges	149
SPHERE OF INFLUENCE	152
Current Sphere Boundary	152
Proposed Sphere Boundary	152
DISTRICT SUMMARY	155
SERVICE AND SPHERE REVIEW DETERMINATIONS	156
Service Provision Determinations	156
Sphere of Influence Determinations	157
 SAN LORENZO VALLEY WATER DISTRICT	 158
OVERVIEW	158
Services and Infrastructure	158
Water Rates	159
Population and Growth	162
FINANCES	163
Revenues	164
Expenditures	165
Fund Balance / Net Position	166
GOVERNANCE	169
Local Accountability & Structure	169
Opportunities and Challenges	172
SPHERE OF INFLUENCE	176
Current Sphere Boundary	176
DISTRICT SUMMARY	178
SERVICE AND SPHERE REVIEW DETERMINATIONS	179
Service Provision Determinations	179
Sphere of Influence Determinations	180

SCOTTS VALLEY WATER DISTRICT	181
OVERVIEW	181
Services and Infrastructure	181
Water Rates	182
Population and Growth.....	185
FINANCES	186
Revenues	187
Expenditures	188
Fund Balance / Net Position.....	189
GOVERNANCE.....	192
Local Accountability & Structure	192
Opportunities and Challenges.....	195
SPHERE OF INFLUENCE	198
Current Sphere Boundary	198
DISTRICT SUMMARY	200
SERVICE AND SPHERE REVIEW DETERMINATIONS	201
Service Provision Determinations	201
Sphere of Influence Determinations.....	202
 SOQUEL CREEK WATER DISTRICT	 203
OVERVIEW	203
Services and Infrastructure	203
Water Rates	204
Population and Growth.....	208
FINANCES	209
Revenues	210
Expenditures	211
Fund Balance / Net Position.....	212
GOVERNANCE.....	215
Local Accountability & Structure	215
Opportunities and Challenges.....	217
SPHERE OF INFLUENCE	222
Current Sphere Boundary	222
Proposed Sphere Boundary.....	222
DISTRICT SUMMARY	225
SERVICE AND SPHERE REVIEW DETERMINATIONS	226
Service Provision Determinations	226
Sphere of Influence Determinations.....	227

APPENDICES	228
Appendix A: List of Private Water Systems (132 in total)	228
Appendix B: Central Water District - Historical Boundary Changes	228
Appendix C: Central Water District – Capital Improvement Plan.....	228
Appendix D: City of Santa Cruz - Historical Boundary Changes	228
Appendix E: City of Santa Cruz – Long Range Financial Plan	228
Appendix F: City of Watsonville - Historical Boundary Changes	228
Appendix G: Reclamation District 2017 Audit (FY 2011 to 2015).....	228
Appendix H: San Lorenzo Valley WD - Historical Boundary Changes	228
Appendix I: Scotts Valley WD - Historical Boundary Changes	228
Appendix J: Soquel Creek WD – Historical Boundary Changes.....	228

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EXECUTIVE SUMMARY

Introduction

This Service and Sphere of Influence Review provides information about the services and boundaries involving the nine water service providers in Santa Cruz County. The report will be used by the Local Agency Formation Commission (LAFCO) to conduct a statutorily required review and update process. The Cortese-Knox-Hertzberg Act requires that LAFCO conduct periodic reviews and updates of Spheres of Influence for all cities and special 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). **Table 1** shows when the last service and sphere reviews were conducted for the nine water agencies. In order to analyze how water services are offered throughout Santa Cruz County, all water agencies will be evaluated in this comprehensive report.

Table 1: Last Service & Sphere Review Cycle for Water Agencies

Water Agencies	Last Service & Sphere Review
Central Water District	August 2017
City of Santa Cruz	December 2018
City of Watsonville	April 2018
County Service Area 54	July 2017
Pajaro Valley Water Management Agency	November 2017
Reclamation District No. 2049	November 2017
San Lorenzo Valley Water District	November 2020
Scotts Valley Water District	May 2021
Soquel Creek Water District	May 2017

Footnote: This report will only analyze the water departments for the two cities.

Findings and Determinations

The 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 with 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.

CEQA Determination

Service and sphere reviews are informational documents and are generally exempt from environmental review. LAFCO staff has conducted an environmental review of the Districts' existing spheres of influence 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 **Agency Profile** chapters contain individual evaluations for each of the water service providers - 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 Providers

Water services are provided by five independent special districts, two city departments, and one reclamation district as shown below. In accordance with the Commission's Multi-Year Work Program, these nine water agencies will be analyzed in this report. **Figure 1** on page 10 provides an overview map depicting the subject agencies.

List of Subject Agencies:

1. Central Water District ("CWD" or "Central WD")
2. City of Santa Cruz Water Service Area ("City" or "SCWSA")
3. City of Watsonville Water Service Area ("City" or "WWSA")
4. County Service Area 54 ("CSA 54" or "Summit West")
5. Pajaro Valley Water Management Agency ("PVWMA" or "PV Water")
6. Reclamation District No. 2049 ("RD No. 2049" or "Reclamation District")
7. San Lorenzo Valley Water District ("SLVWD" or "SLV Water")
8. Scotts Valley Water District ("SVWD" or "SV Water")
9. Soquel Creek Water District ("SqCWD" or "Soquel Creek Water")

Other Organizations (Not Under LAFCO's Purview)

Santa Cruz County has a number of small water systems or privately-owned water companies that provide water services to residents. These entities are not subject to LAFCO's jurisdiction, therefore, are not required to be analyzed in this report. LAFCO does have the right to analyze and request for information from small water systems and mutual water companies under Assembly Bill 54 which was enacted on January 1, 2012. Therefore, LAFCO will identify the small water systems and mutual water companies in Santa Cruz County and determine whether they are complying with the statutory requirements under AB 54.

Principal Acts

Special districts operate either under a principal or a special act. A principal act is a generic statute which applies to all special districts of that type. For example, the Fire Protection District Law of 1987 in the state Health and Safety Code governs all 386 fire districts in California. There are about 60 principal law statutes which can be used anywhere in the State to create a special district. Occasionally, local circumstances fail to fit the general conditions anticipated by a principal act. In those cases, the Legislature may create a special act district tailored to the unique needs of a specific area. Districts which are regional in nature, have specific governing board requirements, provide unique

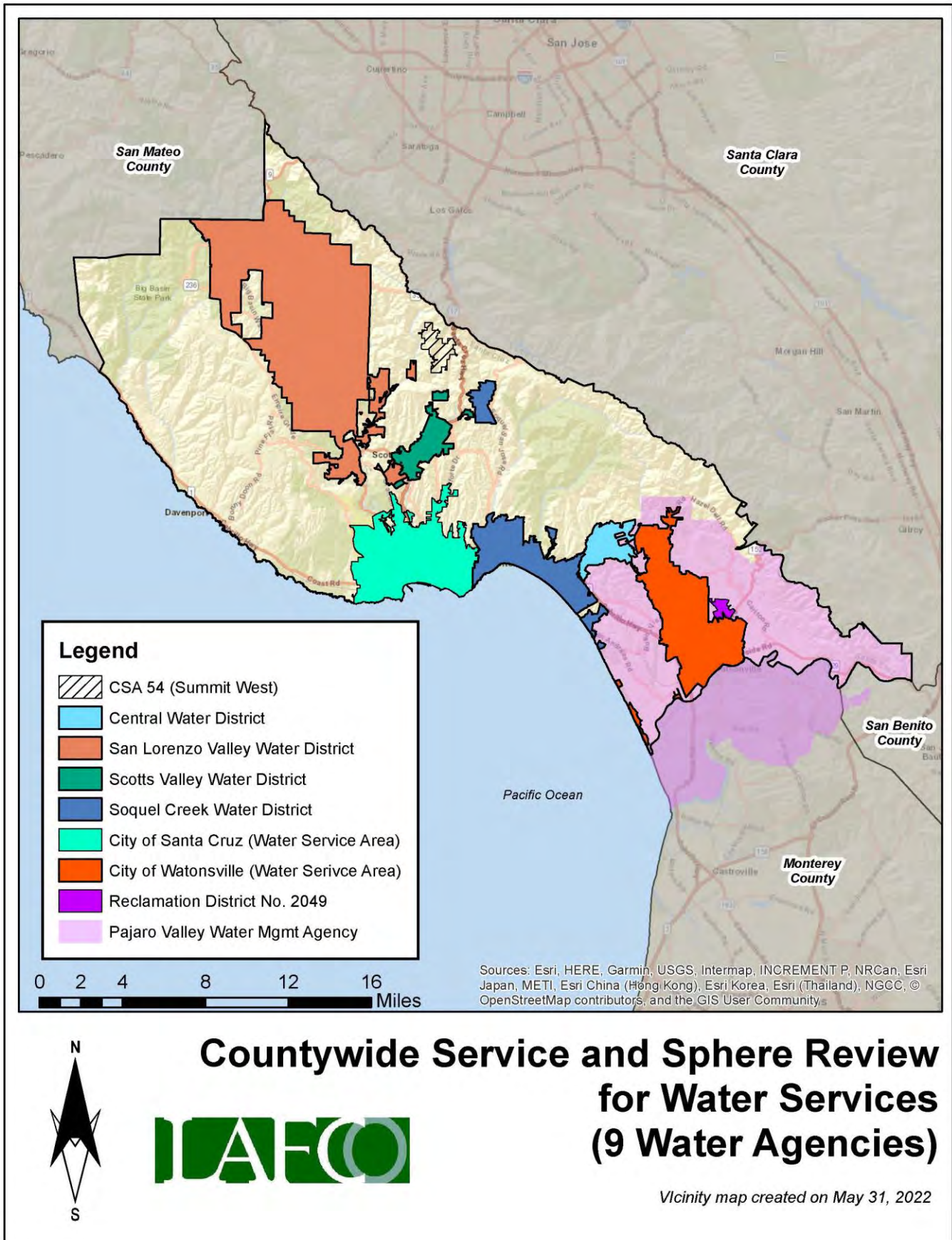
services, or need special financing, necessitate special laws for formation. There are about 120 special act districts statewide. All principal acts appear as laws in the California State codes, whereas most special acts are not codified. However, for convenience, many of the special acts for water districts appear in the Appendix to the California Water Code. **Table 2** identifies the principal and special acts (with its corresponding code sections) that govern the water agencies in Santa Cruz County.

Table 2: Principal/Special Acts for Santa Cruz County Water Agencies

Water Agency	Principal / Special Act	Code Section
Central Water District	Principal: County Water District Law	CA Water Code Section 30000 et seq.
City of Santa Cruz	Principal: California Charter City Law	CA Constitution (Article XI Local Government)
City of Watsonville	Principal: California Charter City Law	CA Constitution (Article XI Local Government)
County Service Area 54 (Summit West)	Principal: County Service Area Law	CA Government Code Section 25000 et seq.
Pajaro Valley Water Management Agency	Special: Pajaro Valley Water Management Agency Act	CA Water Code Section 10000 et seq.
Reclamation District No. 2049 (College Lake)	Principal: Reclamation District Law	CA Water Code Section 50000 et seq.
San Lorenzo Valley Water District	Principal: County Water District Law	CA Water Code Section 30000 et seq.
Scotts Valley Water District	Principal: County Water District Law	CA Water Code Section 30000 et seq.
Soquel Creek Water District	Principal: County Water District Law	CA Water Code Section 30000 et seq.

It is important to note that this report will focus on the statutory factors required to be analyzed by LAFCO under Government Code Section 56425 and 56430. LAFCO encourages the reader to refer to the State Water Resources Control Board's website which offers additional technical, managerial, and financial assessments on the water agencies: https://www.waterboards.ca.gov/drinking_water/certlic/drinkingwater/TMF.html#TMF_Assessment

Figure 1: Countywide Water District Map



Sustainable Groundwater Management Act (SGMA)

The Sustainable Groundwater Management Act (SMGA) was signed by Governor Jerry Brown on September 16, 2014, and went into effect on January 1, 2015. SGMA amended the Water Code and Government Code. SGMA provides a framework for sustainable management of groundwater supplies by local authorities, with a provision for possible state intervention and management if the groundwater resources are not being managed effectively by local agencies. SGMA required the formation of local Groundwater Sustainability Agencies (GSAs) in groundwater basins designated as high or medium priority by the Department of Water Resources (DWR). GSAs must assess conditions in their local groundwater basins and adopt and implement local Groundwater Sustainability Plans (GSPs). SGMA provides substantial latitude and time (20 years) for GSAs to implement plans and achieve long-term groundwater basin sustainability. Under this law, local agencies had until June 30, 2017 to form a GSA. Any local agency or combination of local agencies with water supply, management, or land use responsibilities overlying a groundwater basin had the option to become a GSA for that basin. Agencies that had been created by statute to manage groundwater were deemed the exclusive agencies to comply with the Act within their boundaries, unless the agency decided to opt out. DWR reviewed the completeness of the notice submitted by the proposed GSA. DWR also reviewed the notice to determine if there are overlapping jurisdictions in a basin. As a result, three groundwater agencies were formed in Santa Cruz County. **Table 3** provides an overview of those groundwater agencies. **Figure 2** on page 12 illustrates the location of each groundwater basin in Santa Cruz County.

Table 3: Groundwater Agencies in Santa Cruz County

Groundwater Agency	Associated Basins	Agency Members	Basin Management Plan
Pajaro Valley	Corralitos Groundwater Basin	Pajaro Valley Water Management Agency	Latest Plan adopted in November 2021 ¹
Santa Cruz Mid-County	Santa Cruz Mid-County Groundwater Basin	County of Santa Cruz; CWD; SqCWD; and the City of Santa Cruz	Latest Plan adopted in November 2019 ²
Santa Margarita	Santa Margarita Groundwater Basin	County; San Lorenzo Valley and Scotts Valley Water Districts	Latest Plan adopted in November 2021 ³

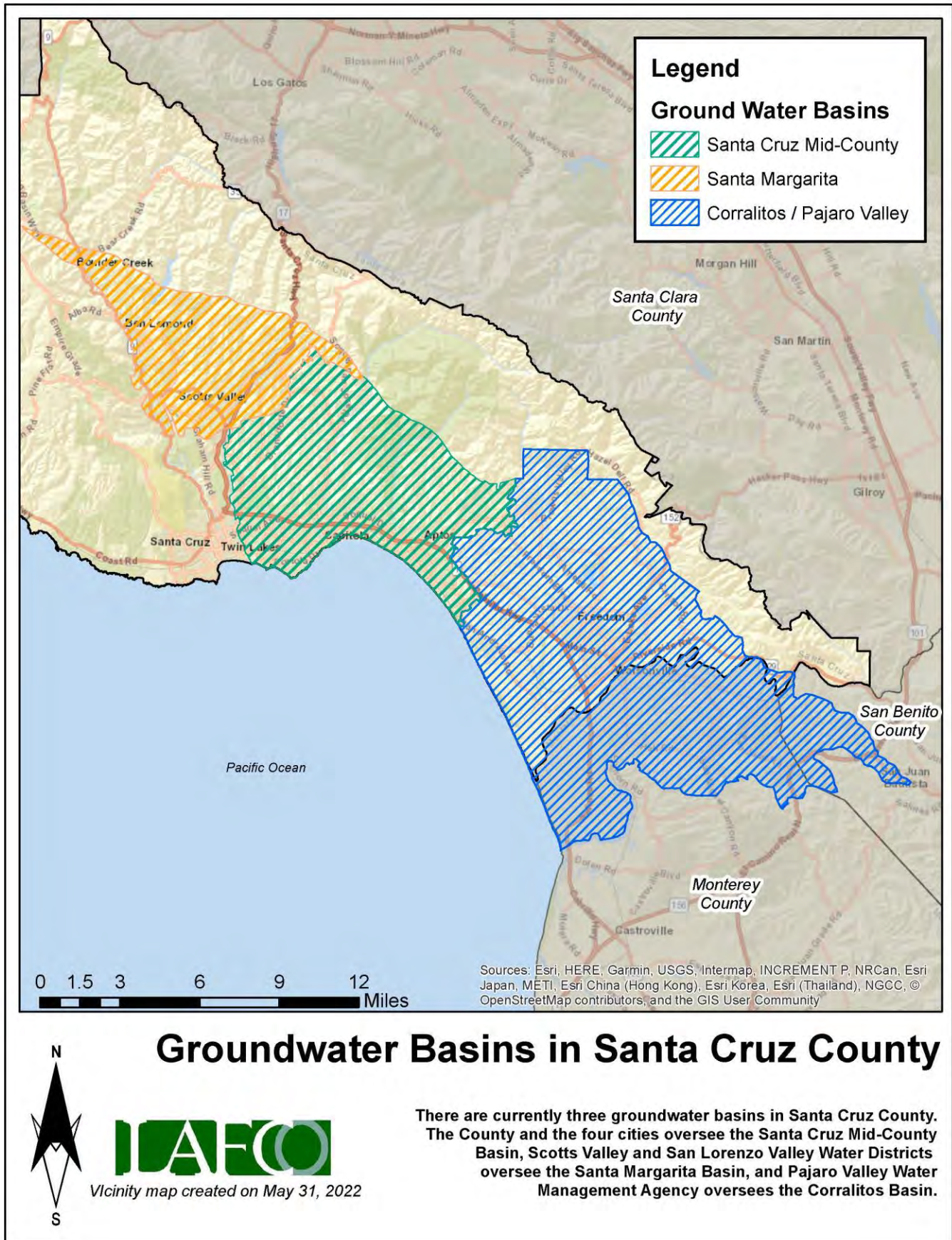
For purposes of this report, LAFCO will focus its analysis on the water agencies under LAFCO's purview. Groundwater agencies are not under LAFCO's jurisdiction and therefore will not be analyzed in this service and sphere review. For more information about the groundwater agencies, please refer to their websites, respectively.

¹ PVWMA BMP - https://www.pvwater.org/images/about-pvwma/assets/SGM/GSU22_20211229_MainBody-web.pdf

² SCMCGA BMP - https://www.midcountygroundwater.org/sites/default/files/uploads/MGA_GSP_2019.pdf

³ SMGA BMP - https://www.smgwa.org/media/GroundwaterSustainabilityPlan/SMGB_GSP_Final_2021-11-11.pdf

Figure 2: Groundwater Basins Map



Services & Infrastructure

The California Legislative Analyst's Office indicates that the governing bodies of special districts in California are either dependent or independent special district⁴. A dependent governing body is one in which the governing body is directly controlled by either a city or county. For dependent districts, a city council or county board of supervisors acts as the district's ruling body or they appoint individuals for that responsibility who serve at the pleasure of the city or county. Independent special districts have their governing body either directly elected by the voters or appointed for a fixed term of service (often by a board of supervisors). Pursuant to State law, water districts in California can provide a diverse range of services while using a variety of financing means and governance structures. **Table 4** provides a summary of the services offered by each water agency in Santa Cruz County and how those services are delivered.

Table 4: Overview of Water Agencies

	CWD	City of SC	City of W	CSA 54	PVWMA	RD 2049	SLVWD	SVWD	SqCWD
Services									
Agricultural Water	✓	✓	✓		✓				✓
Drainage						✓			
Groundwater Replenishment	✓				✓				✓
Retail Potable Water	✓	✓	✓				✓	✓	✓
Recycled Water			✓		✓			✓	✓
Wastewater (Sewer)		✓	✓				✓		
Water Treatment	✓	✓	✓		✓		✓	✓	✓
Water Conservation	✓	✓	✓		✓		✓	✓	✓
Infrastructure									
Distribution / Storage Tanks	✓	✓	✓		✓		✓	✓	✓
Pressure Zones	✓	✓	✓				✓	✓	✓
Production Wells	✓	✓	✓		✓		✓	✓	✓
Pump Stations	✓	✓	✓		✓		✓	✓	✓
Recycled Water System			✓		✓			✓	✓
Treatment Plants		✓	✓		✓		✓	✓	✓
Water Diversions		✓	✓				✓		
Water Pipeline (miles)	23.3	300	190	0	22	0	170	60	167
Total Connections	892	24,592	14,884	0	N/A	0	8,000	4,330	16,047

⁴ LAO Water Report -

https://lao.ca.gov/2002/water_districts/special_water_districts.html#:~:text=Background%3A%20Water%20Special%20Districts%20in,flood%20control%20and%20water%20conservation.

Financial Health

Water agencies are primarily funded through service charges. **Table 5** highlights whether each district had enough revenue to cover annual expenses during FY 2020-21 and **Table 6** illustrates the cost per capita for each water agency. A full review of all revenue funds for each district and the two cities during the past six years is discussed in the **Agency Profile Chapters** within this report.

Table 5: Total Revenue vs. Total Expense (FY 2020-21: In Alphabetical Order)

	Total Revenue	Total Expense	Surplus/(Deficit)
Central WD	\$1,484,617	\$1,046,424	\$438,193
City of Santa Cruz	\$42,898,416	\$38,200,392	\$4,698,024
City of Watsonville	\$19,935,279	\$16,004,616	\$3,930,663
County Service Area 54	\$0	\$0	\$0
Pajaro Valley Water MA	\$30,073,336	\$23,885,495	\$6,187,841
Reclamation District	\$48,295	\$69,704	(\$21,409)
San Lorenzo Valley WD	\$16,601,701	\$12,404,321	\$4,197,380
Scotts Valley WD	\$8,842,515	\$7,590,511	\$1,252,004
Soquel Creek WD	\$39,861,224	\$19,367,081	\$20,494,143

Table 6: Annual Cost Per Capita (FY 2020-21: Lowest to Highest)

	Total Expense	2020 Population	Per Capita
City of Watsonville	\$16,004,616	65,231	\$245.35
Pajaro Valley Water MA	\$23,885,495	90,000	\$265.39
Central WD	\$1,046,424	2,700	\$387.56
City of Santa Cruz	\$38,200,392	96,186	\$397.15
Soquel Creek WD	\$19,367,081	40,600	\$477.02
San Lorenzo Valley WD	\$12,404,321	19,882	\$623.90
Scotts Valley WD	\$7,590,511	11,776	\$644.57
Reclamation District	\$69,704	16	\$4,356.50
County Service Area 54*	N/A	N/A	N/A

Footnote: CSA 54 has been inactive since 2007.

Growth and Population

The Association of Monterey Bay Area Governments (AMBAG) produces population projections for cities and counties. However, projections for special districts are not included in their estimate. AMBAG's reporting does indicate 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 less than 1% every five years. Based on this anticipated growth rate, LAFCO staff calculated the estimated population for each subject agency from 2025 to 2040, as shown in **Table 7**:

Table 7: Population Estimates (Listed in Alphabetical Order)

	2020	2025	2030	2035	2040	Change (%)
Central WD	2,700	2,723	2,746	2,770	2,794	0.86%
City of Santa Cruz	96,186	98,874	101,636	104,476	107,395	2.79%
City of Watsonville	65,231	66,418	67,626	68,856	70,108	1.82%
County Service Area 54	550	555	559	564	569	0.86%
Pajaro Valley Water MA	90,000	92,347	94,756	97,227	99,762	2.61%
Reclamation District	16	16	16	16	17	0.86%
San Lorenzo Valley WD	19,882	20,052	20,224	20,398	20,572	0.86%
Scotts Valley WD	11,776	11,859	11,943	12,027	12,112	0.71%
Soquel Creek WD	40,600	40,948	41,299	41,653	42,010	0.86%

Transparency (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. 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, a District's Internet Website must contain the following:

- Access to past and current, agendas, staff reports, and minutes
- Adopted budgets;
- Contact information and 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) and adopted annual policies; and
- Any other information the board deems relevant

LAFCO also utilized the website criteria developed by the Special District Leadership Foundation (“SDLF”) to determine whether the agencies have a transparent website. SDLF is an independent, non-profit organization formed to promote good governance and best practices among California’s special districts through certification, accreditation and other recognition programs. The SDLF and its activities are supported by the California Special Districts Association and the Special District Risk Management Authority. The website recommendations are identified in SDLF’s District Transparency Certificate of Excellence. This program was created in an effort to promote transparency in the operations and governance of special districts to the public and to provide special districts with an opportunity to showcase their efforts in transparency. There are no fees for this certificate and is valid for three years. There are three main subject areas under this certificate: Basic Transparency Requirements; Website Requirements; and Outreach Requirements. LAFCO used the website requirement criteria to determine the transparency level of each agencies’ website.

Table 8 provides an overview of each agencies’ website based on the criteria outlined by SB 929 and by SDLF. The agencies were ranked from highest to lowest based on their scores.

Table 8: Website Transparency (Highest to Lowest)

Water Agency	Total Score out of a Possible 20 (by percentage)
Pajaro Valley Water Management Agency	100% (20 out of 20)
Soquel Creek Water District	95% (19 out of 20)
City of Santa Cruz*	94% (17 out of 18)
City of Watsonville*	94% (17 out of 18)
Scotts Valley Water District	90% (18 out of 20)
San Lorenzo Valley Water District	75% (15 out of 20)
Central Water District	60% (12 out of 20)
County Service Area 54	0% (0 out of 20)
Reclamation District No. 2049	0% (0 out of 20)

**Footnote: the Cities of Santa Cruz and Watsonville were not subject to two requirements because those two were specifically for special districts.*

Disadvantaged Unincorporated Communities

In accordance with 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.

In 2020, the California statewide annual median household income was \$78,672, and 80% of that was \$62,938. LAFCO staff utilized the ArcGIS mapping program to locate potential DUCs in Santa Cruz County. Based on the criteria set forth by SB 244, in conjunction with further evaluation of these areas, staff determined that there is no disadvantaged unincorporated communities in Santa Cruz County at this time.

Private Water Systems

Mutual Water Companies (MWCs) and private water systems are regulated by California's Water Code, Health and Safety Code and must abide by open meeting and records disclosure laws similar to many public water utilities. In operating a public water system, mutual water companies are also subject to regulation by the California Department of Public Health and must comply with requirements imposed by the State Water Resources Control Board and our local Regional Water Quality Control Board. However, over the years, many MWCs and small water systems have operated without much oversight from the State. That is why the Legislature enacted Assembly Bill 54 in 2012. This law imposes new requirements on mutual water companies that own and operate public water systems and requires greater coordination between them and LAFCO in each county. Corporations Code 14301.1 requires mutual water companies to submit a map depicting its service area to LAFCO. As part of this report, LAFCO identified all the private water systems in Santa Cruz County (refer to **Figure 3** on page 18). Additionally, LAFCO identified the location and system size of each private water system in relation to a nearby water agency. **Appendix A** provides an overview of the 132 private water systems found throughout the County. LAFCO staff is recommending that subsequent letters are distributed to the private water systems to ensure they are following the statutory requirements under AB 54.

Spheres 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 & 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.

Sphere Determinations

Most of the spheres of influence for each water agency were originally adopted between 1983 to 1988. Since then, only a few have been modified throughout the years. **Table 9** on page 19 shows the past and proposed sphere determinations for each agency.

Figure 3: Private Water Systems Map

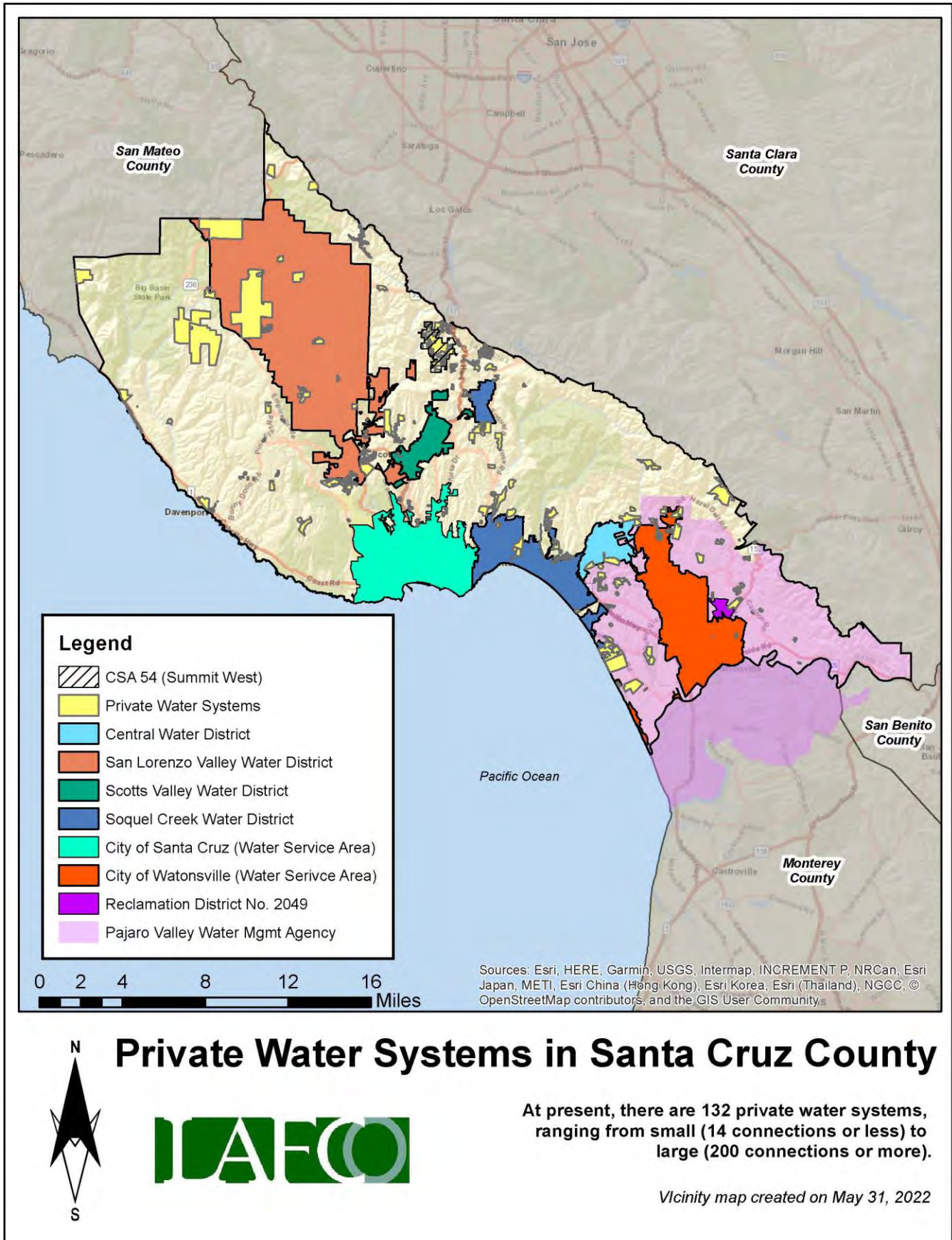


Table 9: Sphere Determinations (1983 to 2022)

Water Agency	Original & Current Status	Proposed Sphere
Central Water District	Original Adoption: November 12, 1986 Current Sphere: Smaller than Service Boundary	Amend Sphere: Increase size to reflect current service delivery
City of Santa Cruz	Original Adoption: August 3, 1983 Current Sphere: Smaller than Service Area	Amend Sphere: Increase size to reflect current service delivery
City of Watsonville	Original Adoption: January 12, 1983 Current Sphere: Smaller than Service Area	Amend Sphere: Increase size to reflect current service delivery
County Service Area 54 (Summit West)	Original Adoption: February 7, 1996 Current Sphere: Coterminous with Service Boundary	Zero Sphere: Remove sphere as a precursor to dissolution
Pajaro Valley Water Management Agency	Original Adoption: N/A Current Sphere: No Sphere Boundary	Adopt Sphere: Coterminous with the Corralitos Basin
Reclamation District No. 2049 (College Lake)	Original Adoption: November 2, 1988 Current Sphere: Coterminous with Service Boundary	Zero Sphere: Remove sphere as a precursor to dissolution
San Lorenzo Valley Water District	Original Adoption: October 16, 1985 Current Sphere: Larger than Service Boundary	Reaffirm Sphere: No Change
Scotts Valley Water District	Original Adoption: October 16, 1985 Current Sphere: Larger than Service Boundary	Reaffirm Sphere: No Change
Soquel Creek Water District	Original Adoption: November 12, 1986 Current Sphere: Smaller than Service Boundary	Amend Sphere: Increase size to reflect current service delivery

Key Findings

The following are key findings of the 2022 Countywide Water Service and Sphere of Influence Review:

Central Water District

1. The District provides services to a small area.

The Central Water District currently serves five square miles to approximately 3,200 people. The District offers five of the eight water services identified by LAFCO: Agriculture Water, Groundwater Replenishment, Retail Potable Water, Water Treatment, and Water Conservation. At present, it has 892 connections through 23.3 miles of pipeline.

2. The District is financially sound.

The Central Water District has ended with an annual surplus in five of the last six years. As of June 30, 2021, the District is operating with a net position of approximately \$2.5 million. LAFCO staff believes the positive balance will continue. This healthy amount will be critical in the event that the District faces any unintended expenses, major capital improvements projects, or emergency repairs.

3. The District's website needs improvements.

The Central Water District is currently not meeting the statutory requirements under Senate Bill 929. Based on LAFCO's analysis, the District met 12 out of the 20 transparency benchmarks evaluated in this service review.

4. The District needs a sphere update.

The current sphere does not accurately reflect the District's service area and should be updated. Staff is recommending that the sphere be increased to include areas already served by the District.

City of Santa Cruz (Water Service Area)

1. The City provides services to a large area.

Santa Cruz currently serves 27 square miles to approximately 96,000 people. The City offers five of the eight water services identified by LAFCO: Agriculture Water, Retail Potable Water, Wastewater (Sewer), Water Treatment, and Water Conservation. At present, it has 24,592 connections through 300 miles of pipeline.

2. The City is financially sound.

Santa Cruz has ended with an annual surplus in five of the last six years. As of June 30, 2021, the City is operating with a net position of approximately \$103 million. LAFCO staff believes the positive balance will continue. This healthy amount will be critical in the event that the City faces any unintended expenses, major capital improvements projects, or emergency repairs.

3. The City's website is transparent.

While Santa Cruz is not subject to Senate Bill 929's website requirements, the City's website is extremely transparent and filled with useful information. Based on LAFCO's assessment, the City covered 17 out of the 20 transparency benchmarks evaluated in this service review.

4. The City needs a sphere update.

The current sphere does not accurately reflect the City's water service area and should be updated. Staff is recommending that the sphere be increased to include areas already served by the City of Santa Cruz.

City of Watsonville (Water Service Area)

1. The City provides services to a large area.

Watsonville currently serves 21 square miles to approximately 65,000 people. The City offers six of the eight water services identified by LAFCO: Agriculture Water, Retail Potable Water, Recycled Water, Wastewater (Sewer), Water Treatment, and Water Conservation. At present, it has 14,884 connections through 190 miles of pipeline.

2. The City is financially sound.

Watsonville has ended with an annual surplus in five of the last six years. As of June 30, 2021, the City is operating with a net position of approximately \$62 million. LAFCO staff believes the positive balance will continue. This healthy amount will be critical in the event that the City faces any unintended expenses, major capital improvements projects, or emergency repairs.

3. The City's website is transparent.

While Watsonville is not subject to Senate Bill 929's website requirements, the City's website is extremely transparent and filled with useful information. Based on LAFCO's assessment, the City covered 17 out of the 20 transparency benchmarks evaluated in this service review.

4. The City needs a sphere update.

The current sphere does not accurately reflect the City's water service area and should be updated. Staff is recommending that the sphere be increased to include areas already served by the City of Watsonville.

County Service Area 54 (Summit West)

1. The District provides no services.

County Service Area 54 was originally formed in 1996 to provide water services to the Summit West community. Water services to the community was taken over by the Summit Mutual Water Company in 2007. Since then, CSA 54 has been inactive.

2. The District provides needs to be dissolved.

As previously mentioned, the District does not provide any services and has been inactive for fifteen years. LAFCO staff is recommending that the Commission adopt a zero sphere as a precursor to dissolution. The dissolution process should be initiated as soon as possible.

Pajaro Valley Water Management Agency

1. The District provides services to a large area.

The Pajaro Valley Water Management Agency currently serves 124 square miles to approximately 90,000 people. The District offers five of the eight water services identified by LAFCO: Agriculture Water, Groundwater Replenishment, Recycled Water, Water Treatment, and Water Conservation. At present, it has 1,019 metered wells, 1,200 unmetered (domestic) wells, and 22 miles of pipeline.

2. The District is financially sound.

The Pajaro Valley Water Management Agency has ended with an annual surplus in four of the last six years. As of June 30, 2021, the District is operating with a net position of approximately \$20 million. LAFCO staff believes the positive balance will continue. This healthy amount will be critical in the event that the District faces any unintended expenses, major capital improvements projects, or emergency repairs.

3. The District's website is transparent.

The Pajaro Valley Water Management Agency is currently meeting the statutory requirements under Senate Bill 929. Based on LAFCO's analysis, the District covered all 20 transparency benchmarks evaluated in this service review.

4. The District needs a sphere boundary.

State law requires all independent special districts to have a sphere of influence boundary. The Pajaro Valley Water Management Agency is the only independent special district in Santa Cruz County without an official sphere. Staff is recommending that the District's sphere be coterminous with the Corralitos Basin, which the District is responsible for under the Sustainable Groundwater Management Act.

Reclamation District No. 2049 (College Lake)

1. The District provides a single service to a limited area.

The Reclamation District currently serves 0.78 square miles to 16 landowners within 20 separate parcels. The District only offers drainage services once a year for farming purposes.

2. The District is financially distressed.

The Reclamation District has ended with an annual deficit in three of the last six years. As of June 30, 2021, the District is operating with a net position of only \$63,000. LAFCO staff believes the positive balance will continue. This minimal amount may be completely depleted if any unintended expenses occurs. Additionally, the Board Chair informed LAFCO that the District may run out of money as early as November 2022.

3. The District is in violation of multiple statutes.

The Reclamation District does not have a website. More unsettling is that the District has no General Manager or adequate staff, no physical office or contact information, no adopted policies in place, two vacancies on the five-member board, and the term limit for three remaining board members expired in December 2021. The last official board meeting was held in October 2021. LAFCO also determined that none of the recommended actions identified by the County's 2017 audit were completely addressed or implemented.

4. The District needs to be dissolved.

As previously mentioned, the District is facing significant challenges. LAFCO staff has determined that dissolution would benefit the affected landowners. Therefore, staff is recommending that the Commission adopt a zero sphere as a precursor to dissolution. The District has recently adopted a resolution to initiate the dissolution process and LAFCO expects to receive an application soon.

San Lorenzo Valley Water District

1. The District provides services to a large area.

The San Lorenzo Valley Water District currently serves 60 square miles to approximately 20,000 people. The District offers four of the eight water services identified by LAFCO: Retail Potable Water, Wastewater (Sewer), Water Treatment, and Water Conservation. At present, it has 8,000 connections through 170 miles of pipeline.

2. The District is financially sound.

The San Lorenzo Valley Water District has ended with an annual surplus consistently for the last six years. As of June 30, 2021, the District is operating with a net position of approximately \$38 million. LAFCO staff believes the positive balance will continue. This healthy amount will be critical in the event that the District faces any unintended expenses, major capital improvements projects, or emergency repairs.

3. The District's website is in compliance with State law.

The San Lorenzo Valley Water District is currently meeting the statutory requirements under Senate Bill 929. Based on LAFCO's analysis, the District covered 15 out of the 20 transparency benchmarks evaluated in this service review.

4. The District's sphere accurately reflects its future governance.

The sphere was updated on November 4, 2020 as part of the District's last service review cycle. The update was based on LAFCO's analysis, which determined that a total of 24 unserved islands are substantially surrounded by the water district and should be annexed in the foreseeable future. LAFCO expanded the District's sphere to include approximately 3,300 acres. Staff is recommending that the current sphere be reaffirmed.

Scotts Valley Water District

1. The District provides services to a small area.

The Scotts Valley Water District currently serves six square miles to approximately 12,000 people. The District offers four of the eight water services identified by LAFCO: Retail Potable Water, Recycled Water, Water Treatment, and Water Conservation. At present, it has 4,330 connections through 60 miles of pipeline.

2. The District is financially sound.

The Scotts Valley Water District has ended with an annual surplus in four of the last six years. As of June 30, 2021, the District is operating with a net position of approximately \$21 million. LAFCO staff believes the positive balance will continue. This healthy amount will be critical in the event that the District faces any unintended expenses, major capital improvements projects, or emergency repairs.

3. The District's website is transparent.

The Scotts Valley Water District is currently meeting the statutory requirements under Senate Bill 929. Based on LAFCO's analysis, the District covered 18 out of the 20 transparency benchmarks evaluated in this service review.

4. The District's sphere accurately reflects its future governance.

The sphere was updated on March 3, 2021 as part of the District's last service review cycle. The update was based on LAFCO's analysis, which determined that a total of eight unserved islands are substantially surrounded by the water district and should be annexed in the foreseeable future. LAFCO expanded the District's sphere to include approximately 300 acres. The District recently adopted a resolution to initiate annexation of areas within its sphere and areas already receiving services. Staff is recommending that the current sphere be reaffirmed.

Soquel Creek Water District

1. The District provides services to a large area.

The Soquel Creek Water District currently serves 17 square miles to approximately 41,000 people. The District offers six of the eight water services identified by LAFCO: Agricultural Water, Groundwater Replenishment, Retail Potable Water, Recycled Water, Water Treatment, and Water Conservation. At present, it has 16,047 connections through 167 miles of pipeline.

2. The District is financially sound.

The Soquel Creek Water District has ended with an annual surplus consistently for the last six years. As of June 30, 2021, the District is operating with a net position of approximately \$83 million. LAFCO staff believes the positive balance will continue. This healthy amount will be critical in the event that the District faces any unintended expenses, major capital improvements projects, or emergency repairs.

3. The District's website is transparent.

The Soquel Creek Water District is currently meeting the statutory requirements under Senate Bill 929. Based on LAFCO's analysis, the District covered 19 out of the 20 transparency benchmarks evaluated in this service review.

4. The District needs a sphere update.

The current sphere does not accurately reflect the District's service area and should be updated. Staff is recommending that the sphere be increased to include areas already served by the District.

Recommended Actions

Based on the analysis and findings in the 2022 Countywide Water 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 nine affected agencies, 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. 2022-11) approving the 2022 Countywide Water Service and Sphere Review with the following terms and conditions:
 - a. Reaffirm the existing spheres of influence for Scotts Valley Water District and San Lorenzo Valley Water District;
 - b. Amend the existing spheres of influence for Central Water District, City of Santa Cruz, City of Watsonville, and Soquel Creek Water District to accurately reflect the areas currently within the agencies' jurisdiction and/or already being served;
 - c. Adopt a sphere of influence for the Pajaro Valley Water Management Agency to be coterminous with the Corralitos Basin;
 - d. Adopt a zero sphere of influence for County Service Area 54 and the Reclamation District No. 2049 as a precursor to dissolution;
 - e. Direct the Executive Officer to distribute letters to the small water systems to ensure that they are fulfilling the statutory requirements under Assembly Bill 54; and
 - f. Direct the Executive Officer to distribute a copy of the adopted service and sphere review to the nine water agencies, Monterey LAFCO, San Benito LAFCO, and any other interested or affected parties, including but not limited to the Civil Grand Jury of Santa Cruz County.

CENTRAL WATER DISTRICT

OVERVIEW

The Central Water District was formed in November 1950 as the “Central Santa Cruz County Water District” under the County Water District Act with the purpose of providing water for domestic and commercial use. The formation boundary of the District was contiguous with the Oakdale and Pleasant Valley School Districts. In 1953, the District purchased the Valencia Water Works, a private water company. In 1978, CWD entered into an agreement with the Soquel Creek County Water District to provide an intertie connection on Huntington Drive in case of an emergency. The District officially changed its name to the Central Water District on December 10, 1980. Today, the District serves five square miles of unincorporated territory. There is a total of 1,113 parcels within the District (totaling approximately 3,200 acres). **Figure 4**, on page 29, is a vicinity map depicting CWD’s current jurisdictional boundary. **Figure 5**, on page 30, also shows the current land use designation under the County’s General Plan. At present, the majority of land within the District is designated as Rural Residential.

A total of 11 boundary changes have been approved by LAFCO, with an extraterritorial service agreement involving a single parcel being the last recorded action on April 2, 2008. **Appendix B** provides an overview of all the approved boundary changes since 1966.

Services and Infrastructure

CWD manages and operates a complex and integrated water supply infrastructure, including storage tanks, transmission system, wells, and booster pumps. The District currently has approximately 900 connections, which includes multiple connections consisting of 82 fire services, 15 irrigation services, 9 commercial services, and 4 public facility services. The District’s customer base is predominantly single-family residential with some multi-family and agricultural customers as well. **Table 10** summarizes the District’s services and **Table 11** on page 27 provides an overview of the District’s infrastructure.

Table 10: List of Service Provisions

Services	Checkmark (Yes)
Agricultural Water	✓
Drainage	
Groundwater Replenishment	✓
Retail Potable Water	✓
Recycled Water	
Wastewater (Sewer)	
Water Treatment	✓
Water Conservation	✓

Table 11: List of Infrastructure / Facilities

Infrastructure	Checkmark (Yes)	Quantity
Distribution / Storage Tanks	✓	7 storage tanks
Pressure Zones	✓	4 pressure reducing valve stations
Production Wells	✓	6 wells (3 inactive)
Pump Stations	✓	6 booster pump stations
Recycled Water System	-	-
Treatment Plants	-	-
Water Diversions	-	-
Water Pipeline	✓	23.3 miles
Total Connections	✓	892

Water Rates

CWD has a policy ensuring that all revenues from user charges and surcharges generated from District customers must support all District operations including capital project funding. Accordingly, water rates are reviewed periodically. Water rates are user charges imposed on customers for services and are the primary component of the District's revenue. Water rates are composed of a commodity (usage) charge and a fixed (volumetric) charge. **Table 12** highlights the past and upcoming water rates for CWD customers. As the table shows, the District has not increased its rates for the last five years. It is LAFCO's understanding that a rate increase may occur in the upcoming year.



Table 12: Water Rates

1 unit = 748 gallons	2017 (Adopted)	2018 (Adopted)	2019 (Adopted)	2020 (Adopted)	2021 (Adopted)
SERVICE CHARGES					
Bi-Monthly Service Charge (Meter Size)					
5/8"	\$40	\$40	\$40	\$40	\$40
3/4"	\$40	\$40	\$40	\$40	\$40
1"	\$40	\$40	\$40	\$40	\$40
Monthly Service Charges (Meter Size)					
5/8" (Commercial & Ag)	\$40	\$40	\$40	\$40	\$40
3/4" (Commercial & Ag)	\$40	\$40	\$40	\$40	\$40
1" (Commercial & Ag)	\$40	\$40	\$40	\$40	\$40
2" (Commercial & Ag)	\$96	\$96	\$96	\$96	\$96
Multi-Residential	\$180	\$180	\$180	\$180	\$180
Bi-Monthly Fire Service Charge					
All Fire Service Size (5/8" to 2")	\$29.28	\$29.28	\$29.28	\$29.28	\$29.28
All Fire Service Size (over 2")	\$40	\$40	\$40	\$40	\$40
Bi-Monthly Fire Service Charge					
Hydrant Meter Service	\$200	\$200	\$200	\$200	\$200
VOLUMETRIC CHARGES					
Primary Zone Volumetric Charges					
Tier 1 (1-20 units)	\$4.00/unit	\$4.00/unit	\$4.00/unit	\$4.00/unit	\$4.00/unit
Tier 2 (21-up units)	\$7.00/unit	\$7.00/unit	\$7.00/unit	\$7.00/unit	\$7.00/unit
Day Zone Volumetric Charges					
Tier 1 (0-20 units)	\$4.40/unit	\$4.40/unit	\$4.40/unit	\$4.40/unit	\$4.40/unit
Tier 2 (21-up units)	\$7.40/unit	\$7.40/unit	\$7.40/unit	\$7.40/unit	\$7.40/unit
Redwood Heights/Maintenance District Volumetric Charges					
Tier 1 (0-20 units)	\$4.25/unit	\$4.25/unit	\$4.25/unit	\$4.25/unit	\$4.25/unit
Tier 2 (21-up units)	\$7.25/unit	\$7.25/unit	\$7.25/unit	\$7.25/unit	\$7.25/unit
Multi-Residential Accounts (Monthly)					
Tier 1 (0-420 units)	\$4.00/unit	\$4.00/unit	\$4.00/unit	\$4.00/unit	\$4.00/unit
Tier 2 (421-up units)	\$7.00/unit	\$7.00/unit	\$7.00/unit	\$7.00/unit	\$7.00/unit
Outside District / Temporary Meter / Hydrant Volumetric Charges					
Tier 1 (0-20 units)	\$4.00/unit	\$4.00/unit	\$4.00/unit	\$4.00/unit	\$4.00/unit
Tier 2 (21-up units)	\$7.00/unit	\$7.00/unit	\$7.00/unit	\$7.00/unit	\$7.00/unit
Agricultural / Commercial Accounts (Monthly)					
Tier 1 (0-250 units)	\$4.00/unit	\$4.00/unit	\$4.00/unit	\$4.00/unit	\$4.00/unit
Tier 2 (251-up units)	\$7.00/unit	\$7.00/unit	\$7.00/unit	\$7.00/unit	\$7.00/unit

Figure 4: CWD's Vicinity Map

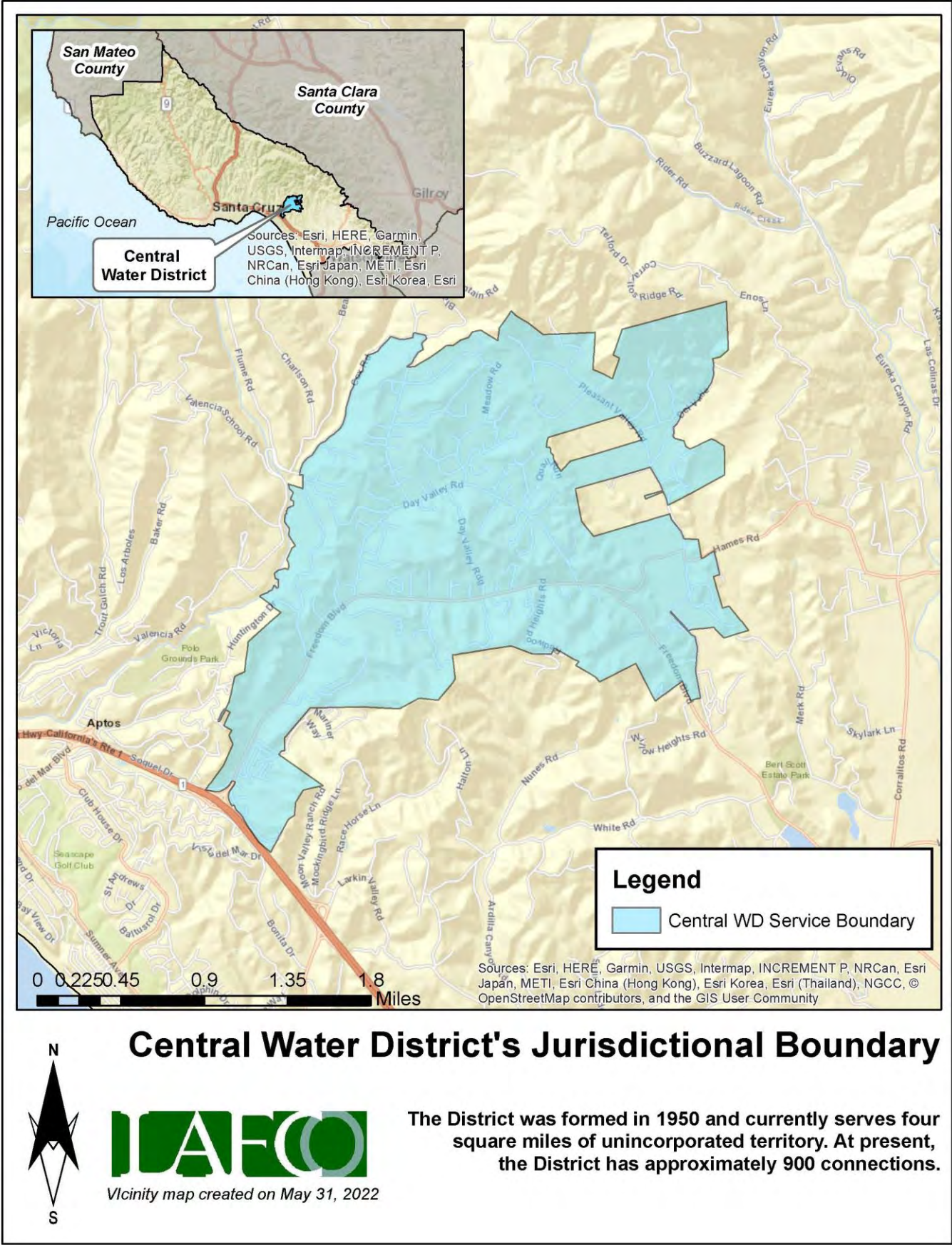
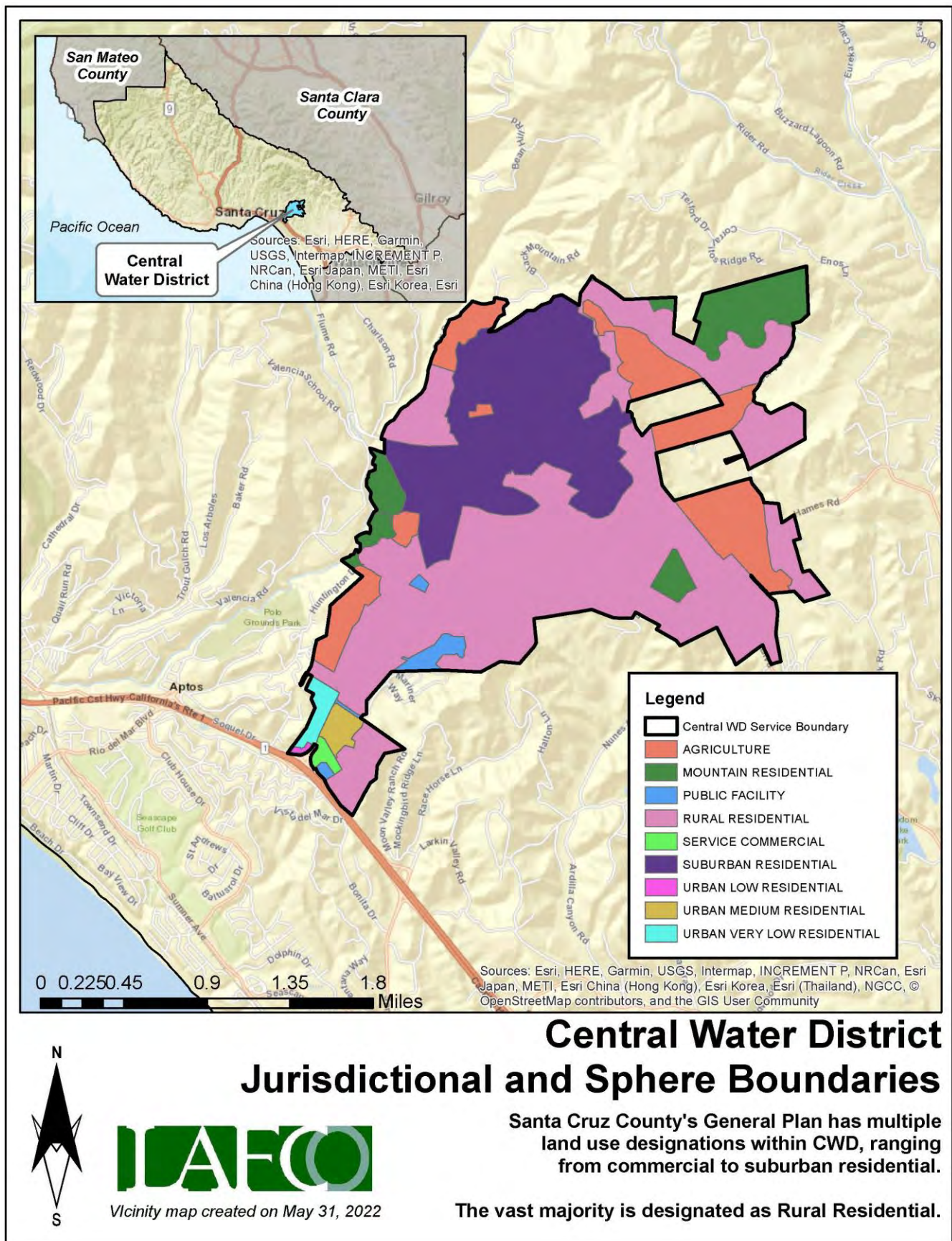


Figure 5: CWD's Land Use Map



Population and Growth

Based on staff's analysis, the population of CWD was 2020 is estimated to be 2,700. The Association of Bay Area Governments (ABAG) and the Association of Monterey Bay Area Governments (AMBAG) provide population projections for cities and counties in the Coastal Region. Official growth projections are not available for special districts. In general, the Coastal Region is anticipated to have a slow growth over the next twenty years. **Table 13** shows the anticipated population within CWD. The average rate of change is 0.86%.

Population Projection

Based on the projections for Santa Cruz County, LAFCO was able to develop a population forecast for CWD. LAFCO staff increased the District's 2020 population amount by 0.86% each year. Under this assumption, our projections indicate that the entire population of CWD will be approximately 2,800 by 2040.

Table 13: Projected Population

	2020	2025	2030	2035	2040	Average Rate of Change
Santa Cruz County (unincorporated area)	136,891	137,896	139,105	140,356	141,645	0.86%
Central Water District	2,700	2,723	2,746	2,770	2,794	0.86%

Source: AMBAG 2018 Regional Growth Forecast and FY 2020-21 CWD Audited Financial Statement



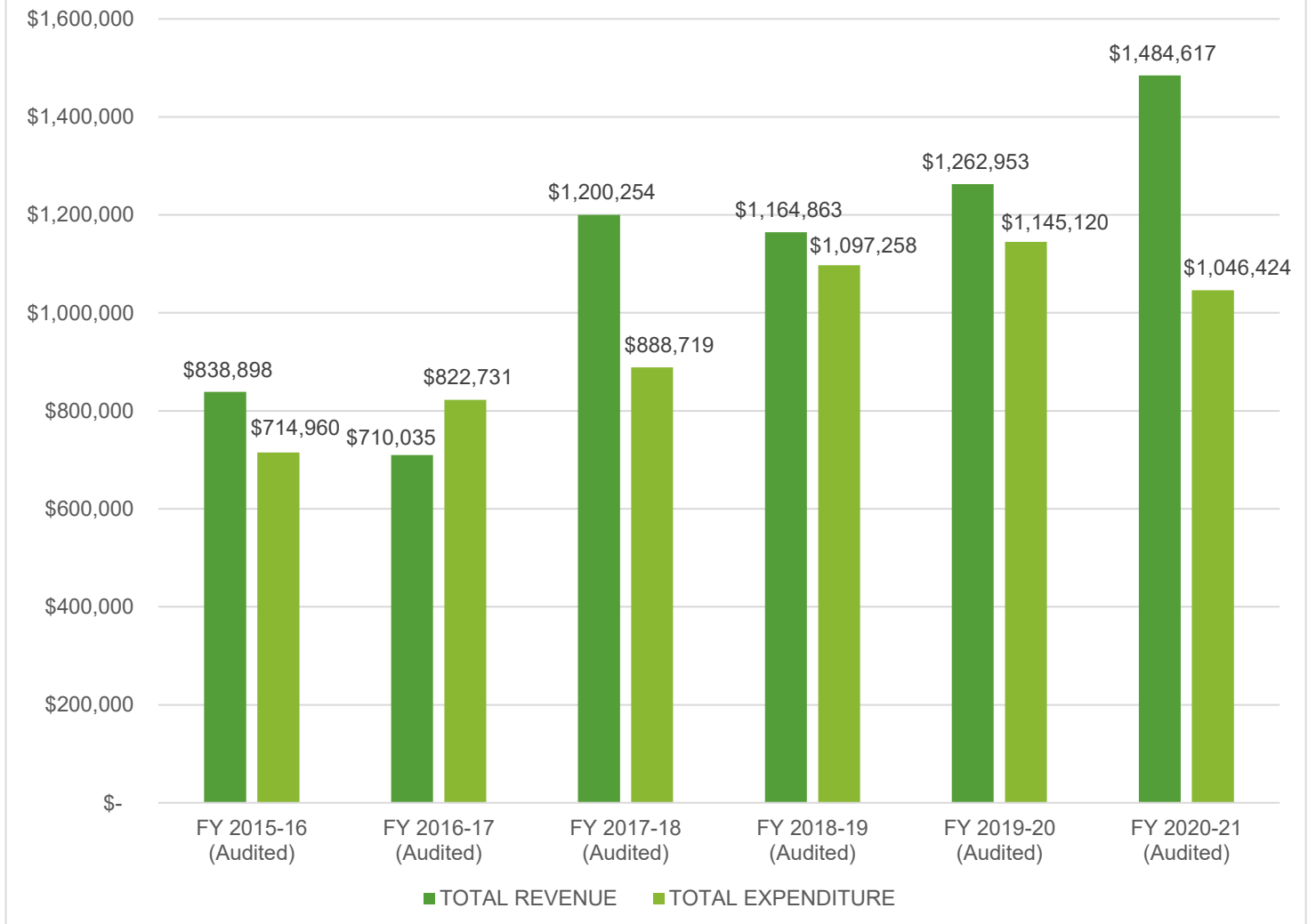
CWD Tank Site

FINANCES

This section will highlight the District's financial performance during the most recent fiscal years. Fiscal Year 2020-21 is the latest audited financial statement available. LAFCO evaluated CWD's financial health from 2015 to 2021. A comprehensive analysis of the District's financial performance during the past six years is shown in **Tables 17 and 18** on pages 36-37.

At the end of Fiscal Year 2020-21, total revenue collected was approximately \$1.5 million, representing a 18% increase from the previous year (\$1.3 million in FY 19-20). Total expenses for FY 2020-21 were approximately \$1 million, which decreased by 9% from the previous year (\$1.1 million in FY 19-20). Since 2015, the District ended each fiscal year with a surplus, with the exception of FY 16-17, as shown in **Figure 6**. LAFCO staff believes that this positive trend will continue based upon the District's ongoing conservative budgetary practices reflected in their audited financial statements.

**Figure 6: Statement of Revenues & Expenditures
(FY 2015-16 to FY 2020-21)**



Revenues

Operating Revenue

The District's primary source of revenue is from operating revenues, specifically water consumption sales. In FY 2020-21, Water Revenue (appx. \$1.1 million) and Connection Fees (appx. \$22,000) represent approximately 79% of CWD's entire revenue stream.

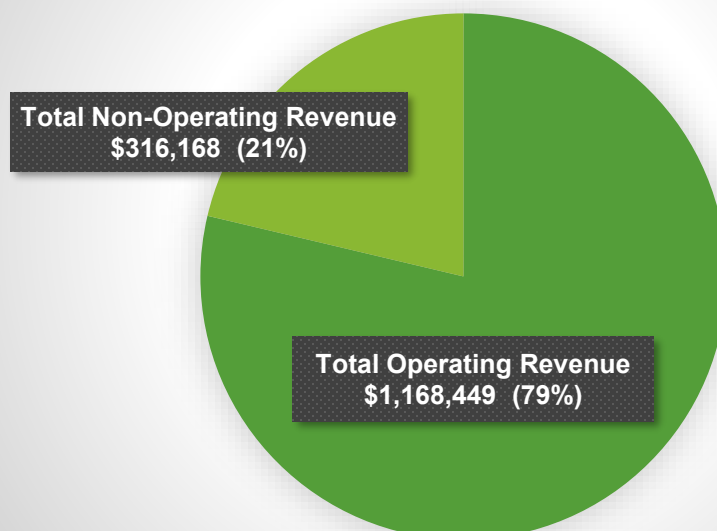
Non-operating Revenue

The remaining 21% of total revenue derive from non-operating revenue sources. These funds include Property Taxes, Capital Contributions, Interest Income, and Other Revenue. **Table 14 and Figure 7** provide a breakdown of the District's revenue by category and source.

Table 14: Revenue Breakdown (FY 2020-21)

Revenue	Amount	Percentage
Operating Revenue		
Water Revenue	\$1,146,804	98%
Connection Fees	<u>\$21,645</u>	<u>2%</u>
Total Operating Revenue	\$1,168,449	100%
Non-Operating Revenue		
Capital Contributions	\$170,000	54%
Property Taxes	\$127,695	40%
Interest Income	\$14,544	5%
Other Revenue	<u>\$3,929</u>	<u>1%</u>
Total Non-Operating Revenue	\$316,168	100%
Total Revenue	<u><u>\$1,484,617</u></u>	

**Figure 7: Operating v Non-Operating Revenue
(FY 2020-21)**



Expenditures

Operating Expense

The District's operating expenses represented approximately 88% of total expenditure during FY 2020-21. Operating expenses include: Administration & General, Pumping, Transmission & Distribution, Customer Accounts, Source of Supply, and Water Treatment.

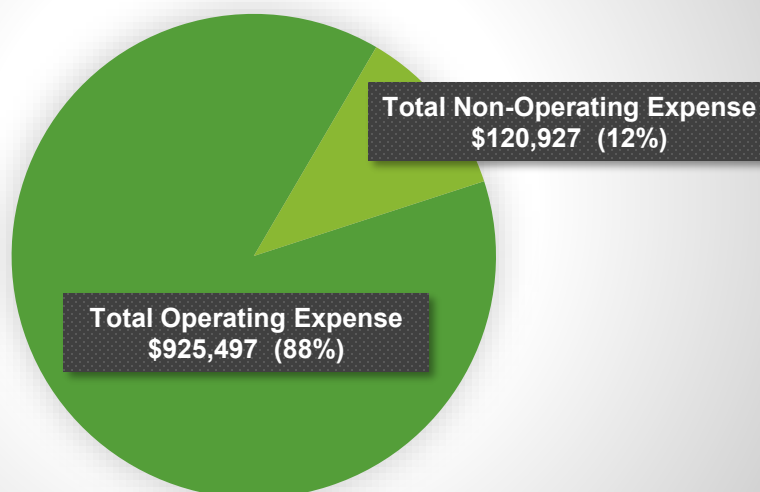
Non-operating Expense

The remaining 12% of total expenses derive from non-operating expenses. These costs include Depreciation, and Investment in Joint-Powers Authority. **Table 15 and Figure 8** provide a breakdown of the District's costs by category and source.

Table 15: Expense Breakdown (FY 2020-21)

Expenditure	Amount	Percentage
Operating Expense		
Administration and General	\$263,174	28.4%
Pumping	\$203,651	22.0%
Transmission and Distribution	\$186,951	20.2%
Customer Accounts	\$142,710	15.4%
Source of Supply	\$66,217	7.2%
Water Treatment	<u>\$62,794</u>	<u>6.8%</u>
Total Operating Expense	\$925,497	100%
Non-Operating Expense		
Depreciation Expense	\$94,318	78.0%
Investment in Joint-Powers Authority	<u>\$26,609</u>	<u>22.0%</u>
Total Non-Operating Expense	\$120,927	100.0%
Total Expenditure	<u>\$1,046,424</u>	

**Figure 8: Operating v Non-Operating Expenses
(FY 2020-21)**



Fund Balance / Net Position

As of June 30, 2021, the total net position balance ended with approximately \$2.5 million. The following table highlights the net position balance from 2015 to 2021. As shown in **Table 16** and **Figure 9**, the District's fund balance has increased over the years and has maintained an annual balance above \$1.3 million. Based on this historical trend, LAFCO staff believes the positive balance will continue. This healthy amount will be critical in the event that the District faces any unintended expenses, major capital improvements projects, or emergency repairs.

Table 16: Net Position (2015 to 2021)

	FY 2015-16 (Audited)	FY 2016-17 (Audited)	FY 2017-18 (Audited)	FY 2018-19 (Audited)	FY 2019-20 (Audited)	FY 2020-21 (Audited)
Beginning Balance	\$1,383,641	\$1,553,397	\$1,445,846	\$1,757,381	\$1,984,613	\$2,102,446
Ending Balance	<u>\$1,383,641</u>	<u>\$1,440,701</u>	<u>\$1,757,381</u>	<u>\$1,824,986</u>	<u>\$2,102,446</u>	<u>\$2,540,639</u>
Change (\$)		\$57,060	\$316,680	\$67,605	\$277,460	\$438,193

**Figure 9: Net Position from 2015 to 2021
(Ending Balance)**

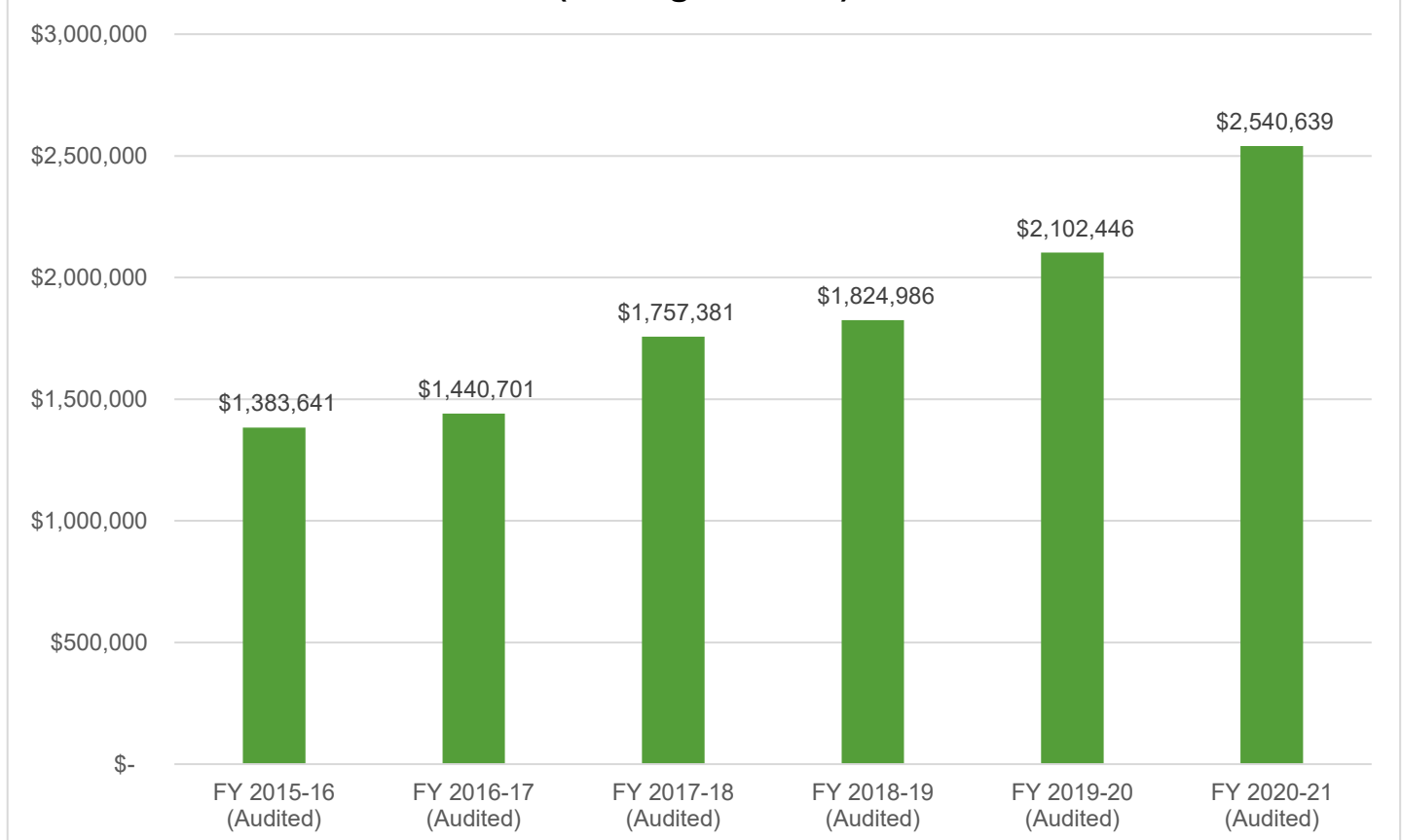


Table 17: Total Revenues & Expenditures

	FY 2015-16 (Audited)	FY 2016-17 (Audited)	FY 2017-18 (Audited)	FY 2018-19 (Audited)	FY 2019-20 (Audited)	FY 2020-21 (Audited)
REVENUE						
<u>Operating Revenue</u>						
Water Revenue	\$ 575,696	\$ 574,002	\$ 1,052,792	\$ 994,880	\$ 1,110,345	\$ 1,146,804
Connection Fees	\$ 34,962	\$ -	\$ 6,000	\$ 16,500	\$ -	\$ 21,645
Total Operating Revenue	\$ 610,658	\$ 574,002	\$ 1,058,792	\$ 1,011,380	\$ 1,110,345	\$ 1,168,449
<u>Non-Operating Revenue</u>						
Property Taxes	\$ 104,285	\$ 110,002	\$ 115,084	\$ 119,979	\$ 124,057	\$ 127,695
Interest Income	\$ 6,087	\$ 6,723	\$ 12,462	\$ 17,018	\$ 15,320	\$ 14,544
Capital Contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 170,000
Government Aid - State Prop Tax Relief	\$ 733	\$ -	\$ -	\$ -	\$ -	\$ -
Other Revenue, Net	\$ 117,135	\$ 19,308	\$ 13,916	\$ 16,486	\$ 13,231	\$ 3,929
Total Non-Operating Revenue	\$ 228,240	\$ 136,033	\$ 141,462	\$ 153,483	\$ 152,608	\$ 316,168
TOTAL REVENUE	\$ 838,898	\$ 710,035	\$ 1,200,254	\$ 1,164,863	\$ 1,262,953	\$ 1,484,617
EXPENDITURE						
<u>Operating Expense</u>						
Source of Supply	\$ 37,741	\$ 41,344	\$ 57,568	\$ 67,304	\$ 79,925	\$ 66,217
Pumping	\$ 107,493	\$ 115,146	\$ 137,492	\$ 183,206	\$ 150,813	\$ 203,651
Water Treatment	\$ 35,320	\$ 44,922	\$ 52,958	\$ 64,733	\$ 75,712	\$ 62,794
Administration and General	\$ 237,603	\$ 317,344	\$ 292,901	\$ 385,437	\$ 318,242	\$ 263,174
Customer Accounts	\$ 81,340	\$ 89,104	\$ 124,069	\$ 145,052	\$ 172,253	\$ 142,710
Transmission and Distribution	\$ 143,541	\$ 140,558	\$ 152,118	\$ 163,526	\$ 218,672	\$ 186,951
Total Operating Expense	\$ 643,038	\$ 748,418	\$ 817,106	\$ 1,009,258	\$ 1,015,617	\$ 925,497
<u>Non-Operating Expense</u>						
Depreciation Expense	\$ 71,922	\$ 74,313	\$ 71,613	\$ 88,000	\$ 101,539	\$ 94,318
Investment in Joint-Powers Authority	\$ -	\$ -	\$ -	\$ -	\$ 27,964	\$ 26,609
Total Non-Operating Expense	\$ 71,922	\$ 74,313	\$ 71,613	\$ 88,000	\$ 129,503	\$ 120,927
TOTAL EXPENDITURE	\$ 714,960	\$ 822,731	\$ 888,719	\$ 1,097,258	\$ 1,145,120	\$ 1,046,424
Surplus/(Deficit)	\$ 123,938	\$ (112,696)	\$ 311,535	\$ 67,605	\$ 117,833	\$ 438,193
NET POSITION						
Beginning Balance (as restated)	\$ 1,383,641	\$ 1,553,397	\$ 1,445,846	\$ 1,757,381	\$ 1,984,613	\$ 2,102,446
Ending Balance	\$ 1,507,579	\$ 1,440,701	\$ 1,757,381	\$ 1,824,986	\$ 2,102,446	\$ 2,540,639

Table 18: Total Assets & Liabilities

	FY 2015-16 (Audited)	FY 2016-17 (Audited)	FY 2017-18 (Audited)	FY 2018-19 (Audited)	FY 2019-20 (Audited)	FY 2020-21 (Audited)
ASSETS						
<u>Current Assets</u>						
Cash & Cash Equivalents	\$ 976,575	\$ 688,671	\$ 781,727	\$ 815,382	\$ 777,073	\$ 1,225,215
Customer Receivables	\$ 66,775	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Receivable, Net	\$ -	\$ 105,211	\$ 192,986	\$ 170,582	\$ 192,768	\$ 209,690
Prepaid Expenses	\$ 6,950	\$ 14,549	\$ 16,749	\$ 6,337	\$ 16,276	\$ 16,276
Total Current Assets	\$ 1,050,300	\$ 808,431	\$ 991,462	\$ 992,301	\$ 986,117	\$ 1,451,181
<u>Non-Current Assets</u>						
Capital Assets - Not Being Depreciated	\$ 17,606	\$ 166,473	\$ 20,941	\$ 181,752	\$ 20,941	\$ 20,941
Capital Assets - Being Depreciated	\$ 742,885	\$ 711,678	\$ 1,043,930	\$ 965,261	\$ 1,289,563	\$ 1,251,658
Investment in Joint-Powers Authority	\$ -	\$ -	\$ -	\$ -	\$ 196,705	\$ 170,096
Other Assets	\$ 58,055	\$ -	\$ -	\$ -	\$ -	\$ -
Total Non-Current Assets	\$ 818,546	\$ 878,151	\$ 1,064,871	\$ 1,147,013	\$ 1,507,209	\$ 1,442,695
TOTAL ASSETS	\$ 1,868,846	\$ 1,686,582	\$ 2,056,333	\$ 2,139,314	\$ 2,493,326	\$ 2,893,876
<u>Deferred Outflows of Resources</u>						
Differences between Expected & Actual Earnings	\$ 1,644	\$ -	\$ -	\$ -	\$ -	\$ -
Differences in Proportionate Share of Contributions	\$ 5,198	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions to CalPERS Pension Plan in Current FY	\$ 43,774	\$ 127,262	\$ 130,702	\$ 95,759	\$ 99,837	\$ 115,532
Total Deferred Outflows of Resources	\$ 50,616	\$ 127,262	\$ 130,702	\$ 95,759	\$ 99,837	\$ 115,532
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ 1,919,462	\$ 1,813,844	\$ 2,187,035	\$ 2,235,073	\$ 2,593,163	\$ 3,009,408
LIABILITIES						
<u>Current Liabilities</u>						
Accounts Payable	\$ 123,971	\$ 33,140	\$ 53,934	\$ 33,399	\$ 66,219	\$ 25,360
Accrued Vacation	\$ 16,164	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued Payroll and Payroll Liabilities	\$ 9,628	\$ 10,361	\$ 12,014	\$ 17,684	\$ 17,032	\$ 18,637
Customer Deposits and Unearned Revenue	\$ 17,606	\$ 23,431	\$ 16,731	\$ 25,996	\$ 28,608	\$ 29,912
Other Payables	\$ -	\$ 1,718	\$ 1,718	\$ 3,297	\$ 3,476	\$ 6,426
Long-Term Liabilities - Due Within One Year						
Compensated Absences	\$ -	\$ 3,105	\$ 9,273	\$ 9,201	\$ 15,243	\$ 7,419
Total Current Liabilities	\$ 167,369	\$ 71,755	\$ 93,670	\$ 89,577	\$ 130,578	\$ 87,754
<u>Non-Current Liabilities</u>						
Long-Term Liabilities - Due in More Than 1 Yr						
Compensated Absences	\$ -	\$ 12,419	\$ 9,272	\$ 9,201	\$ 15,242	\$ 7,419
Net Pension Liability	\$ 208,877	\$ 273,688	\$ 320,784	\$ 311,309	\$ 338,970	\$ 370,950
Total Non-Current Liabilities	\$ 208,877	\$ 286,107	\$ 330,056	\$ 320,510	\$ 354,212	\$ 378,369
TOTAL LIABILITIES	\$ 376,246	\$ 357,862	\$ 423,726	\$ 410,087	\$ 484,790	\$ 466,123
<u>Deferred Inflows of Resources</u>						
Change in Proportions	\$ 12,281	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Assumptions	\$ 15,557	\$ -	\$ -	\$ -	\$ -	\$ -
Net Difference Between Projected & Actual Earnings	\$ 7,799	\$ 10,136	\$ 5,928	\$ -	\$ 5,927	\$ 2,646
Total Deferred Inflows of Resources	\$ 35,637	\$ 10,136	\$ 5,928	\$ -	\$ 5,927	\$ 2,646
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	\$ 411,883	\$ 367,998	\$ 429,654	\$ 410,087	\$ 490,717	\$ 468,769
NET POSITION						
Net Investment in Capital Assets	\$ 742,885	\$ 878,151	\$ 1,064,871	\$ 1,147,013	\$ 1,310,504	\$ 1,272,599
Unrestricted						
Designated for Capital Improvements & Replacements	\$ 356,892	\$ -	\$ -	\$ -	\$ -	\$ -
Undesignated	\$ 407,802	\$ 567,695	\$ 692,510	\$ 667,973	\$ 791,942	\$ 1,268,040
Total Net Position	\$ 1,507,579	\$ 1,445,846	\$ 1,757,381	\$ 1,814,986	\$ 2,102,446	\$ 2,540,639
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, & NET POSITION	\$ 1,919,462	\$ 1,813,844	\$ 2,187,035	\$ 2,225,073	\$ 2,593,163	\$ 3,009,408

GOVERNANCE

Local Accountability & Structure

CWD is governed by a five-member Board of Directors, which are elected to four-year terms by the registered voters within the District's boundaries. The General Manager administers the day-to-day operations of the District in accordance with policies and procedures established by the Board of Directors. The Central Water District employs a full-time staff of 5 employees. The Board of Directors are responsible for the establishment of policy relative to the District's mission, goals, and operations. The current Board is as follows:

Table 19: Board of Directors

Board Member	Term of Office
Frances Whitney, President	Elected: September 2014 Term Limit Ends: December 1, 2022
Robert Marani, Vice-President	Elected: December 2014 Term Limit Ends: December 1, 2022
Robert Postle, Board Secretary	Elected: December 2012 Term Limit Ends: December 1, 2024
John Benich, Director	Appointed: March 2012 Term Limit Ends: December 1, 2024
Marco Romanini, Director	Appointed: March 2017 Term Limit Ends: December 1, 2022

Board Meetings

The District's Board of Directors meet regularly and citizens are encouraged to attend. Board meetings are typically held on the third Monday of each month at 7:00 p.m. The District's administrative office is located at 400 Cox Road in Aptos.

Capital Improvement Plans

CWD currently has a 10-year capital improvement plan in place, as shown in **Appendix C**. The purpose of this long-range plan is to identify and prioritize needs and project costs for planned repair and replacement to the infrastructure that will serve the affected ratepayers in an efficient and cost-effective manner throughout the next 10-years of growth and change. A total of 6 capital improvement projects are underway.

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. SB 929 identifies a number of components that must be found within an agency's website. Additionally, the Special District Leadership Foundation (SDLF), an independent, non-profit organization formed to promote good governance and best practices among California's special districts, has also outlined recommended website elements as part of its District Transparency Certificate of Excellence. This program was created in an effort to promote transparency in the operations and governance of special districts to the public and to provide special districts with an opportunity to showcase their efforts in transparency. Based on SB 929's criteria and the recommendations by SDLF, LAFCO thoroughly reviewed the District's website. **Table 20** summarizes staff's findings on whether the

District's website is meeting the statutory requirements. At present, the District does not meet all the statutory requirements under SB 929 or SDLF's website transparency criteria. One of the main issues identified by LAFCO is the website platform, which runs on Google. Under this platform, there are several documents, such as audits, that are "restricted" to the public. They are also pages that are outdated or blank. It would be beneficial if the District review and update its entire website for more transparency.

Table 20: Website Transparency

Website Components	Checkmark (Yes)
Required Items (SB 949 Criteria and SDLF Benchmarks)	
1. Names and Contact Information of Board Members*	✓
2. Board Member Term Limits	✓
3. Names of Key Staff, including General Manager	✓
4. Contact Information for Staff	✓
5. Election/Appointment Procedure & Deadlines	
6. Board Meeting Schedule*	✓
7. Mission Statement	
8. Description of District's Services/Functions and Service Area	✓
9. Authorizing Statute/Enabling Act	
10. Adopted District Budgets*	✓
11. Financial Audits*	✓
12. Archive of Board Meeting Agendas & Minutes*	✓
13. Link to State Controller's Webpages for District's reported Board Member and Staff Compensation	✓
14. Link to State Controller's Webpages for District's reported Financial Transaction Report	
15. Reimbursement & Compensation Policy / Annual Policies	
16. Home Page Link to Agendas/Board Packets	✓
17. SB 272 - Compliance-Enterprise Catalogs	✓
18. Machine Readable/Searchable Agendas	✓
19. Recipients of Grant Funding or Assistance	
20. Link or Copies of LAFCO's Service & Sphere Reviews	
Total Score (out of a possible 20)	12 (60%)
Additional Items (SDLF's Recommended Elements)	
1. Board Member Ethics Training Certificates	
2. Picture, Bio, and Email Addresses of Board Members	
3. Last Three Years of Audits	✓
4. Financial Reserves Policy	
5. Online/Downloadable Public Records Act Request Form	
6. Audio or Video Recordings of Board Meetings	
7. Map of District Boundaries/Service Area	
8. Link to CSDA Mapping Program	
9. General Description of Special Districts or Link to www.districtmakethedifference.org	
10. Link to Most Recently Filed to FPPC Forms	
Total Score (out of a possible 10)	1 (10%)

*Footnote: Senate Bill 929 Statutory Requirements

Opportunities and Challenges

Water agencies are significantly affected by various factors, including aging infrastructure, escalating operational costs, drought impacts, increase in customer demand, and changes to state laws and regulations that may introduce new requirements without additional funding. These issues are common not only in Santa Cruz County but throughout the State. The following section discusses these challenges and identifies possible opportunities to ensure that residents receive the best level of water services.

Urban Water Management Plan

The California Department of Water Resources indicates that Urban Water Management Plans (“UWMPs”) are prepared by urban water suppliers every five years (California Water Code Sections 10610-10656; 10608). These plans support the suppliers’ long-term resource planning to ensure that adequate water supplies are available to meet existing and future water needs. Every urban water supplier that either provides over 3,000 acre-feet of water annually, or serves more than 3,000 urban connections is required to submit an UWMP. Within UWMPs, urban water suppliers must: (1) Assess the reliability of water sources over a 20-year planning time frame, (2) Describe demand management measures and water shortage contingency plans, (3) Report progress toward meeting a targeted 20 percent reduction in per-capita (per-person) urban water consumption by the year 2020; and (4) Discuss the use and planned use of recycled water. At present, CWD does not have UWMP. While CWD only has 900 connections, it would be beneficial for the District to develop this type of long-range planning to ensure that it is prepared for future demand and other potential impacts to its water supply.

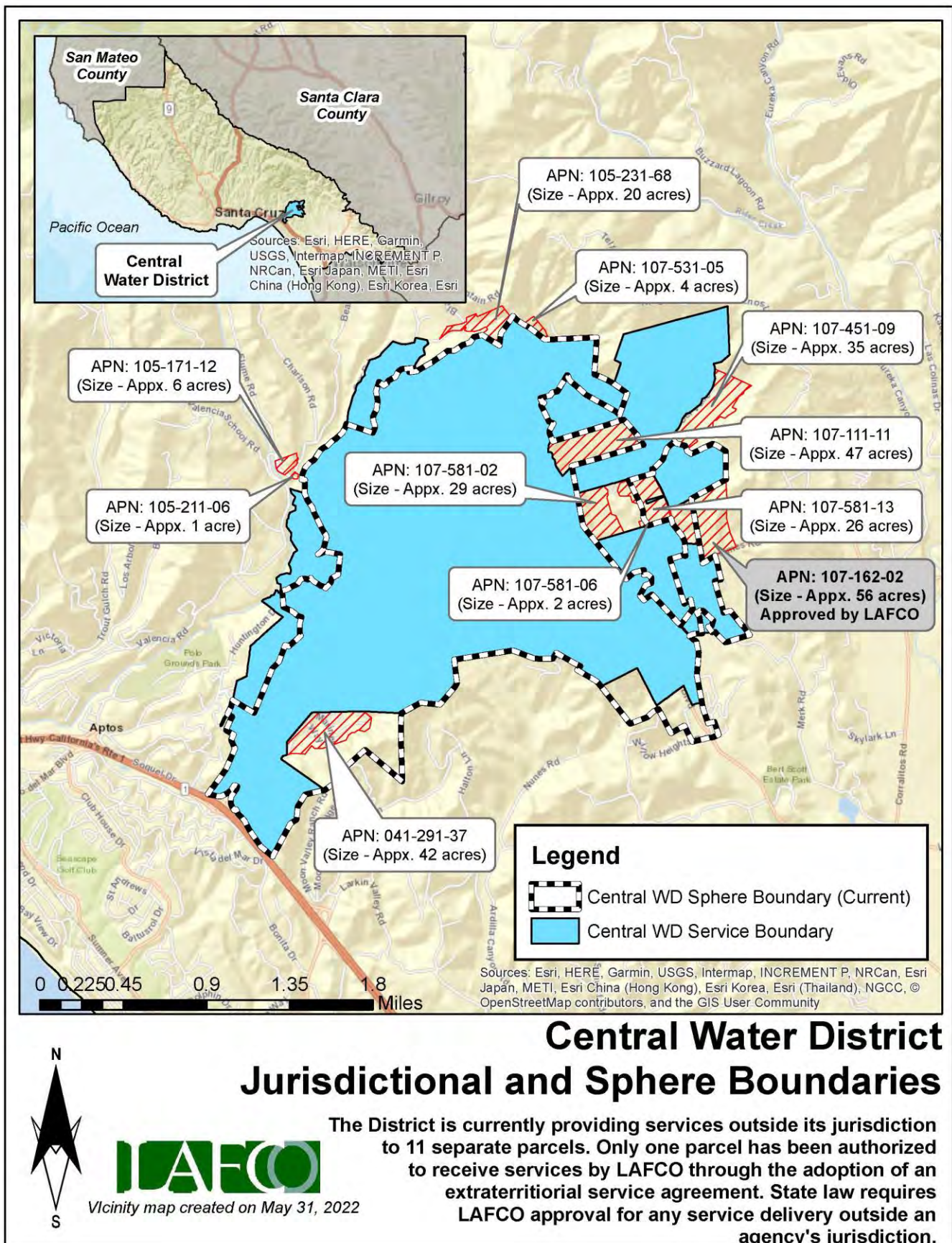
LAFCO Staff Recommendation: *CWD should consider developing an Urban Water Management Plan or a similar report to be consistent with the other water districts in Santa Cruz County.*

Areas Served Outside Jurisdictional Boundary

Pursuant to Government Code Section 56133, a city or district may provide new or extended services by contract or agreement outside its jurisdictional boundaries only if it first requests and receives written approval from the Commission in the affected county. LAFCO may also authorize a city or district to provide new or extended services outside its jurisdictional boundaries but within its sphere of influence in anticipation of a later change of organization. In other words, except for the specific situations exempted by Government Code Section 56133, a city or district shall not provide new or extended services to any party outside its jurisdictional boundaries unless it has obtained written approval from LAFCO. Based on staff’s analysis, CWD is providing services outside its jurisdiction to 11 separate parcels. Ten of these parcels are receiving water services without LAFCO’s review and authorization. Only one parcel has gone through the LAFCO process and received LAFCO’s approval. **Figure 10** on page 41 shows the subject parcels receiving services outside CWD’s jurisdiction.

LAFCO Staff Recommendation: *CWD should submit an application to annex these parcels to ensure that it is legally permitted to provide services under LAFCO law. If an application is submitted within a year (August 2023), LAFCO will consider waiving the annexation filing fee and provide assistance on completing the statutorily-required steps in the annexation process.*

Figure 10: Areas Served Outside CWD's Jurisdiction



Small Water Systems

One area that LAFCO can provide assistance now is addressing any failing mutual water companies (MWCs) or private water systems near CWD. MWCs are regulated by California's Water Code, Health and Safety Code and must abide by open meeting and records disclosure laws similar to many public water utilities. In operating a public water system, mutual water companies are also subject to regulation by the California Department of Public Health and must comply with requirements imposed by the State Water Resources Control Board and our local Regional Water Quality Control Board. However, over the years, many MWCs have operated without much oversight from the State. That is why the Legislature enacted Assembly Bill 54 in 2012. This law imposes new requirements on mutual water companies that own and operate public water systems and requires greater coordination between them and LAFCO in each county. Corporations Code 14301.1 requires mutual water companies to submit a map depicting its service area to LAFCO.

A total of 15 private water systems are located near the water district. **Figure 11** on page 43 identifies the location of each water system in relation to CWD. **Table 21** on page 44 also provide more information about the private water systems. While LAFCOs do not have full authority over mutual water companies when compared to with cities and special districts, AB 54 does allow LAFCO to analyze these water systems as part of a service review. Identifying these private water systems may lead to coordination with CWD and possible annexation, if desired.

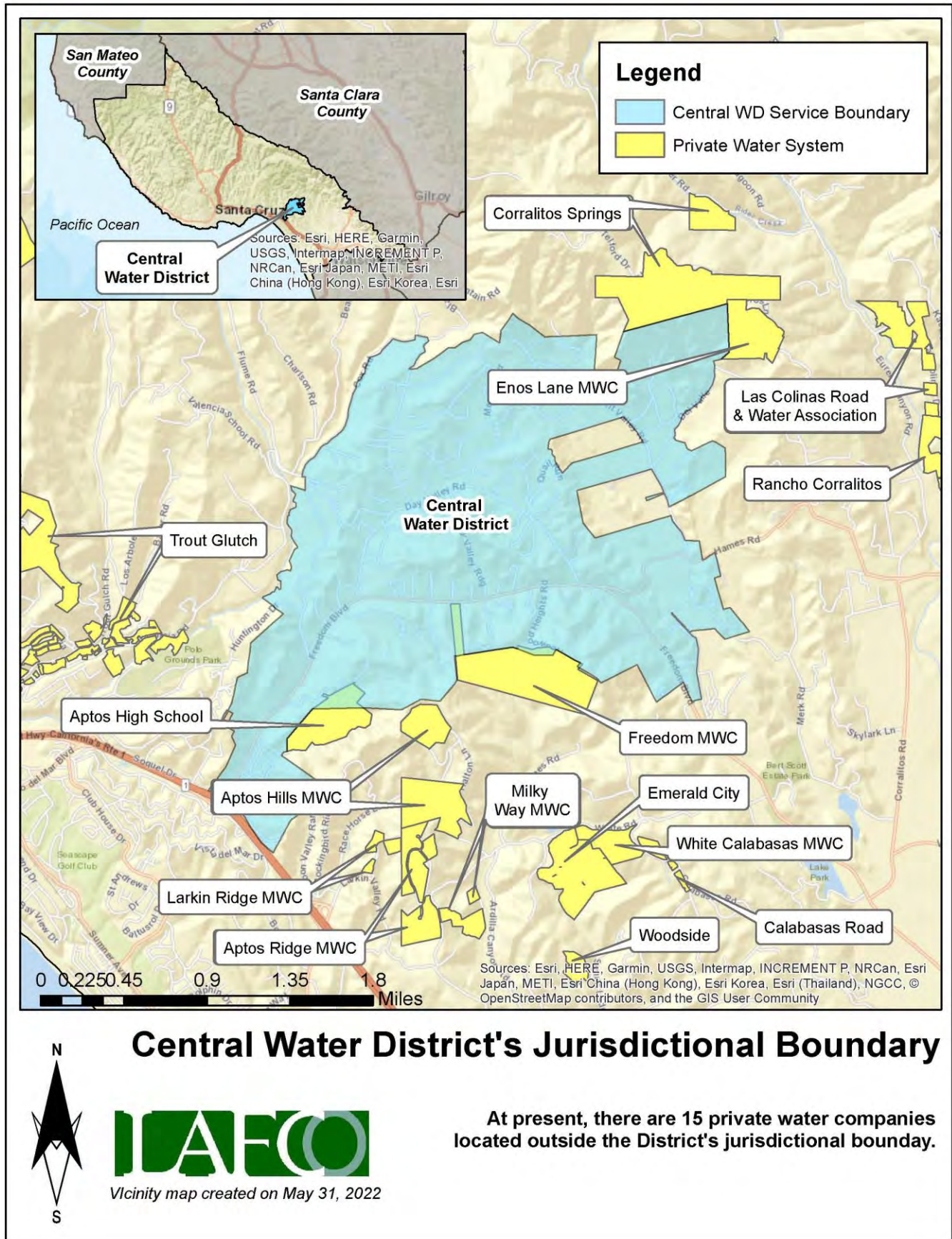
LAFCO Staff Recommendation: *CWD should coordinate with LAFCO and the subject private water systems to analyze possible annexations and/or sphere amendments to include any mutual water company or other nearby water system that can no longer provide adequate level of service.*

Strategic Partnerships

Several water agencies have expressed interest in exploring ways to further collaborate. Many water agencies have interties in the event of emergencies and all water agencies (including the two Cities) are members of groundwater-related joint powers authorities. This means that the public water providers are already working together in overseeing how water is delivered countywide. It may be beneficial for the water agencies to consider further strategic partnerships, including but not limited to sharing resources and staff, establishing a countywide memorandum of understanding for emergency-related interties, and joint procurements or professional service agreements (i.e. Audits). Such partnerships may also lay the foundation for future changes of organization, including but not limited to annexations, reorganizations, or consolidations.

LAFCO Staff Recommendation: *CWD should explore additional ways to share services and resources with neighboring agencies, including but not limited to nearby water districts.*

Figure 11: Map of Private Water Systems Within and Outside CWD



At present, there are 15 private water companies located outside the District's jurisdictional boundary.

Table 21: List of Private Water Systems Within and Outside CWD

#	Water System Name	Type of Water System	Size (Square Miles)	Population
Private Water Systems <u>OUTSIDE</u> Central Water District's Jurisdictional Boundary				
1	Freedom MWC	Small Water System (5 connections)	0.19	10
2	Larkin Ridge MWC	Small Water System (5 connections)	0.02	10
3	Aptos High School	Small Water System (6 connections)	0.09	1,925
4	Enos Lane	Small Water System (6 connections)	0.08	22
5	Corralitos Springs	Small Water System (6 connections)	0.25	11
6	Woodside	Small Water System (8 connections)	0.02	16
7	Milky Way MWC	Small Water System (9 connections)	0.03	20
8	Aptos Hills MWC	Small Water System (12 connections)	0.13	17
9	Emerald City	Small Water System (12 connections)	0.11	30
10	White Calabasas MWC	Small Water System (14 connections)	0.05	31
11	Aptos Ridge MWC	Medium Water System (16 connections)	0.09	52
12	Calabasas Road	Medium Water System (15 to 199 connections)	0.01	17
13	Las Colinas Road And Water Assoc.	Medium Water System (24 connections)	0.07	70
14	Rancho Corralitos	Medium Water System (31 connections)	0.08	60
15	Trout Gulch Water	Medium Water System (186 connections)	0.28	614

**Footnote: A portion of Aptos High School and Freedom MWC are located within the District.*

SPHERE OF INFLUENCE

Current Sphere Boundary

Santa Cruz LAFCO adopted CWD's first sphere of influence on November 12, 1986. The current sphere excludes areas within the District's jurisdictional boundary. The last sphere update occurred in August 2017 following the last service review cycle. **Figure 12** on page 46 shows the current sphere of influence boundary.

Proposed Sphere Boundary

Based on staff's analysis, the District is providing services outside its jurisdiction to 11 different parcels (totaling 268 acres). The size of these parcels range from 0.64 to 56 acres. These parcels were previously shown in **Figure 10** on page 41. LAFCO staff is recommending that the sphere boundary be expanded to include the 11 subject parcels as a precursor to annexation in the near future. **Figure 13** on page 47 shows the proposed sphere boundary.

Parcels Subject to Annexation

As stated earlier in this report, except for the specific situations exempted by Government Code Section 56133, a city or district shall not provide new or extended services to any party outside its jurisdictional boundaries unless it has obtained written approval from LAFCO. Based on staff's analysis, CWD is providing services outside its jurisdiction without LAFCO's approval. Ten parcels are receiving water services without LAFCO's review and authorization and only one parcel has received an approved extraterritorial service agreement (which occurred in 2008).

LAFCO Staff Recommendation: CWD should submit an application to annex these parcels to ensure that it is legally permitted to provide services under LAFCO law. If an application is submitted within a year (August 2023), LAFCO will consider waiving the annexation filing fee and provide assistance on completing the statutorily-required steps in the annexation process.



CWD Drought Tolerant Garden (Boy Scouts Troop 599 Eagle Scout Project)

Figure 12: CWD's Current Sphere Map

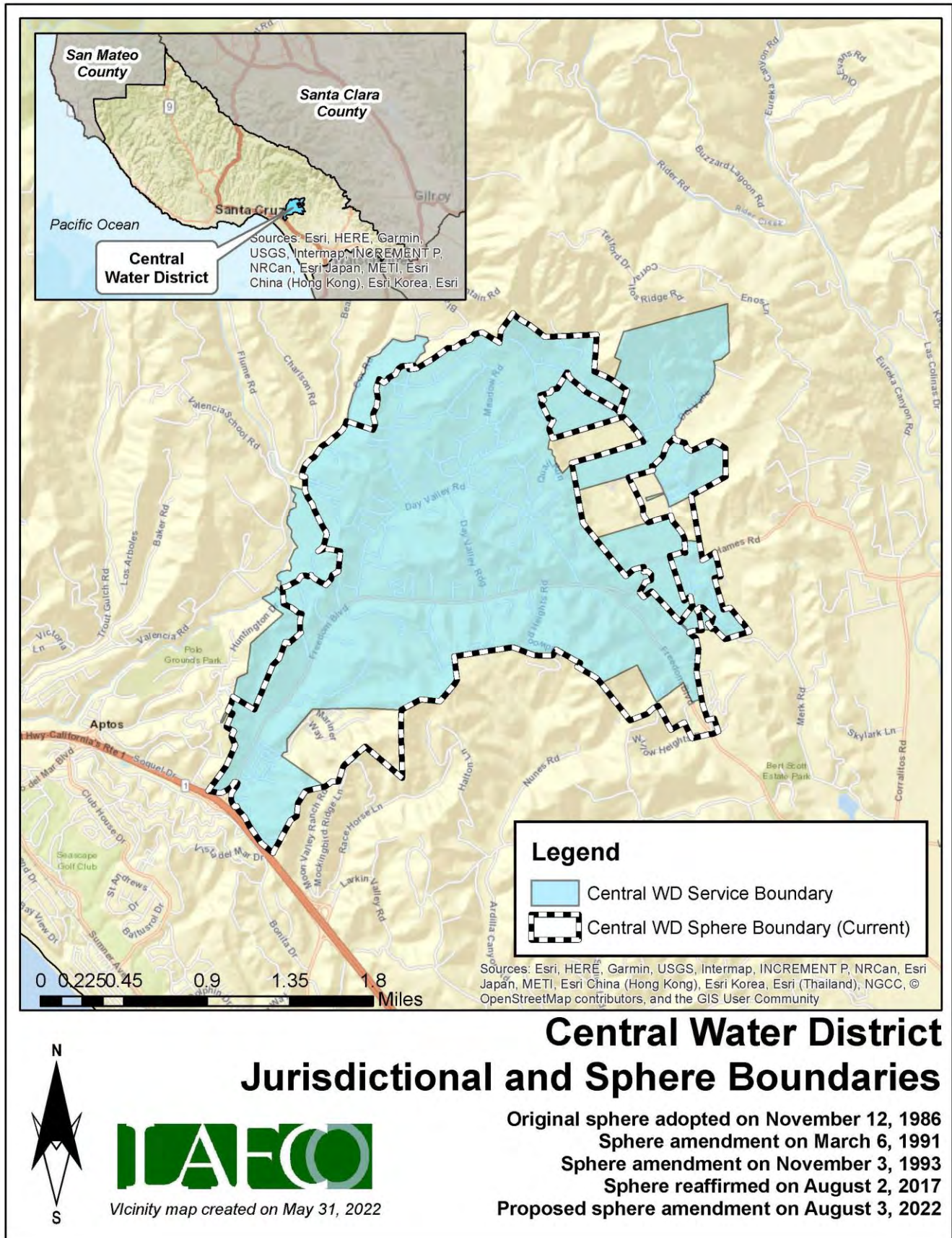
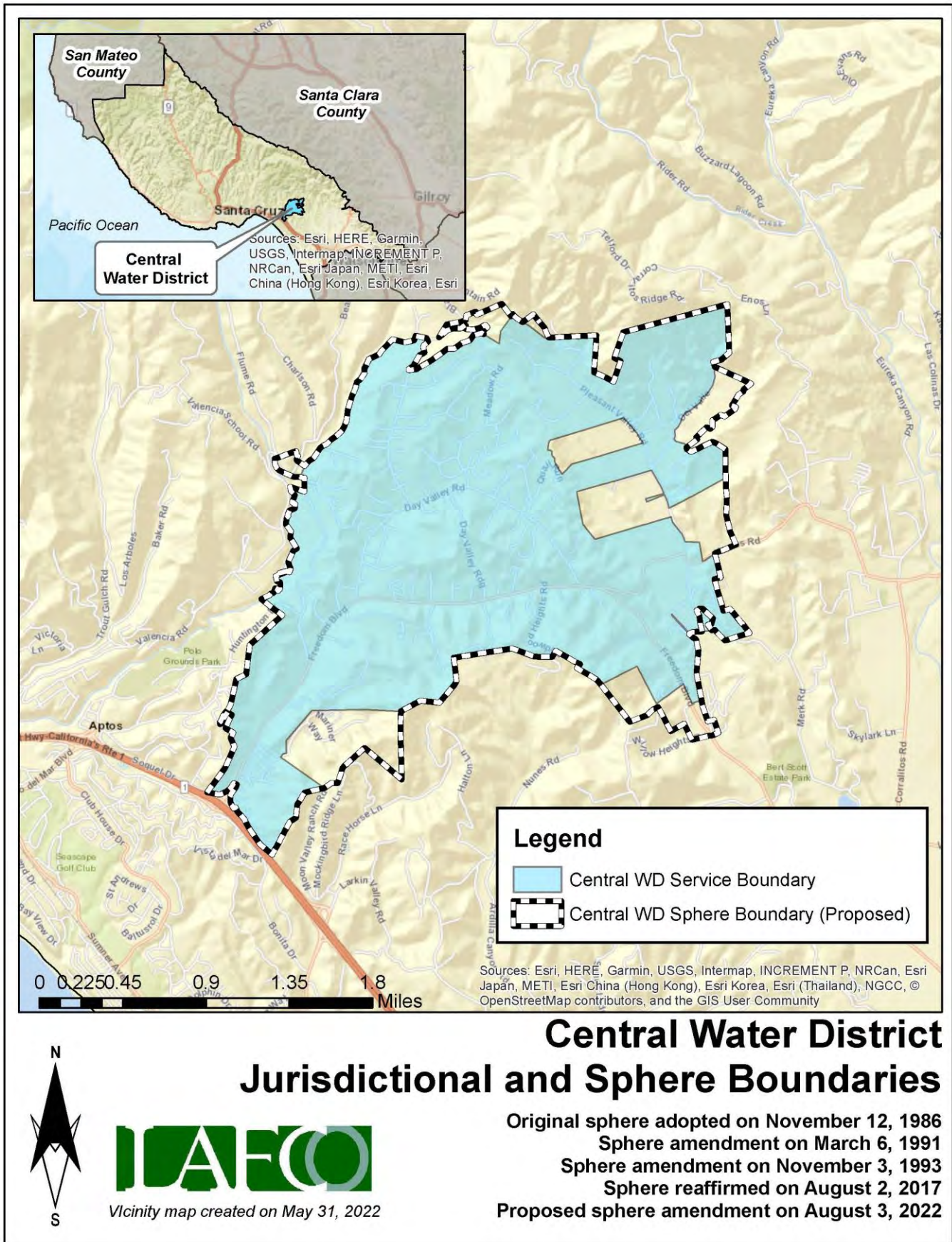


Figure 13: CWD's Proposed Sphere Map



DISTRICT SUMMARY

Central Water District	
Formation	California Water Code, section 30,000 et seq.
Board of Directors	Five members, elected at-large to four-year terms
Contact Person	Ralph Bracamonte, General Manager
Employees	5 Full-Time Employees
Facilities	892 connections; 23.3 miles of pipeline; 7 storage tanks; 6 wells (3 inactive); 6 pump stations; and 4 pressure zones.
District Area	5 square miles (appx. 2,600 acres)
Sphere of Influence	<p>Current Sphere: Smaller than the District (i.e., sphere boundary does not include the District's existing jurisdictional boundary)</p> <p>Proposed Sphere: Larger than the District (i.e., sphere boundary includes areas outside the District's jurisdictional boundary)</p>
FY 2020-21 Audit	<p>Total Revenue = \$1,484,617</p> <p>Total Expenditure = \$1,046,424</p> <p>Net Position (Ending Balance) = \$2,540,639</p>
Contact Information	<p>Mailing Address: P.O. Box 1869 Aptos, CA 95001</p> <p>Phone Number: (831) 688-2767</p> <p>Email Address: admin@centralwaterdistrict.us.com</p> <p>Website: https://sites.google.com/view/centralwaterdistrict/home?authuser=0</p>
Public Meetings	Meetings are held on the third Monday of each month at 7:00 p.m.
Mission Statement	N/A

SERVICE AND SPHERE REVIEW DETERMINATIONS

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

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 boundary. Written statements of determination must be prepared with respect to each of the following:

1. Growth and population projections for the affected area.

The population of CWD in 2020 was estimated to be 2,700. Based on LAFCO's analysis, the population within CWD will be approximately 2,800 by 2040.

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

In 2020, the California statewide median household income was \$78,672, and 80% of that was \$62,938. Based on LAFCO's analysis, there are no disadvantaged unincorporated communities within or contiguous to the District's sphere boundary.

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.

CWD currently has a 10-year capital improvement plan in place. A total of 6 capital improvement projects are underway.

4. Financial ability of agencies to provide services.

CWD is financially sound. The District ended with a surplus in five of the last six fiscal years during 2015 to 2021. As of June 30, 2021, the total net position balance ended with approximately \$2.5 million. LAFCO believes that this positive trend will continue based upon the District's ongoing conservative budgetary practices reflected in their audited financial statements.

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

LAFCO encourages CWD to explore additional methods to collaborate with neighboring water agencies, including the privately-owned water companies surrounding the District. At present, there are 15 private water systems near CWD.

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

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. SB 929 identifies a number of components that must be found within an agency's website. At present, the District does not meet all the statutory requirements under SB 929 or SDLF's website transparency criteria.

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

LAFCO recommends that CWD initiate annexation to address the 11 parcels currently served by the District but outside its jurisdictional boundary.

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.

At present, the majority of land within the District is designated as Rural Residential. The District's customer base is predominantly single-family residential with some multi-family and agricultural customers as well.

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

CWD currently has a 10-year capital improvement plan in place. A total of 6 capital improvement projects are underway. The District does not have an Urban Water Management Plan. CWD should consider developing an Urban Water Management Plan to be consistent with the other water districts in Santa Cruz County.

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

CWD manages and operates a complex and integrated water supply infrastructure, including storage tanks, transmission system, wells, and booster pumps. The District currently has approximately 900 connections, which includes multiple connections consisting of 82 fire services, 15 irrigation services, 9 commercial services, and 4 public facility services. The District's customer base is predominantly single-family residential with some multi-family and agricultural customers as well.

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.

At present, there are 15 private water systems near CWD. Additionally, there are 11 separate parcels that are receiving services from the District but not part of the District's jurisdictional boundary. These residents do not have the ability to vote on District matters or express their opinions as their neighbors who are official constituents. These parcels should be annexed in the near future for adequate representation.

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.

In 2020, the California statewide median household income was \$78,672, and 80% of that was \$62,938. Based on LAFCO's analysis, there are no disadvantaged unincorporated communities within or contiguous to the District' sphere boundary.

CITY OF SANTA CRUZ - WATER SERVICE AREA

OVERVIEW

The City of Santa Cruz was incorporated in 1866 and now operates as a charter city. Santa Cruz provides a variety of municipal services, including water services under the City's Water Department. The City's water service area ("SCWSA") encompasses nearly 27 square miles of territory including the entire City of Santa Cruz, adjoining unincorporated areas of Santa Cruz County, a small part of the City of Capitola, and coastal agricultural lands north of the City. There is approximately 28,000 parcels within the City's WSA (totaling approximately 17,000 acres). **Figure 15**, on page 55, is a vicinity map depicting the City's current jurisdictional boundary. **Figure 16**, on page 56, also shows the current land use designation under the County's General Plan. At present, the majority of land within the City's water service area is designated as Urban Residential. A map showing the land use designations within the City of Santa Cruz was not produced since the City already has a map available on its website⁵.

A total of 36 boundary changes have been approved by LAFCO, with an extraterritorial service agreement involving a single parcel being the last recorded action on August 8, 2013. **Appendix D** provides an overview of all the approved boundary changes since 1965.

Services and Infrastructure

SCWSA's major water infrastructure facilities include three water treatment plants, including the Graham Hill Water Treatment Plant and two groundwater treatment plants related to the Beltz well system; four raw water pump stations; ten treated water pump stations; 15 distribution tanks with a total maximum capacity of 21.2 million gallons of treated water storage; seven surface water diversions; seven production wells; and approximately 300 miles of treated and raw water pipelines interconnecting the entire system. At present, the City has approximately 25,000 connections. **Table 22** summarizes SCWSA's services and **Table 23** provides an overview of SCWSA's infrastructure.

Table 22: List of Service Provisions

Services	Checkmark (Yes)
Agricultural Water	✓
Drainage	
Groundwater Replenishment	
Retail Potable Water	✓
Recycled Water	
Wastewater (Sewer)*	✓
Water Treatment	✓
Water Conservation	✓

Footnote: Sewer service is provided by the City of Santa Cruz Public Works Department

⁵ City of Santa Cruz Land Use Map - <https://www.cityofsantacruz.com/Home/ShowDocument?id=33418>

Table 23: List of Infrastructure / Facilities

Infrastructure	Checkmark (Yes)	Quantity
Distribution / Storage Tanks	✓	15 distribution tanks
Pressure Zones	✓	20 pressure zones
Production Wells	✓	7 (4 groundwater wells and 3 production wells)
Pump Stations	✓	14 (4 raw water pump stations and 10 treated water pump stations)
Recycled Water System	-	-
Treatment Plants	✓	3 (Graham Hill Water Treatment Plant and 2 groundwater treatment plants)
Water Diversions	✓	7 surface water diversions
Water Pipeline	✓	300 miles
Total Connections	✓	24,592

Water Rates

At present, the City charges different water rates for residents within and outside the City limits. **Tables 24a-c**, provide an overview of the monthly water rates within SCWSA. Based on LAFCO's analysis, the City charges approximately 15% more to residents within SCWSA but outside the City's jurisdictional boundary in 2021. **Figure 14** compares the water rate for a 5/8 inch meter for residents within and outside the City of Santa Cruz. It is important to note that the inside-outside differential is no longer in place, as of July 1, 2022.

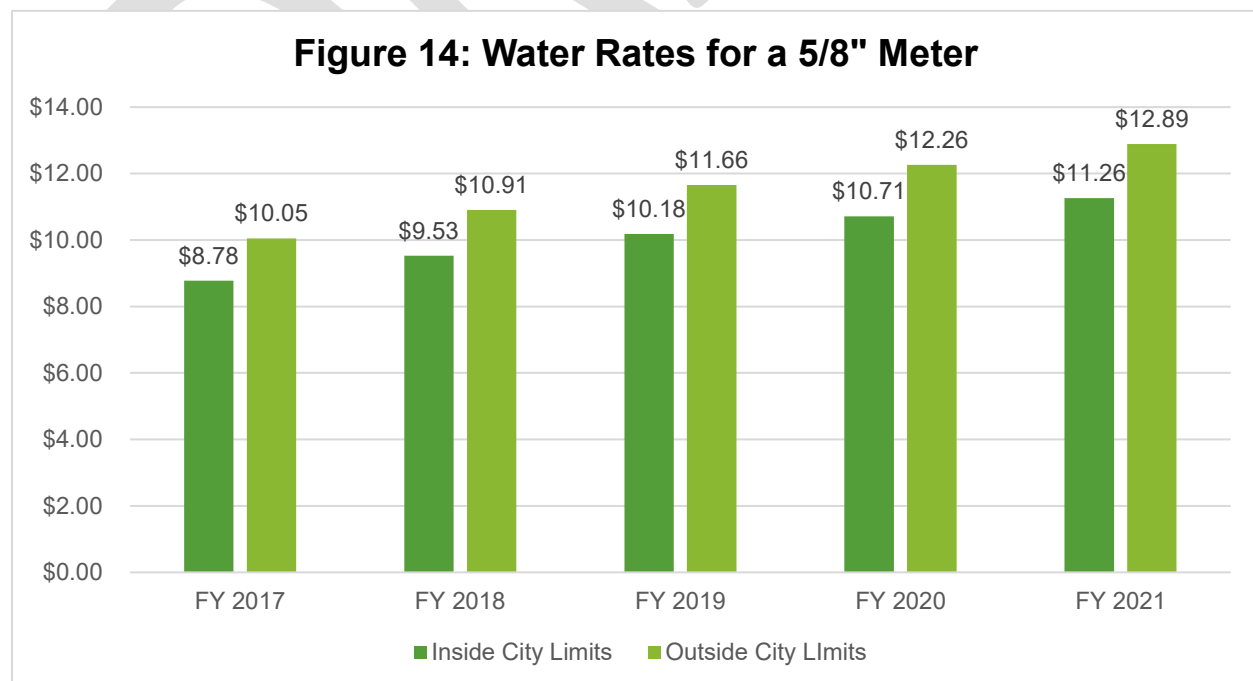


Table 24a: Water Rates (Monthly Fees – Meter Size)

Meter Size (Availability Fee)	FY 2017 (Adopted)	FY 2018 (Adopted)	FY 2019 (Adopted)	FY 2020 (Adopted)	FY 2021 (Adopted)
Inside City Limits					
5/8"	\$8.78	\$9.53	\$10.18	\$10.71	\$10.71
3/4"	\$9.01	\$9.78	\$10.45	\$10.99	\$10.99
1"	\$9.70	\$10.53	\$11.25	\$11.83	\$11.83
1 1/2"	\$10.61	\$11.52	\$12.31	\$12.94	\$12.94
2"	\$13.14	\$14.26	\$15.24	\$16.02	\$16.02
3"	\$31.74	\$34.45	\$36.82	\$38.71	\$38.71
4"	\$38.63	\$41.93	\$44.81	\$47.11	\$47.11
6"	\$54.70	\$59.37	\$63.45	\$66.71	\$66.71
8"	\$73.07	\$79.31	\$84.76	\$89.11	\$89.11
10"	\$93.74	\$101.75	\$108.73	\$114.32	\$114.32
Fire Service – All Sizes	\$1.00	\$1.09	\$1.15	\$1.21	\$1.21
Outside City Limits					
5/8"	\$10.05	\$10.91	\$11.66	\$12.26	\$12.26
3/4"	\$10.32	\$11.20	\$11.97	\$12.59	\$12.59
1"	\$11.11	\$12.06	\$12.89	\$13.55	\$13.55
1 1/2"	\$12.16	\$13.20	\$14.10	\$14.83	\$14.83
2"	\$15.05	\$16.34	\$17.46	\$18.35	\$18.35
3"	\$36.36	\$39.47	\$42.17	\$44.34	\$44.34
4"	\$44.25	\$48.03	\$51.33	\$53.96	\$53.96
6"	\$62.66	\$68.01	\$72.68	\$76.42	\$76.42
8"	\$83.71	\$90.86	\$97.10	\$102.09	\$102.09
10"	\$107.38	\$116.55	\$124.55	\$130.95	\$130.95
Fire Service – All Sizes	\$1.15	\$1.23	\$1.30	\$1.35	\$1.35

Footnote: Tables 26a does not include the City's infrastructure reinvestment, rate stabilization, or drought cost recovery fees.

Table 24b: Water Rates (Monthly Fees - Water Consumption WITHIN City)

Charge per Unit (1 unit = 100 cubic ft of water)	FY 2017 (Adopted)	FY 2018 (Adopted)	FY 2019 (Adopted)	FY 2020 (Adopted)	FY 2021 (Adopted)
Residential and Multi-Residential (ccf = centum (hundred) cubic feet)					
Tier 1 (0-5 ccf)	\$5.75	\$6.24	\$6.66	\$7.01	\$7.01
Tier 2 (6-7 ccf)	\$6.42	\$6.97	\$7.45	\$7.83	\$7.83
Tier 3 (8-9 ccf)	\$7.41	\$8.05	\$8.60	\$9.04	\$9.04
Tier 4 (10 ccf and above)	\$8.79	\$8.54	\$10.20	\$10.72	\$10.72
Commercial: Business, Industrial, Restaurant, Hotel, Golf, Municipal, Bulk, Fire Service					
Uniform	\$6.57	\$7.13	\$7.62	\$8.01	\$8.01
UCSC					
Uniform	\$6.70	\$7.27	\$7.77	\$8.17	\$8.17
Landscape / Irrigation					
Tier 1 (< 100% of budget)	\$6.86	\$7.44	\$7.95	\$8.36	\$8.36
Tier 2 (101% - 150%)	\$9.15	\$9.93	\$10.62	\$11.16	\$11.16
Tier 3 (150% and above)	\$10.27	\$11.14	\$11.91	\$12.52	\$12.52
Elevation Surcharge					
As Applicable	\$0.42	\$0.46	\$0.49	\$0.51	\$0.51

Footnote: Tables 26b does not include the City's infrastructure reinvestment, rate stabilization, or drought cost recovery fees.

Table 24c: Water Rates (Monthly Fees - Water Consumption OUTSIDE City)

Charge per Unit (1 unit = 100 cubic ft of water)	FY 2017 (Adopted)	FY 2018 (Adopted)	FY 2019 (Adopted)	FY 2020 (Adopted)	FY 2021 (Adopted)
Residential and Multi-Residential (ccf = centum (hundred) cubic feet)					
Tier 1 (0-5 ccf)	\$6.59	\$7.16	\$7.65	\$8.04	\$8.04
Tier 2 (6-7 ccf)	\$7.37	\$8.00	\$8.55	\$8.99	\$8.99
Tier 3 (8-9 ccf)	\$8.54	\$9.27	\$9.90	\$10.41	\$10.41
Tier 4 (10 ccf and above)	\$10.15	\$11.02	\$11.78	\$12.38	\$12.38
Commercial: Business, Industrial, Restaurant, Hotel, Golf, Municipal, Bulk, Fire Service					
Uniform	\$7.53	\$8.17	\$8.73	\$9.18	\$9.18
North Coast AG					
Uniform	\$3.58	\$3.88	\$4.15	\$4.36	\$4.36
Landscape / Irrigation					
Tier 1 (< 100% of budget)	\$7.85	\$8.53	\$9.11	\$9.58	\$9.58
Tier 2 (101% - 150%)	\$10.48	\$11.38	\$12.16	\$12.79	\$12.79
Tier 3 (150% and above)	\$11.76	\$12.77	\$13.64	\$14.34	\$14.34
Elevation Surcharge					
As Applicable	\$0.48	\$0.52	\$0.56	\$0.59	\$0.59

Footnote: Tables 26c does not include the City's infrastructure reinvestment, rate stabilization, or drought cost recovery fees.



Figure 15: Water Service Area's Vicinity Map

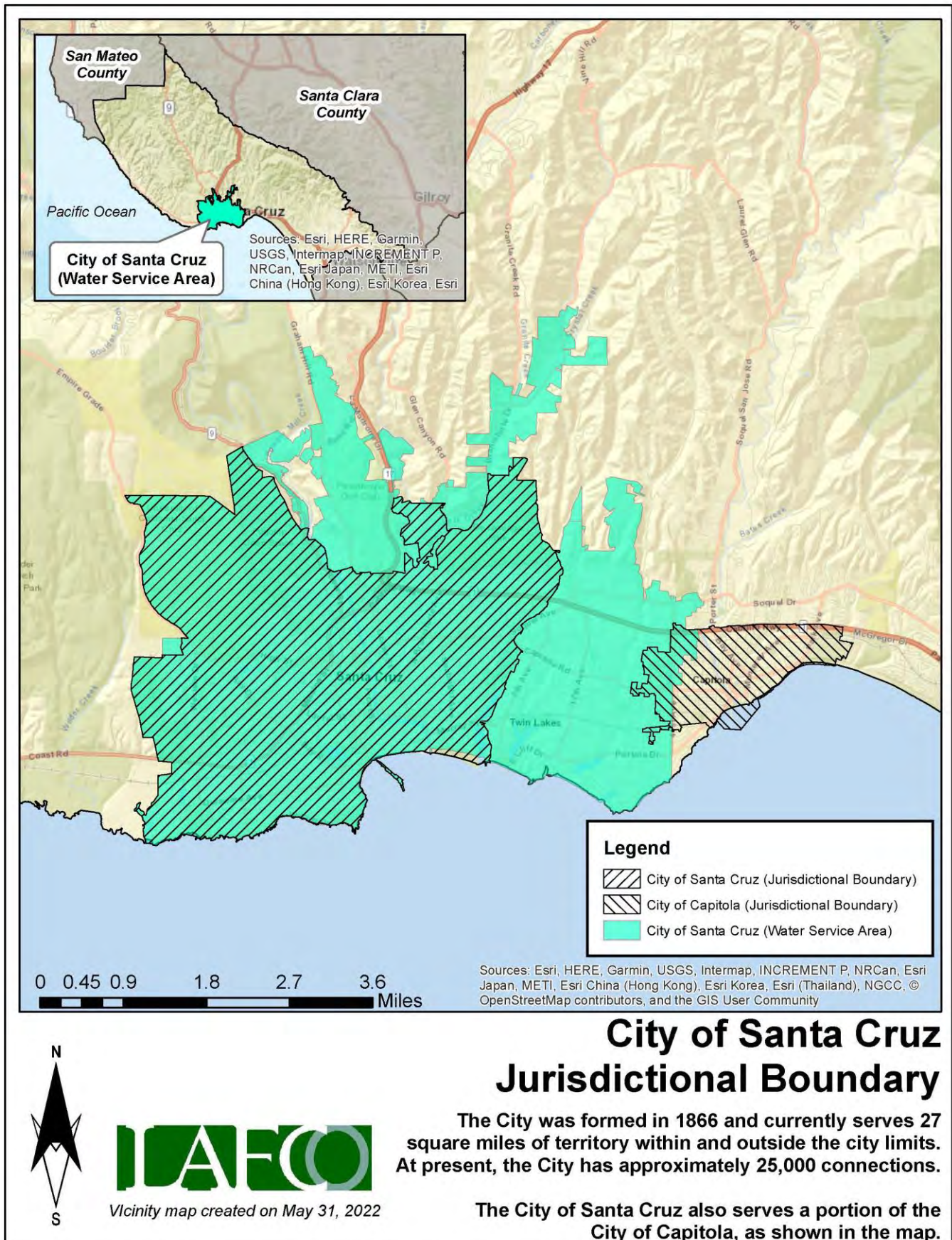
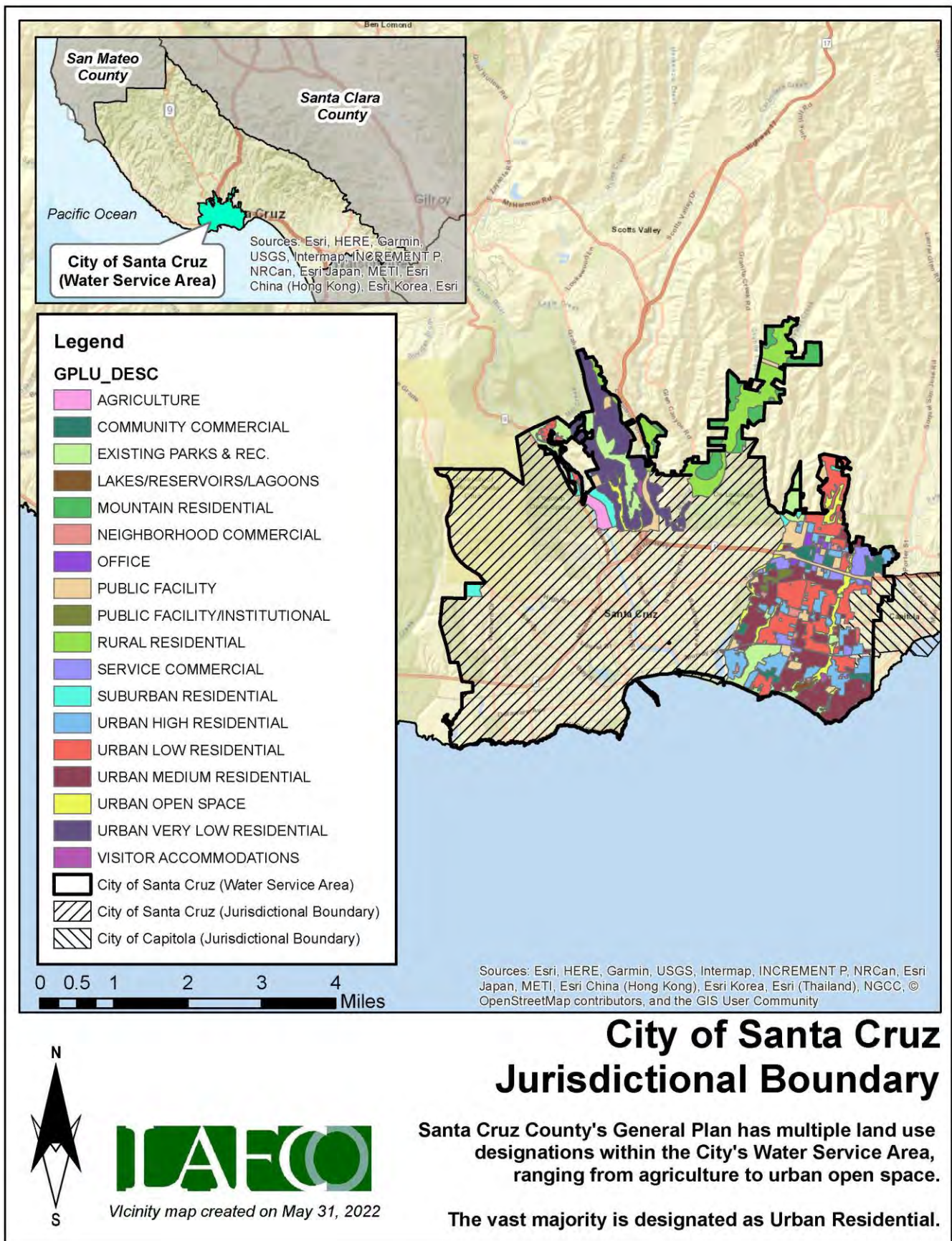


Figure 16: Water Service Area's Land Use Map (Unincorporated Territory)



Population and Growth

Based on staff's analysis, the population of SCWSA in 2020 was approximately 96,000. The Association of Bay Area Governments (ABAG) and the Association of Monterey Bay Area Governments (AMBAG) provide population projections for cities and counties in the Coastal Region. Official growth projections are not available for water service areas. In general, the Coastal Region is anticipated to have a slow growth over the next twenty years. Based on the information found in the City's 2020 Urban Water Management Plan, the population within the City of Santa Cruz and its water service area are expected to increase by 5.18% and 4.09%, respectively. **Table 25** shows the anticipated population within SCWSA.

Population Projection

Based on the projections within the City's Urban Water Management Plan, LAFCO was able to develop a population forecast for SCWSA. Our projections indicate that the entire population of SCWSA will be approximately 113,000 by 2040.

Table 25: Projected Population

	2020	2025	2030	2035	2040	Average Rate of Change
Santa Cruz County (unincorporated area)	136,891	137,896	139,105	140,356	141,645	0.86%
City of Santa Cruz	64,424	68,845	72,218	75,257	78,828	5.18%
City of Santa Cruz (Water Service Area)	96,168	101,964	106,072	109,193	112,853	4.09%

Source: City's 2020 Urban Water Management Plan

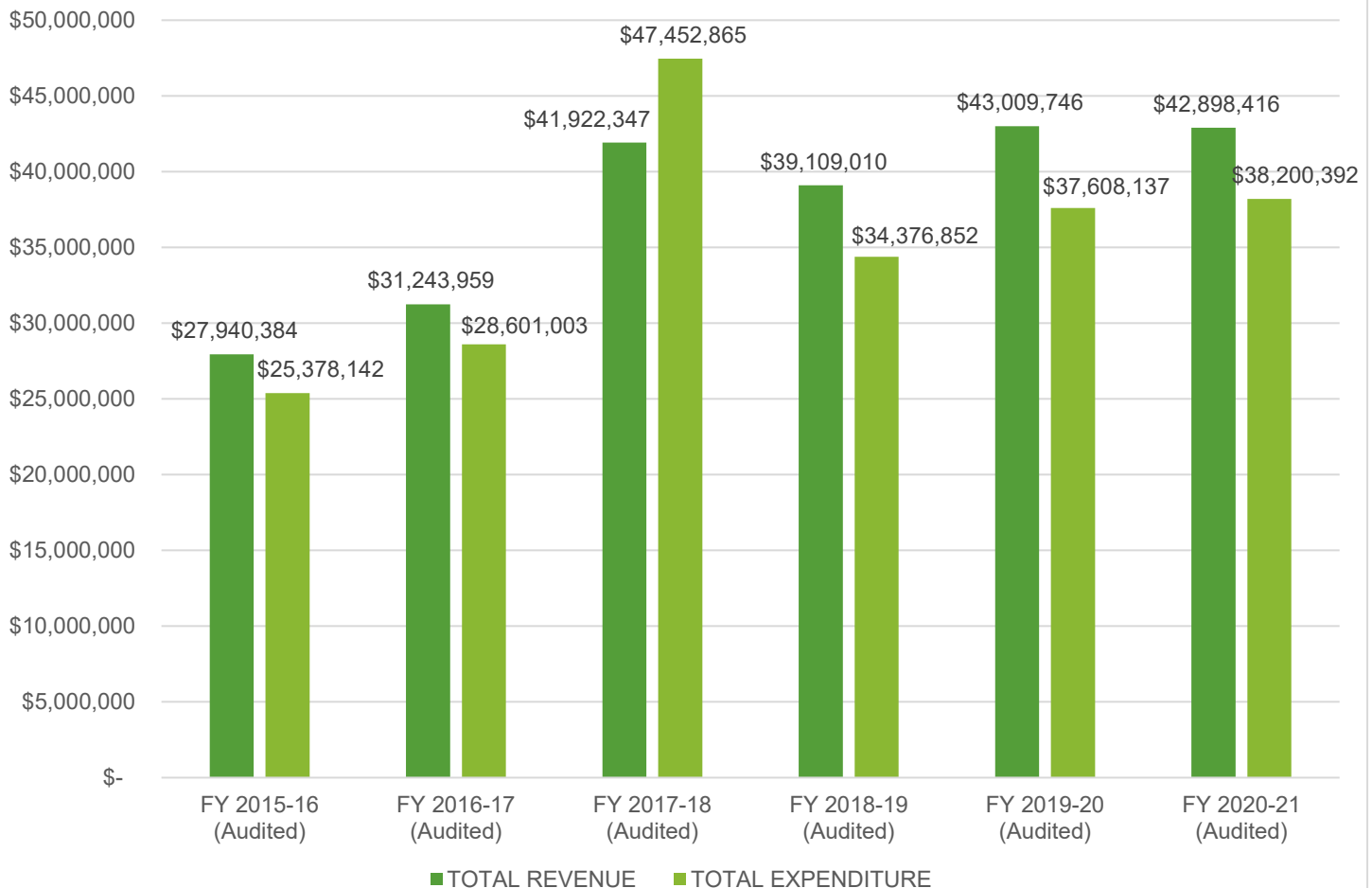
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FINANCES

This section will highlight the City's financial performance during the most recent fiscal years. Fiscal Year 2020-21 is the latest audited financial statement available. LAFCO evaluated the financial health of the City's Water Department from 2015 to 2021. A comprehensive analysis of the City's financial performance during the past six years is shown in **Tables 29 and 30** on pages 62-63. It is important to note that the City has adopted a long-range financial plan. This plan provides a more in-depth review of the City's financial planning for the future, as shown in Appendix

At the end of Fiscal Year 2020-21, total revenue collected was approximately \$42.9 million, representing a slight decrease from the previous year (\$43 million in FY 19-20). Total expenses for FY 2020-21 were approximately \$38 million, which increased by 2% from the previous year (\$37.6 million in FY 19-20). Since 2015, the City's Water Department ended each fiscal year with a surplus, with the exception of FY 17-18, as shown in **Figure 17**. LAFCO staff believes that this positive trend will continue based upon the City's ongoing conservative budgetary practices reflected in their audited financial statements.

**Figure 17: Statement of Revenues & Expenditures
(FY 2015-16 to FY 2020-21)**



Footnote: FY 2017-18 had an extraordinary expense totaling \$13.7 million which resulted in a deficit at end of year.

Revenues

Operating Revenue

The City Water Department's primary source of revenue is from operating revenues, specifically Charges for Services. In FY 2020-21, Charges for Services (appx. \$42 million), Rental Revenue (\$6,000), and Other Revenue represent (\$456,000) approximately 98% of the City Water Department's entire revenue stream.

Non-operating Revenue

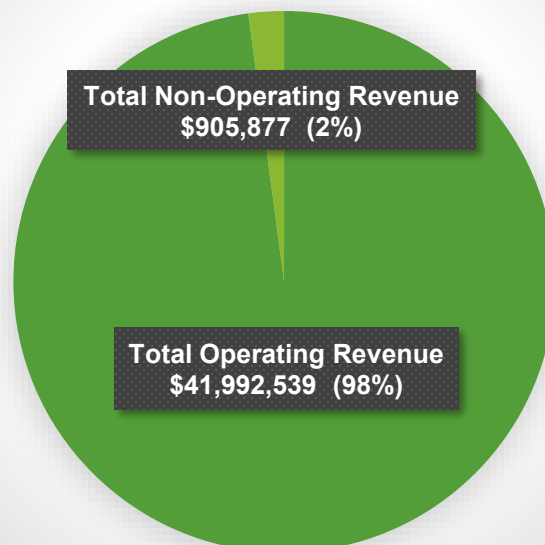
The remaining 2% of total revenue derive from non-operating revenue sources. These funds include Transfers In, Investment Earnings, and Gain on Sale of Capital Assets.

Table 26 and Figure 18 provide a breakdown of the City's revenue by category and source.

Table 26: Revenue Breakdown (FY 2020-21)

Revenue	Amount	Percentage
Operating Revenue		
Charges for Services	\$41,530,048	98.90%
Other Revenue	\$456,441	0.01%
Rental Revenue	<u>\$6,050</u>	<u>1.09%</u>
Total Operating Revenue	\$41,992,539	100%
Non-Operating Revenue		
Transfers In	\$683,714	75.48%
Investment Earnings	\$220,329	24.32%
Gain on Sale of Capital Assets	<u>\$1,834</u>	<u>0.20%</u>
Total Non-Operating Revenue	\$905,877	100%
Total Revenue	<u>\$42,898,416</u>	

**Figure 18: Operating v Non-Operating Revenue
(FY 2020-21)**



Expenditures

Operating Expense

The City Water Department's operating expenses represented approximately 94% of total expenditure during FY 2020-21. Operating expenses include: Services, Supplies, & Other Charges, Personnel Services, and Depreciation & Amortization.

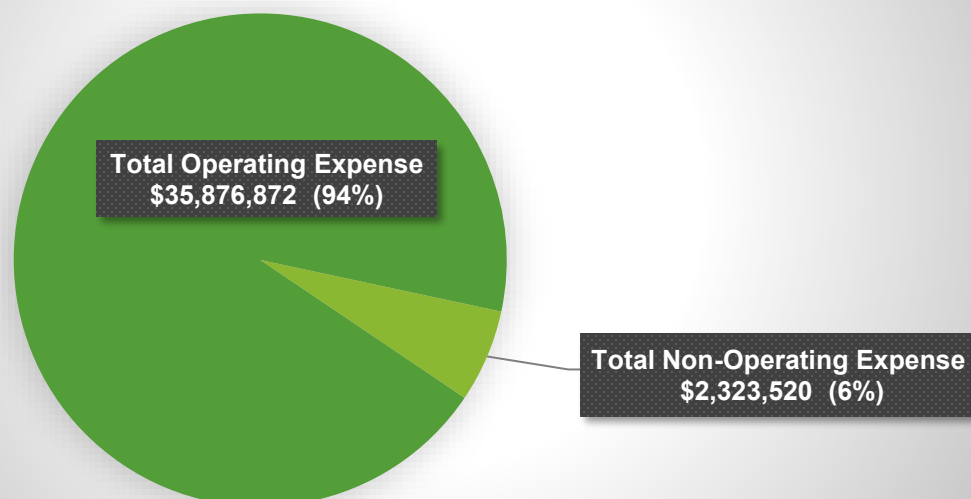
Non-operating Expense

The remaining 6% of total expenses derive from non-operating expenses. These costs include Interest Expense & Fiscal Charges, and Transfers Out. **Table 27 and Figure 19** provide a breakdown of the City's costs by category and source.

Table 27: Expense Breakdown (FY 2020-21)

Expenditure	Amount	Percentage
Operating Expense		
Services, Supplies, & Other Charges	\$18,185,313	51%
Personnel Services	\$14,089,315	39%
Depreciation & Amortization	<u>\$3,602,244</u>	<u>10%</u>
Total Operating Expense	\$35,876,872	100%
Non-Operating Expense		
Interest Expense & Fiscal Charges	\$2,201,843	95%
Transfers Out	<u>\$121,677</u>	<u>5%</u>
Total Non-Operating Expense	\$2,323,520	100.0%
Total Expenditure	<u>\$38,200,392</u>	

**Figure 19: Operating v Non-Operating Expense
(FY 2020-21)**



Fund Balance / Net Position

As of June 30, 2021, the total net position balance ended with approximately \$103 million. The following table highlights the net position balance from 2015 to 2021. As shown in **Table 28** and **Figure 20**, the City's fund balance has increased over the years and has maintained an annual balance above \$88 million. Based on this historical trend, LAFCO staff believes the positive balance will continue. This healthy amount will be critical in the event that the City faces any unintended expenses, major capital improvements projects, or emergency repairs.

Table 28: Net Position (2015 to 2021)

	FY 2015-16 (Audited)	FY 2016-17 (Audited)	FY 2017-18 (Audited)	FY 2018-19 (Audited)	FY 2019-20 (Audited)	FY 2020-21 (Audited)
Beginning Balance	\$91,082,165	\$93,644,407	\$94,120,807	\$88,590,289	\$93,322,447	\$98,724,056
Ending Balance	\$93,644,407	\$96,287,363	\$88,590,289	\$93,322,447	\$98,724,056	\$103,422,080
Change (\$)		\$2,642,956	\$(7,697,074)	\$4,732,158	\$5,401,609	\$4,698,024

Figure 20: Net Position from 2015 to 2021 (Ending Balance)

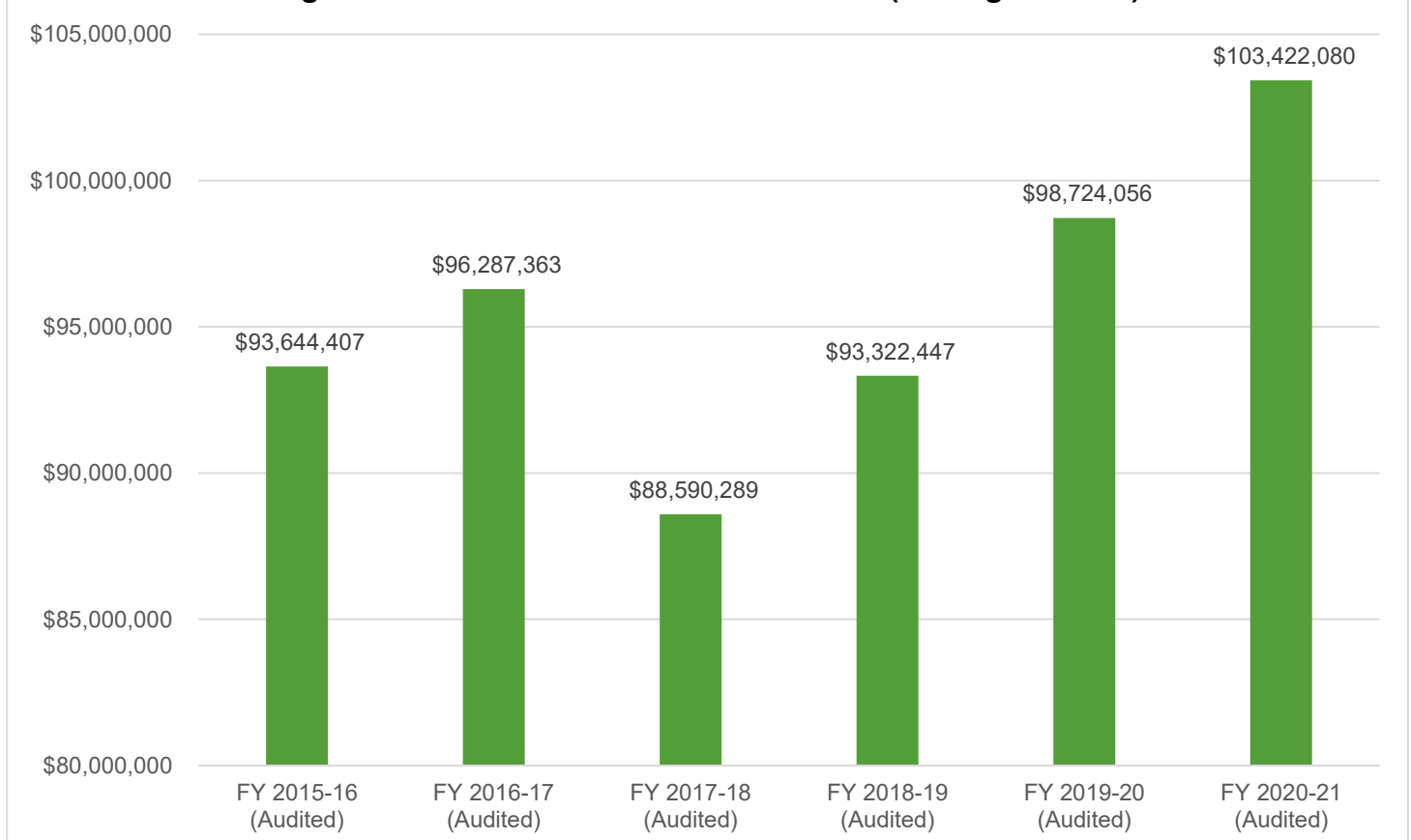


Table 29: Total Revenues & Expenditures

	FY 2015-16 (Audited)	FY 2016-17 (Audited)	FY 2017-18 (Audited)	FY 2018-19 (Audited)	FY 2019-20 (Audited)	FY 2020-21 (Audited)
REVENUE						
<u>Operating Revenue</u>						
Charges for Services	\$ 27,045,776	\$ 30,439,168	\$ 40,526,995	\$ 39,981,282	\$ 41,662,196	\$ 41,530,048
Rental Revenues	\$ 6,600	\$ 6,600	\$ 6,600	\$ 6,600	\$ 7,151	\$ 6,050
Other Revenues	\$ 746,341	\$ 474,878	\$ 528,360	\$ 515,863	\$ 313,379	\$ 456,441
Total Operating Revenue	\$27,798,717	\$30,920,646	\$41,061,955	\$40,503,745	\$41,982,726	\$ 41,992,539
<u>Non-Operating Revenue</u>						
Intergovernmental	\$ -	\$ 203,343	\$ 568,600	\$ 79,047	\$ 309,800	\$ -
Investment Earnings	\$ 90,147	\$ 118,502	\$ 291,792	\$ 771,694	\$ 717,220	\$ 220,329
Gain on Sale of Capital Assets	\$ 51,520	\$ 1,468	\$ -	\$ (2,245,476)	\$ -	\$ 1,834
Transfers In	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 683,714
Total Non-Operating Revenue	\$ 141,667	\$ 323,313	\$ 860,392	\$ (1,394,735)	\$ 1,027,020	\$ 905,877
TOTAL REVENUE	\$27,940,384	\$31,243,959	\$41,922,347	\$39,109,010	\$43,009,746	\$ 42,898,416
EXPENDITURE						
<u>Operating Expense</u>						
Personnel Services	\$ 9,121,385	\$ 11,513,597	\$ 13,397,306	\$ 13,441,014	\$ 15,586,543	\$ 14,089,315
Services, Supplies, & Other Charges	\$ 12,533,005	\$ 12,315,943	\$ 15,306,937	\$ 16,082,492	\$ 16,337,779	\$ 18,185,313
Depreciation & Amortization	\$ 3,295,830	\$ 3,271,936	\$ 3,391,359	\$ 3,459,052	\$ 3,536,666	\$ 3,602,244
Total Operating Expense	\$24,950,220	\$27,101,476	\$32,095,602	\$32,982,558	\$35,460,988	\$ 35,876,872
<u>Non-Operating Expense</u>						
Interest Expense & Fiscal Charges	\$ 369,580	\$ 1,274,520	\$ 1,188,930	\$ 1,334,126	\$ 1,944,176	\$ 2,201,843
Special Items - Capital Assets Impairment	\$ -	\$ -	\$ 13,667,218	\$ -	\$ -	\$ -
Transfers Out	\$ 58,342	\$ 225,007	\$ 501,115	\$ 60,168	\$ 202,973	\$ 121,677
Total Non-Operating Expense	\$ 427,922	\$ 1,499,527	\$15,357,263	\$ 1,394,294	\$ 2,147,149	\$ 2,323,520
TOTAL EXPENDITURE	\$25,378,142	\$28,601,003	\$47,452,865	\$34,376,852	\$37,608,137	\$ 38,200,392
Surplus/(Deficit)	\$ 2,562,242	\$ 2,642,956	\$ (5,530,518)	\$ 4,732,158	\$ 5,401,609	\$ 4,698,024
NET POSITION						
Beginning Balance	\$ 91,082,165	\$ 93,644,407	\$ 94,120,807	\$ 88,590,289	\$ 93,322,447	\$ 98,724,056
Ending Balance	\$93,644,407	\$96,287,363	\$88,590,289	\$93,322,447	\$98,724,056	\$103,422,080

Table 30: Total Assets & Liabilities

	FY 2015-16 (Audited)	FY 2016-17 (Audited)	FY 2017-18 (Audited)	FY 2018-19 (Audited)	FY 2019-20 (Audited)	FY 2020-21 (Audited)
ASSETS						
<u>Current Assets</u>						
Cash & Investments	\$ 6,762,132	\$ 24,966,397	\$ 29,598,076	\$ 32,092,022	\$ 34,003,768	\$ 48,571,776
Restricted Cash & Investments	\$ 94,088	\$ 93,265	\$ 92,747	\$ 93,539	\$ 7,090,566	\$ 94,007
Interest Receivable	\$ 13,254	\$ 68,281	\$ 120,496	\$ 153,062	\$ 21,832	\$ 131,746
Accounts Receivable - Net	\$ 2,875,576	\$ 3,883,876	\$ 5,452,715	\$ 5,334,346	\$ 6,051,409	\$ 6,403,663
Intergovernmental Receivables	\$ -	\$ 10,167	\$ 75,000	\$ -	\$ -	\$ -
Prepaid Items	\$ -	\$ -	\$ 943,818	\$ -	\$ -	\$ 4,207
Inventories	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Deposits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Current Assets	\$ 9,745,050	\$ 29,021,986	\$ 36,282,852	\$ 37,672,969	\$ 47,167,575	\$ 55,205,399
<u>Non-Current Assets</u>						
Restricted Cash & Investments	\$ 1,001,074	\$ 1,180,644	\$ 1,016,023	\$ 1,037,322	\$ 1,052,524	\$ 2,036,320
Notes Receivable	\$ 401,058	\$ 401,058	\$ 401,058	\$ 401,058	\$ 401,058	\$ 1,049,425
Capital Assets						
Land	\$ 941,687	\$ 941,687	\$ 941,687	\$ 1,941,687	\$ 1,941,687	\$ 1,941,687
Land Improvements	\$ 572,807	\$ 572,807	\$ 572,807	\$ 572,807	\$ 572,807	\$ 572,807
Infrastructure	\$ 113,342,845	\$ 115,468,186	\$ 121,862,161	\$ 123,643,590	\$ 133,699,322	\$ 133,699,322
Buildings	\$ 16,789,844	\$ 16,789,844	\$ 16,789,845	\$ 18,502,515	\$ 18,732,299	\$ 18,742,857
Machinery & Equipment	\$ 12,746,025	\$ 13,039,495	\$ 13,873,463	\$ 14,048,349	\$ 14,571,732	\$ 14,741,216
Software	\$ 592,032	\$ 592,032	\$ 623,432	\$ 623,432	\$ 623,432	\$ 623,432
Construction in Progress	\$ 23,786,096	\$ 31,639,043	\$ 21,769,561	\$ 29,510,985	\$ 45,714,527	\$ 87,746,951
Less Accumulated Depreciation	\$ (57,587,500)	\$ (60,835,584)	\$ (64,100,479)	\$ (67,507,621)	\$ (71,044,289)	\$ (74,628,196)
Total Non-Current Assets	\$112,585,968	\$119,789,212	\$113,749,558	\$122,774,124	\$146,265,099	\$186,525,821
TOTAL ASSETS	\$122,331,018	\$148,811,198	\$150,032,410	\$160,447,093	\$193,432,674	\$241,731,220
<u>Deferred Outflows of Resources</u>						
Deferred Charge on Refunding of Debt	\$ 366,452	\$ 347,819	\$ 329,186	\$ 310,552	\$ 291,919	\$ 273,286
Deferred Outflows Related to OPEB	\$ -	\$ -	\$ 98,629	\$ 98,264	\$ 342,791	\$ 418,380
Deferred Outflows Related to Pension	\$ 1,402,189	\$ 4,283,550	\$ 5,480,523	\$ 3,689,582	\$ 2,817,569	\$ 7,735,111
Total Deferred Outflows of Resources	\$ 1,768,641	\$ 4,631,369	\$ 5,908,338	\$ 4,098,398	\$ 3,452,279	\$ 8,426,777
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$124,099,659	\$153,442,567	\$155,940,748	\$164,545,491	\$196,884,953	\$250,157,997
LIABILITIES						
<u>Current Liabilities</u>						
Accounts Payable & Other Current Liabilities	\$ 3,226,057	\$ 1,861,247	\$ 4,837,392	\$ 4,753,990	\$ 15,014,990	\$ 10,467,465
Interest Payable	\$ 101,746	\$ 436,579	\$ 427,024	\$ 417,247	\$ 754,758	\$ 895,876
Unearned Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 758,281
Deposits Payable	\$ 43,933	\$ 42,918	\$ 57,529	\$ 65,001	\$ 72,253	\$ 55,887
Compensated Absences Payable	\$ 315,122	\$ 398,922	\$ 450,601	\$ 449,528	\$ 531,707	\$ 664,393
Bonds, Notes, Loans, & Leases Payable Due in Less than 1 Yr	\$ 400,379	\$ 915,746	\$ 932,120	\$ 11,459,018	\$ 1,503,445	\$ 1,521,464
Total Current Liabilities	\$ 4,087,237	\$ 3,655,412	\$ 6,704,666	\$ 17,144,784	\$ 17,877,153	\$ 14,363,366
<u>Non-Current Liabilities</u>						
Compensated Absences Payable	\$ 157,561	\$ 199,461	\$ 225,301	\$ 224,764	\$ 265,853	\$ 332,196
Bonds, Notes, Loans, & Leases Payable Due in More than 1 Yr	\$ 9,842,071	\$ 33,926,325	\$ 36,494,205	\$ 32,035,187	\$ 56,603,177	\$ 103,680,002
Total Other OPEB Liability	\$ 1,048,053	\$ 1,249,805	\$ 3,691,988	\$ 3,567,085	\$ 4,133,679	\$ 3,777,438
Net Pension Liability	\$ 13,782,729	\$ 17,437,470	\$ 19,716,316	\$ 17,338,818	\$ 18,455,329	\$ 22,833,942
Total Non-Current Liabilities	\$ 24,830,414	\$ 52,813,061	\$ 60,127,810	\$ 53,165,854	\$ 79,458,038	\$130,623,578
TOTAL LIABILITIES	\$ 28,917,651	\$ 56,468,473	\$ 66,832,476	\$ 70,310,638	\$ 97,335,191	\$144,986,944
<u>Deferred Inflows of Resources</u>						
Deferred Inflows Related to Pensions	\$ 1,537,601	\$ 686,731	\$ 517,983	\$ 569,181	\$ 523,578	\$ 1,178,241
Deferred Inflows Related to OPEB	\$ -	\$ -	\$ -	\$ 343,225	\$ 289,128	\$ 570,732
Total Deferred Inflows of Resources	\$ 1,537,601	\$ 686,731	\$ 517,983	\$ 912,406	\$ 812,706	\$ 1,748,973
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	\$ 30,455,252	\$ 57,155,204	\$ 67,350,459	\$ 71,223,044	\$ 98,147,897	\$146,735,917
NET POSITION						
Net Investment in Capital Assets	\$ 101,307,838	\$ 83,713,258	\$ 75,235,338	\$ 78,152,091	\$ 93,980,841	\$ 101,642,223
Unrestricted	\$ (7,663,431)	\$ 12,574,105	\$ 13,354,951	\$ 15,170,356	\$ 4,743,215	\$ 1,779,857
Total Net Position	\$ 93,644,407	\$ 96,287,363	\$ 88,590,289	\$ 93,322,447	\$ 98,724,056	\$103,422,080
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, & NET POSITION	\$124,099,659	\$153,442,567	\$155,940,748	\$164,545,491	\$196,871,953	\$250,157,997

GOVERNANCE

Local Accountability & Structure

The Santa Cruz Water Department is a municipal utility that is owned and operated by the City of Santa Cruz. It is led by a Director who is appointed by the City Manager and administers the day-to-day operations of the Water Department. The City Water Department employs a full-time staff of 119 employees. The governing body for the Water Department is the seven member City Council, as shown in the City's website: <https://cityofwatsonville.org/183/City-Council>. A seven-member Water Commission also advises the Council on policy matters involving the operations and management of the water system. The Commission is composed of six members who reside within the City limits and one member who resides in the unincorporated portion of the water service area. The Water Commissioners have four-year terms and operate under the City's adopted bylaws⁶. The current Water Commission Board is as follows:

Table 31: Water Commission

Board Member	Term of Office
Sierra Ryan, Chair	Appointed: January 22, 2019 Term Limit Ends: January 31, 2023
Diana Alfaro	Appointed: January 25, 2022 Term Limit Ends: January 31, 2026
Justin Burks	Appointed: January 26, 2021 Term Limit Ends: January 31, 2025
Tom Burns	Appointed: January 26, 2021 Term Limit Ends: January 31, 2025
Doug Engfer	Appointed: January 26, 2016 Term Limit Ends: January 31, 2024
Alejandro Paramo	Appointed: January 28, 2020 Term Limit Ends: January 31, 2024
Garrett Roffe	Appointed: January 25, 2022 Term Limit Ends: January 31, 2026

Board Meetings

The Water Commission meets regularly, meetings are publicly noticed, and citizens are encouraged to attend. Commission meetings are typically held on the first Monday of each month at 7:00 p.m. The meetings are held in the Santa Cruz City Council Chambers (809 Center Street, Santa Cruz, CA 95060).

Urban Water Management Plan

The California Department of Water Resources indicates that Urban Water Management Plans ("UWMPs") are prepared by urban water suppliers every five years (California Water Code Sections 10610-10656; 10608). These plans support the suppliers' long-term resource planning to ensure that adequate water supplies are available to meet existing and future water needs. The City adopted its UWMP in 2021,⁷ which provides an in-depth overview of the City's current and future water demand and infrastructure.

⁶ Water Bylaws: <https://www.cityofsantacruz.com/home/showpublisheddocument/87509/637768999998970000>

⁷ 2021 UWMP: <https://www.cityofsantacruz.com/home/showpublisheddocument/87122/637739611535800000>

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. SB 929 identifies a number of components that must be found within an agency's website. Additionally, the Special District Leadership Foundation (SDLF), an independent, non-profit organization formed to promote good governance and best practices among California's special districts, has also outlined recommended website elements as part of its District Transparency Certificate of Excellence. This program was created in an effort to promote transparency in the operations and governance of special districts to the public and to provide special districts with an opportunity to showcase their efforts in transparency. Based on SB 929's criteria and the recommendations by SDLF, LAFCO thoroughly reviewed the City's website even though the law only applies to independent special districts. **Tables 32 and 33** summarize staff's findings on whether the website is meeting the statutory requirements. At present, the City does meet the statutory requirements under SB 929 and SDLF's website transparency criteria. The only item that is not found in the City's website is LAFCO's adopted service reviews. Overall, the City has a transparent website filled with useful information and resources that are easily accessible.

Table 32: Website Transparency (Required Items)

Website Components	Checkmark (Yes)
Required Items (SB 949 Criteria and SDLF Benchmarks)	
1. Names and Contact Information of Board Members*	✓
2. Board Member Term Limits	✓
3. Names of Key Staff, including General Manager	✓
4. Contact Information for Staff	✓
5. Election/Appointment Procedure & Deadlines	✓
6. Board Meeting Schedule*	✓
7. Mission Statement	✓
8. Description of District's Services/Functions and Service Area	✓
9. Authorizing Statute/Enabling Act	✓
10. Adopted District Budgets*	✓
11. Financial Audits*	✓
12. Archive of Board Meeting Agendas & Minutes*	✓
13. Link to State Controller's Webpages for District's reported Board Member and Staff Compensation	N/A
14. Link to State Controller's Webpages for District's reported Financial Transaction Report	N/A
15. Reimbursement & Compensation Policy / Annual Policies	✓
16. Home Page Link to Agendas/Board Packets	✓
17. SB 272 - Compliance-Enterprise Catalogs	✓
18. Machine Readable/Searchable Agendas	✓
19. Recipients of Grant Funding or Assistance	✓
20. Link or Copies of LAFCO's Service & Sphere Reviews	
Total Score (out of a possible 18 – 2 do not apply to cities)	17 (94%)

*Footnote: Senate Bill 929 Statutory Requirements; Items 13 and 14 do not apply to cities

Table 33: Website Transparency (Recommended Items)

Website Components	Status (Yes = X)
Additional Items (SDLF's Recommended Elements)	
1. Board Member Ethics Training Certificates	
2. Picture, Bio, and Email Addresses of Board Members	✓
3. Last Three Years of Audits	✓
4. Financial Reserves Policy	✓
5. Online/Downloadable Public Records Act Request Form	✓
6. Audio or Video Recordings of Board Meetings	✓
7. Map of District Boundaries/Service Area	✓
8. Link to CSDA Mapping Program	N/A
9. General Description of Special Districts or Link to www.districtmakethedifference.org	N/A
10. Link to Most Recently Filed to FPPC Forms	✓
Total Score (out of a possible 8 – 2 do not apply to cities)	7 (88%)

Footnote: Items 8 and 9 do not apply to cities

Opportunities and Challenges

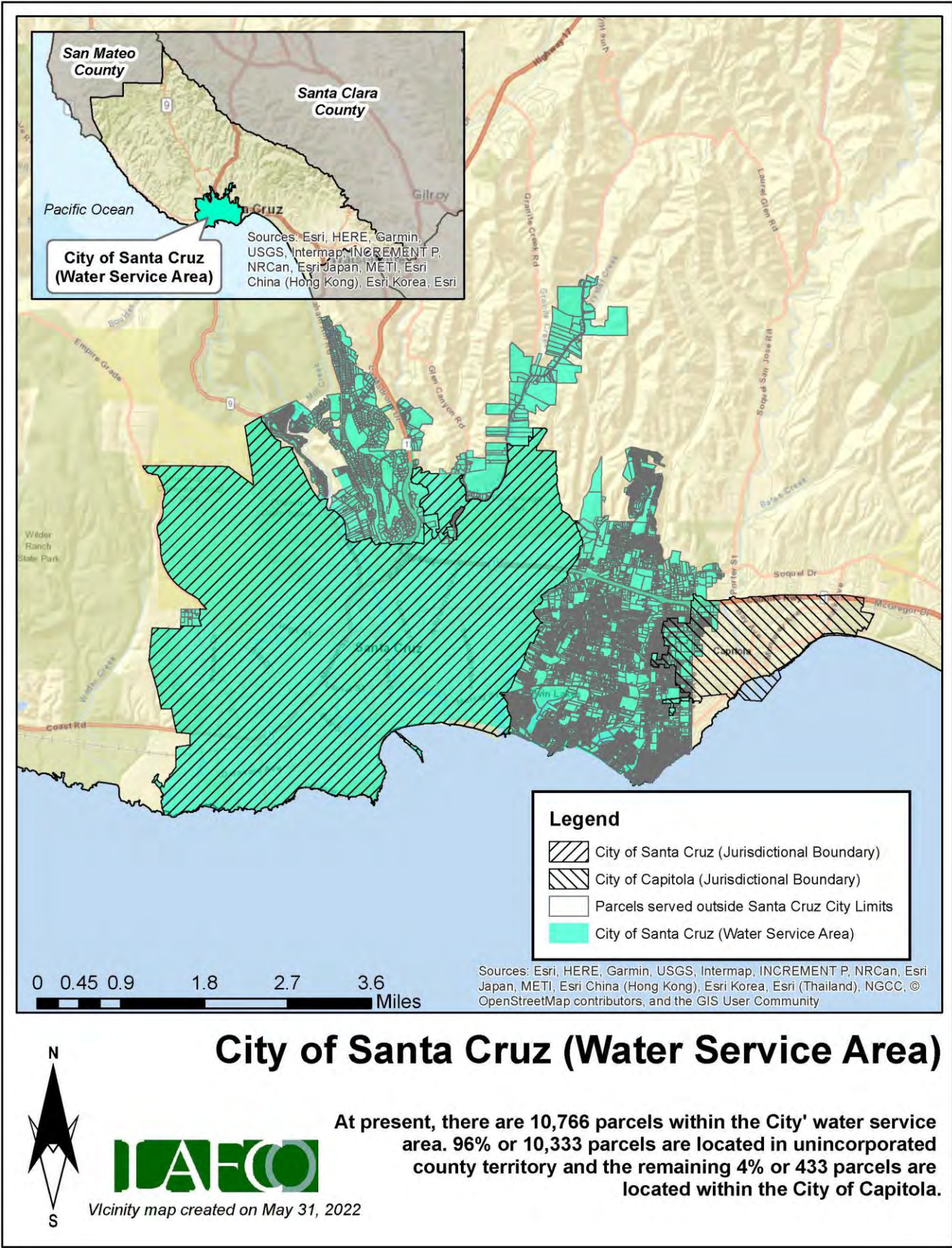
Water agencies, including city water departments, are significantly affected by various factors, including aging infrastructure, escalating operational costs, drought impacts, increase in customer demand, and changes to state laws and regulations that may introduce new requirements without additional funding. These issues are common not only in Santa Cruz County but throughout the State. The following section discusses these challenges and identifies possible opportunities to ensure that residents receive the best level of water services.

Areas Served Outside Jurisdictional Boundary

Based on staff's analysis, the City is providing services outside its jurisdiction to approximately 10,800 parcels. Service to these parcels is long-standing and was extended to most of these parcels when the areas began to develop during in the first half of the 20th century and prior to the creation of LAFCO in 1963. LAFCO actions in 2006 and 2017 establishing a designated water service area for the City of Santa Cruz included these parcels, and the City has no plan to pursue annexation of these parcels into the City nor is there any evidence that there is a demand from the water service customers residing outside the City's municipal boundary to be annexed into the City. Further, effective July 1, 2022, the City no longer levies a surcharge on water service provided to water service customers residing outside of the City. This practice, which was in place for many years, was eliminated as part of the 2021 Water Rate Increase process, which was unanimously approved by the City Council on November 23, 2021. **Figure 21** on page 67 shows the subject parcels receiving services outside the City's jurisdiction.

LAFCO Staff Recommendation: *The City should develop a plan to determine when the areas within its water service area should be annexed. The plan should be developed and submitted to LAFCO prior to their next service review cycle (August 2027).*

Figure 21: Areas Served Outside the City's Jurisdiction



Small Water Systems

One area that LAFCO can provide assistance now is addressing any failing mutual water companies (MWCs) or private water systems near SCWSA. MWCs are regulated by California's Water Code, Health and Safety Code and must abide by open meeting and records disclosure laws similar to many public water utilities. In operating a public water system, mutual water companies are also subject to regulation by the California Department of Public Health and must comply with requirements imposed by the State Water Resources Control Board and our local Regional Water Quality Control Board. However, over the years, many MWCs have operated without much oversight from the State. That is why the Legislature enacted Assembly Bill 54 in 2012. This law imposes new requirements on mutual water companies that own and operate public water systems and requires greater coordination between them and LAFCO in each county. Corporations Code 14301.1 requires mutual water companies to submit a map depicting its service area to LAFCO.

A total of 6 private water systems are located near the City's water service area. **Figure 22** on page 69 identifies the location of each water system in relation to SCWSA. **Table 34** on page 70 also provide more information about the private water systems. While LAFCOs do not have full authority over mutual water companies when compared to with cities and special districts, AB 54 does allow LAFCO to analyze these water systems as part of a service review. Identifying these private water systems may lead to coordination with SCWSA and possible annexation, if desired.

LAFCO Staff Recommendation: *The City should coordinate with LAFCO and the subject private water systems to analyze possible annexations and/or sphere amendments to include any mutual water company or other nearby water system that can no longer provide adequate level of service.*

Strategic Partnerships

Several water agencies have expressed interest in exploring ways to further collaborate. Many water agencies have interties in the event of emergencies and all water agencies (including the two Cities) are members of groundwater-related joint powers authorities. This means that the public water providers are already working together in overseeing how water is delivered countywide. It may be beneficial for the water agencies to consider further strategic partnerships, including but not limited to sharing resources and staff, establishing a countywide memorandum of understanding for emergency-related interties, and joint procurements or professional service agreements (i.e. Audits). Such partnerships may also lay the foundation for future changes of organization, including but not limited to annexations, reorganizations, or consolidations.

LAFCO Staff Recommendation: *The City should explore additional ways to share services and resources with neighboring agencies, including but not limited to nearby water districts.*

Figure 22: Map of Private Water Systems Outside the City's Water Service Area

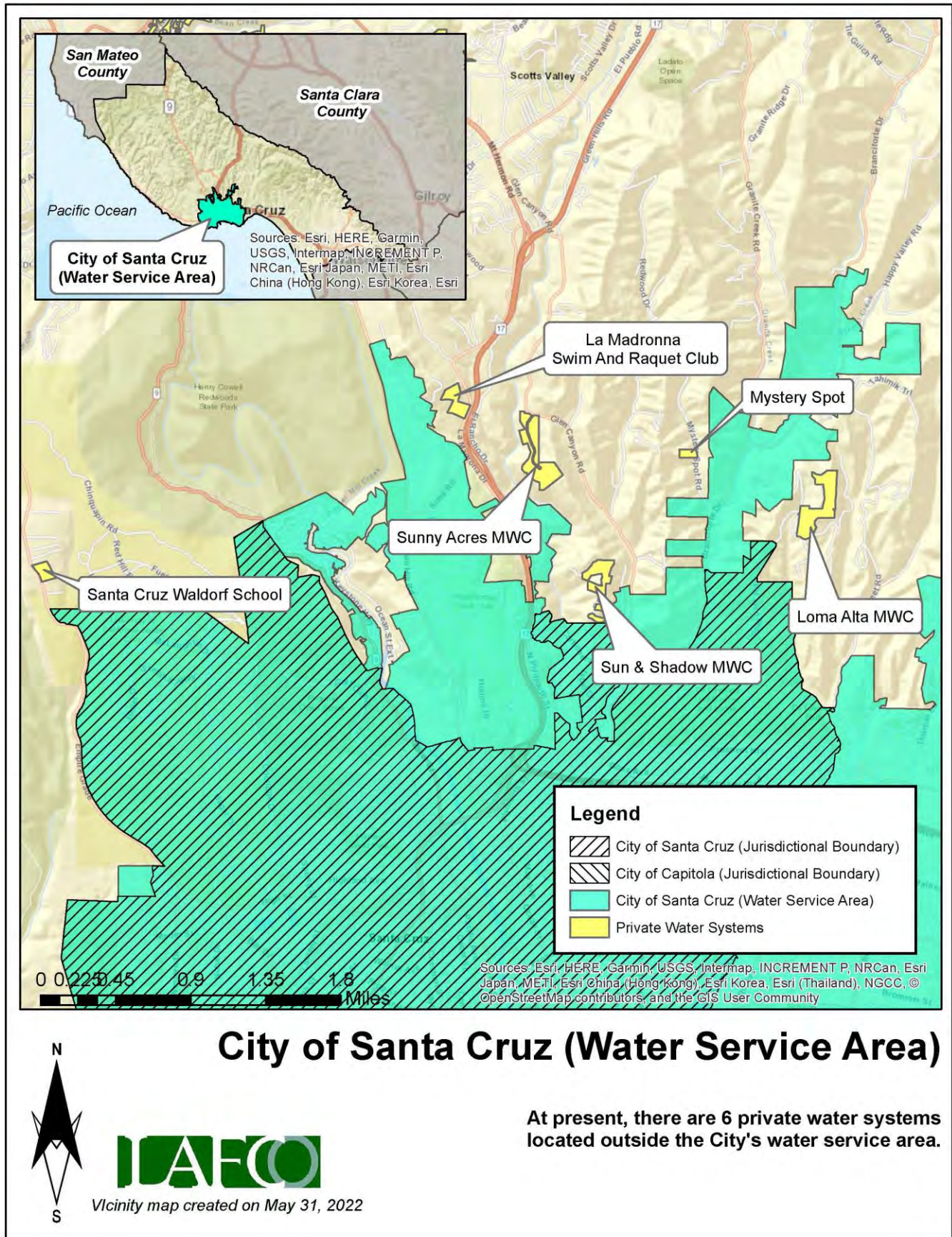


Table 34: List of Private Water Systems Outside the City of Santa Cruz

#	Water System Name	Type of Water System	Size (Square Miles)	Population
Private Water Systems <u>OUTSIDE</u> the City's Jurisdictional Boundary				
1	La Madronna Swim And Racquet Club	Small Water System (1 connection)	0.02	100
2	Mystery Spot	Small Water System (2 connections)	0	500
3	Santa Cruz Waldorf School	Small Water System (2 connections)	0.01	190
4	Sun & Shadow MWC	Small Water System (5 connections)	0.03	11
5	Sunny Acres MWC	Small Water System (8 connections)	0.05	30
6	Loma Alta MWC	Small Water System (12 connections)	0.05	33

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SPHERE OF INFLUENCE

Current Sphere Boundary

Santa Cruz LAFCO adopted the City's first sphere of influence on August 3, 1983. The current sphere excludes areas within the City's water service area. The last sphere update occurred in October 2021 as part of the Countywide Fire Protection Service and Sphere Review. **Figure 23** on page 72 shows the current sphere of influence boundary.

Proposed Sphere Boundary

In January 2019, the Commission amended the City's sphere to include three nautical miles offshore to reflect the city's legal limits. In accordance with state law, the sphere boundary should focus on areas that may receive services from the City in the foreseeable future. Based on staff's analysis, the City provides services outside its city limits, totaling 10,757 parcels (approximately 17,000 acres). These parcels were previously shown in **Figure 21** on page 67. LAFCO staff is recommending that the sphere boundary be amended to remove the three nautical miles and include the City's water service area, excluding the areas located within the City of Capitola's jurisdictional and sphere boundaries. **Figure 24** on page 73 shows the proposed sphere boundary. Further analysis would be required as part of any annexation application to determine whether the City is willing and capable of providing services to the annexation area(s), if annexation is pursued in the future based on the new sphere and submitted plan.

LAFCO Staff Recommendation: *The City should develop a plan to determine when the areas within its water service area should be annexed. The plan should be developed and submitted to LAFCO prior to their next service review cycle (August 2027).*



Figure 23: City's Current Sphere Map

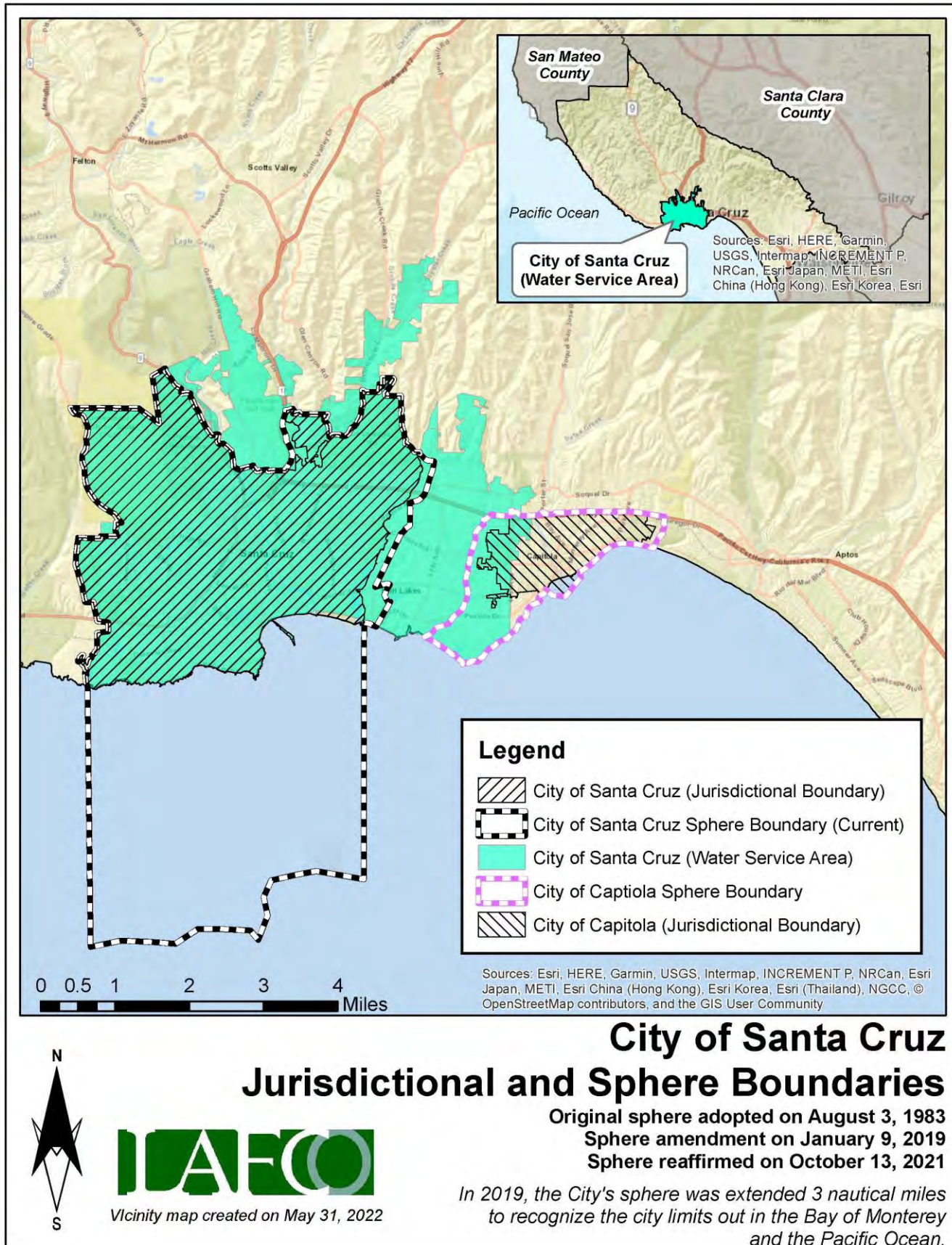
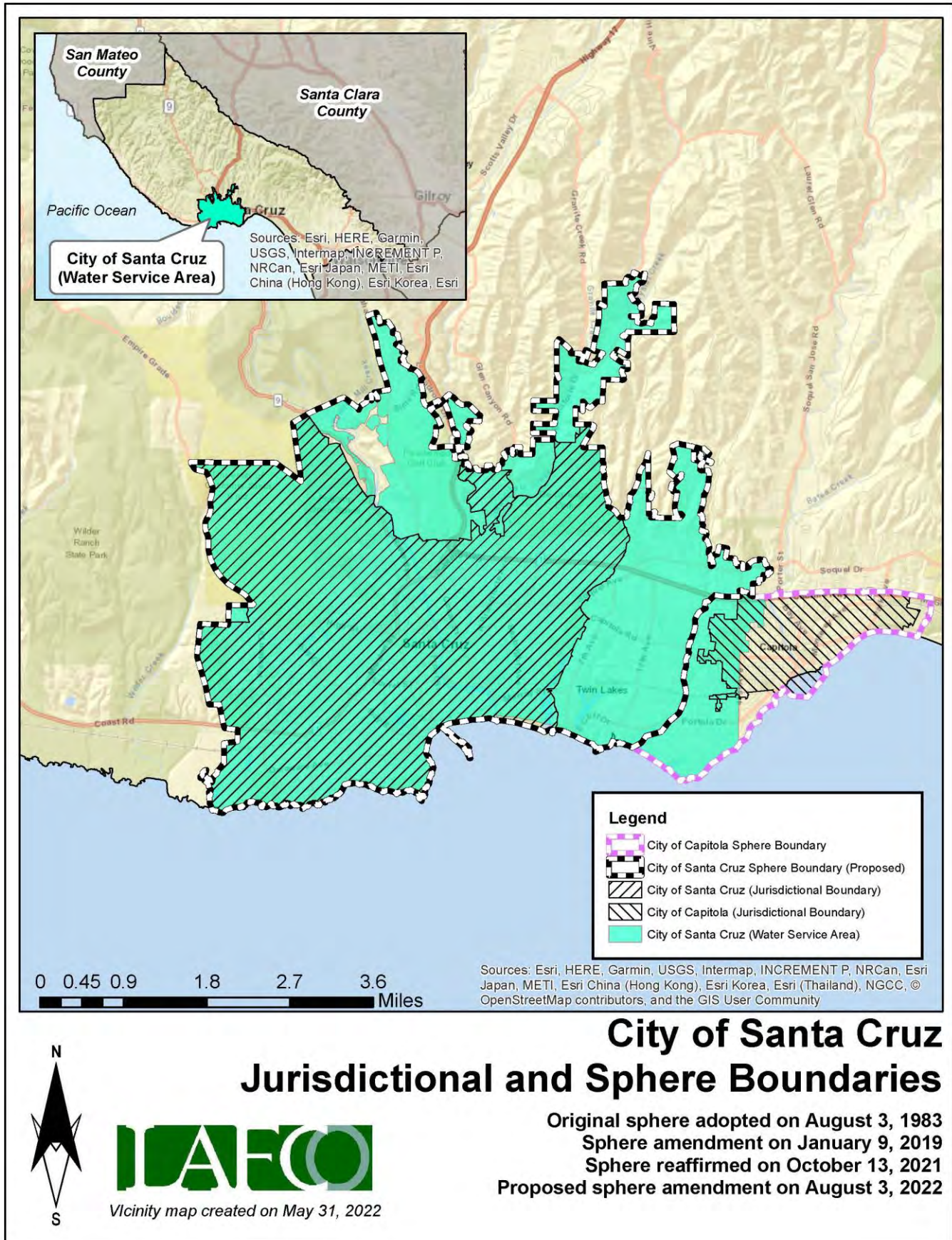


Figure 24: City's Proposed Sphere Map



DISTRICT SUMMARY

City of Santa Cruz Water Department	
Formation	California Charter City Law (Article XI, section 3(a) of the California Constitution)
Board of Directors	City Council: 7 members (four-year terms) Water Commission: 7 members (four-year terms)
Contact Person	Matt Huffaker, City Manager / Rosemary Menard, Water Director
Employees	119 Full-Time Employees
Facilities	24,592 connections; 300 miles of pipeline; 15 distribution tanks; 14 pump stations; 7 surface water diversions; 7 production wells; 3 water treatment plants; and 2 groundwater treatment plants.
WSA Area	27 square miles (appx. 17,000 acres)
Sphere of Influence	Current Sphere: Larger than the City (i.e., sphere boundary includes areas outside the City's jurisdictional boundary) Proposed Sphere: Larger than the City (i.e., sphere boundary includes areas outside the City's jurisdictional boundary)
FY 2020-21 Audit	Total Revenue = \$42,898,416 Total Expenditure = \$38,200,392 Net Position (Ending Balance) = \$103,422,080
Contact Information	Mailing Address: 212 Locust Street, Suite A, Santa Cruz CA 95060 Phone Number: (831) 420-5200 Email Address: kfitzgerald@cityofsantacruz.com Website: https://www.cityofsantacruz.com/government/city-departments/water
Public Meetings	The Water Commission meets in the Santa Cruz City Council Chambers, 809 Center Street, on the first Monday of each month, at 7:00 p.m.
Mission Statement	Mission: To assure public health and safety by providing a clean, adequate and reliable supply of water. Vision: To serve the community in a courteous, efficient, cost effective and environmentally sustainable manner.

SERVICE AND SPHERE REVIEW DETERMINATIONS

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

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 boundary. Written statements of determination must be prepared with respect to each of the following:

1. Growth and population projections for the affected area.

The population of SCWSA in 2020 was estimated to be 96,000. Based on LAFCO's analysis, the population within SCWSA will be approximately 113,000 by 2040.

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

In 2020, the California statewide median household income was \$78,672, and 80% of that was \$62,938. Based on LAFCO's analysis, there are no disadvantaged unincorporated communities within or contiguous to the City's sphere boundary.

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.

In accordance with the California Water Code, every urban water supplier with 3,000 or more service connections or supplying more than 3,000 acre-feet of water per year are required to prepare an Urban Water Management Plan every five years. With 24,592 active service connections, the City of Santa Cruz clearly meets the definition of "Urban Water Supplier" and prepared a plan in 2021.

4. Financial ability of agencies to provide services.

SCWSA is financially sound. The District ended with a surplus in five of the last six fiscal years during 2015 to 2021. As of June 30, 2021, the total net position balance ended with approximately \$103 million. LAFCO believes that this positive trend will continue based upon the City's ongoing conservative budgetary practices reflected in their audited financial statements.

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

LAFCO encourages the City to explore additional methods to collaborate with neighboring water agencies, including the privately-owned water companies surrounding SCWSA. At present, there are 6 private water systems near SCWSA.

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

The City has a detailed and transparent website that provides in-depth information regarding the City's various departments, including its water department.

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

LAFCO recommends that the City develop a plan to determine when the areas within its water service area should be annexed. The plan should be developed and submitted to LAFCO prior to their next service review cycle (August 2027).

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.

At present, the majority of land within the City's water service area is designated as Urban Residential. The remaining areas also include unincorporated territory designated for various land uses including agriculture under the County's existing general plan.

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

The City adopted an Urban Water Management Plan in 2021 which provides an in-depth overview of the City's current and future water demand and infrastructure.

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

SCWSA's major water infrastructure facilities include three water treatment plants, including the Graham Hill Water Treatment Plant and two groundwater treatment plants related to the Beltz well system; four raw water pump stations; ten treated water pump stations; 15 distribution tanks with a total maximum capacity of 21.2 million gallons of treated water storage; seven surface water diversions; seven production wells; and approximately 300 miles of treated and raw water pipelines interconnecting the entire system. At present, the City has approximately 25,000 connections.

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.

A total of 6 private water systems are located near SCWSA. The City should coordinate with LAFCO and the subject private water systems to analyze possible annexations and/or sphere amendments to include any mutual water company or other nearby water system that can no longer provide adequate level of service.

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.

In 2020, the California statewide median household income was \$78,672, and 80% of that was \$62,938. Based on LAFCO's analysis, there are no disadvantaged unincorporated communities within or contiguous to the City's sphere boundary.

CITY OF WATSONVILLE - WATER SERVICE AREA

OVERVIEW

The City of Watsonville was incorporated in 1868 and now operates as a charter city. Watsonville provides a variety of municipal services, including water services under the City's Water Department. The City's water service area ("WWSA") encompasses nearly 21 square miles of territory including the entire City of Watsonville and adjoining unincorporated areas of Santa Cruz County. There is approximately 15,000 parcels within the City's WSA (totaling approximately 13,000 acres). **Figure 26**, on page 80, is a vicinity map depicting the City's current jurisdictional boundary. **Figure 27**, on page 81, also shows the current land use designation under the County's General Plan. At present, the majority of land within the City's water service area is designated as Agriculture and Rural Residential. A map showing the land use designations within the City of Watsonville was not produced since the City already has a map available on its website⁸.

A total of 83 boundary changes have been approved by LAFCO, with an extraterritorial service agreement involving a single parcel being the last recorded action on March 3, 2021. **Appendix F** provides an overview of all the approved boundary changes since 1965.

Services and Infrastructure

The water system originated in 1877 when water was piped from the Corralitos area to a reservoir on Whiskey Hill (now Freedom Reservoir on Freedom Boulevard). The water system served the small community of Watsonville, under the name of the Watsonville Water and Light Company, until the City acquired it in 1927. In 1931, a slow sand filtration plant, the Corralitos Filter Plant (CFP), was constructed in Corralitos to filter the raw water coming from the Corralitos and Browns creeks. By 1979, the water system had grown to represent its current state. At present, the City has approximately 15,000 connections. **Table 35** summarizes WWSA's services and **Table 36** provides an overview of WWSA's infrastructure.

Table 35: List of Service Provisions

Services	Checkmark (Yes)
Agricultural Water	✓
Drainage	
Groundwater Replenishment	
Retail Potable Water	✓
Recycled Water	✓
Wastewater (Sewer)*	✓
Water Treatment	✓
Water Conservation	✓

Footnote: Sewer service is provided by the City of Watsonville Public Works Department

⁸ City of Watsonville Land Use Map - <https://www.cityofwatsonville.org/DocumentCenter/View/106/2005-General-Plan-Land-Use-Diagram->

Table 36: List of Infrastructure / Facilities

Infrastructure	Checkmark (Yes)	Quantity
Distribution / Storage Tanks	✓	8 reservoirs and storage facilities
Pressure Zones	✓	9 pressure zones
Production Wells	✓	14 wells
Pump Stations	✓	9 booster stations
Recycled Water System	✓	The City and PVWMA jointly developed the Watsonville Area Recycled Water Treatment Facility (RWF)
Treatment Plants	✓	
Water Diversions	✓	The surface water diversions flow to the Corralitos Filter Plant and are treated via slow sand filtration and disinfection.
Water Pipeline	✓	190 miles
Total Connections	✓	14,884

Water Rates

At present, the City charges different water rates for residents within and outside the City limits. **Tables 37a-b**, provide an overview of the monthly water rates within WWSA for the last three years. Based on LAFCO's analysis, the City charges approximately 22% more to residents within WWSA but outside the City's jurisdictional boundary in 2021. **Figure 25** compares the water rate for a 1 inch meter for residents within and outside the City of Watsonville.

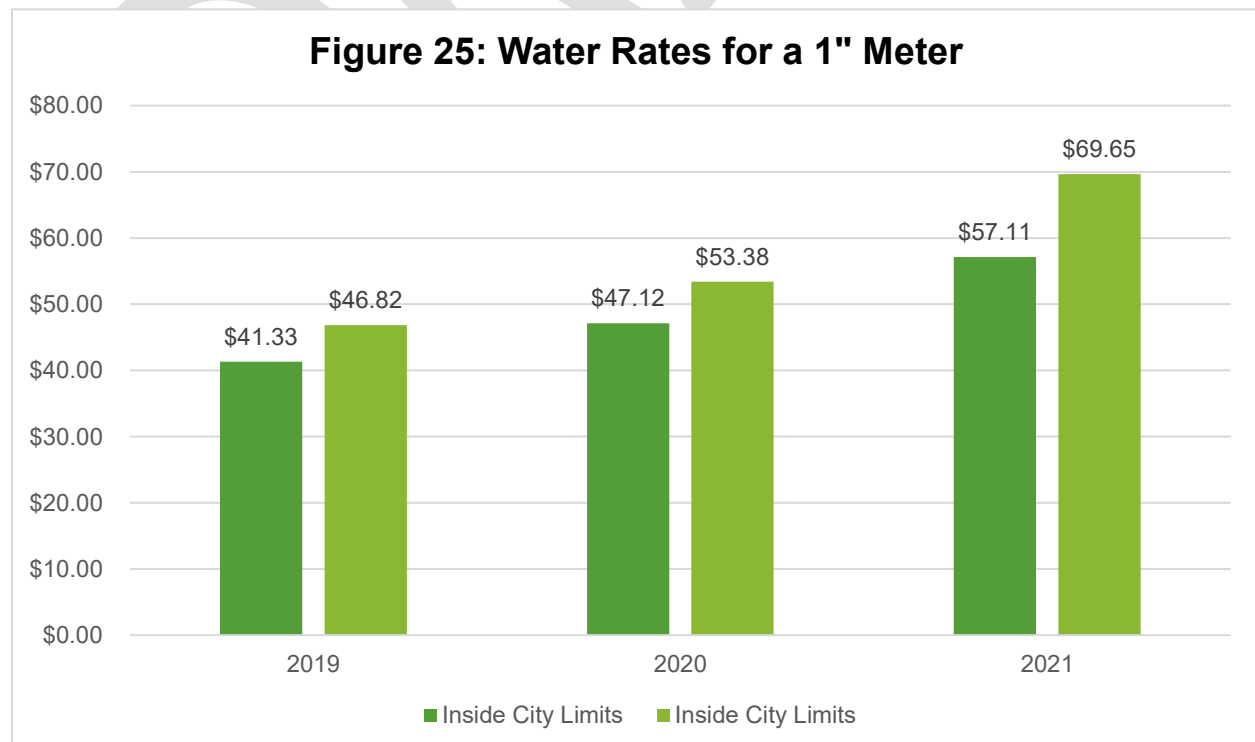


Table 37a: Water Rates (Monthly Service Fees – Meter Size)

Meter Size (Availability Fee)	2019 (Adopted)	2020 (Adopted)	2021 (Adopted)
Inside City Limits			
5/8"	\$29.42	\$33.54	\$28.76
3/4"	\$29.42	\$33.54	\$28.76
1"	\$41.33	\$47.12	\$57.11
1 1/2"	\$71.05	\$81.00	\$104.37
2"	\$106.70	\$121.64	\$161.07
3"	\$201.75	\$230.00	\$312.28
4"	\$308.73	\$351.96	\$482.39
6"	\$497.54	\$567.20	\$954.93
8"	\$1,118.48	\$1,275.07	\$1,521.98
10"	\$1,376.63	\$1,569.36	-
Additional Connections: Unit Charge	\$4.76	\$5.43	-
Outside City Limits			
5/8"	\$33.13	\$37.77	\$33.78
3/4"	\$33.13	\$37.77	\$33.78
1"	\$46.82	\$53.38	\$69.65
1 1/2"	\$81.02	\$92.37	\$129.46
2"	\$122.04	\$139.13	\$201.22
3"	\$231.40	\$263.80	\$392.57
4"	\$354.49	\$404.12	\$607.84
6"	\$571.71	\$651.75	\$1,205.83
8"	\$1,286.12	\$1,466.18	\$1,923.42
10"	\$1,583		
Additional Connections: Unit Charge	\$4.76	\$5.43	-

Table 37b: Water Rates (Monthly Service Fees – Water Consumption)

Charge per Unit (1 unit = 100 cubic ft of water)	2019 (Adopted)	2020 (Adopted)	2021 (Adopted)
Residential and Multi-Residential			
Tier 1 (Old 1-5 units / New 0-6 units)	\$3.39	\$3.84	\$3.95
Tier 2 (Old 6-10 units / New 7-12 units)	\$4.00	\$4.53	\$5.17
Tier 3 (Old > 10 units / New > 12 units)	\$5.42	\$6.14	\$8.00
Non-Residential (ccf = centum (hundred) cubic feet)			
Per ccf	\$4.26	\$4.83	\$4.72
Industrial (ccf = centum (hundred) cubic feet)			
Per ccf	\$3.34	\$3.79	\$3.76
Irrigation (ccf = centum (hundred) cubic feet)			
Per ccf	\$5.94	\$6.73	\$6.74

Figure 26: Water Service Area's Vicinity Map

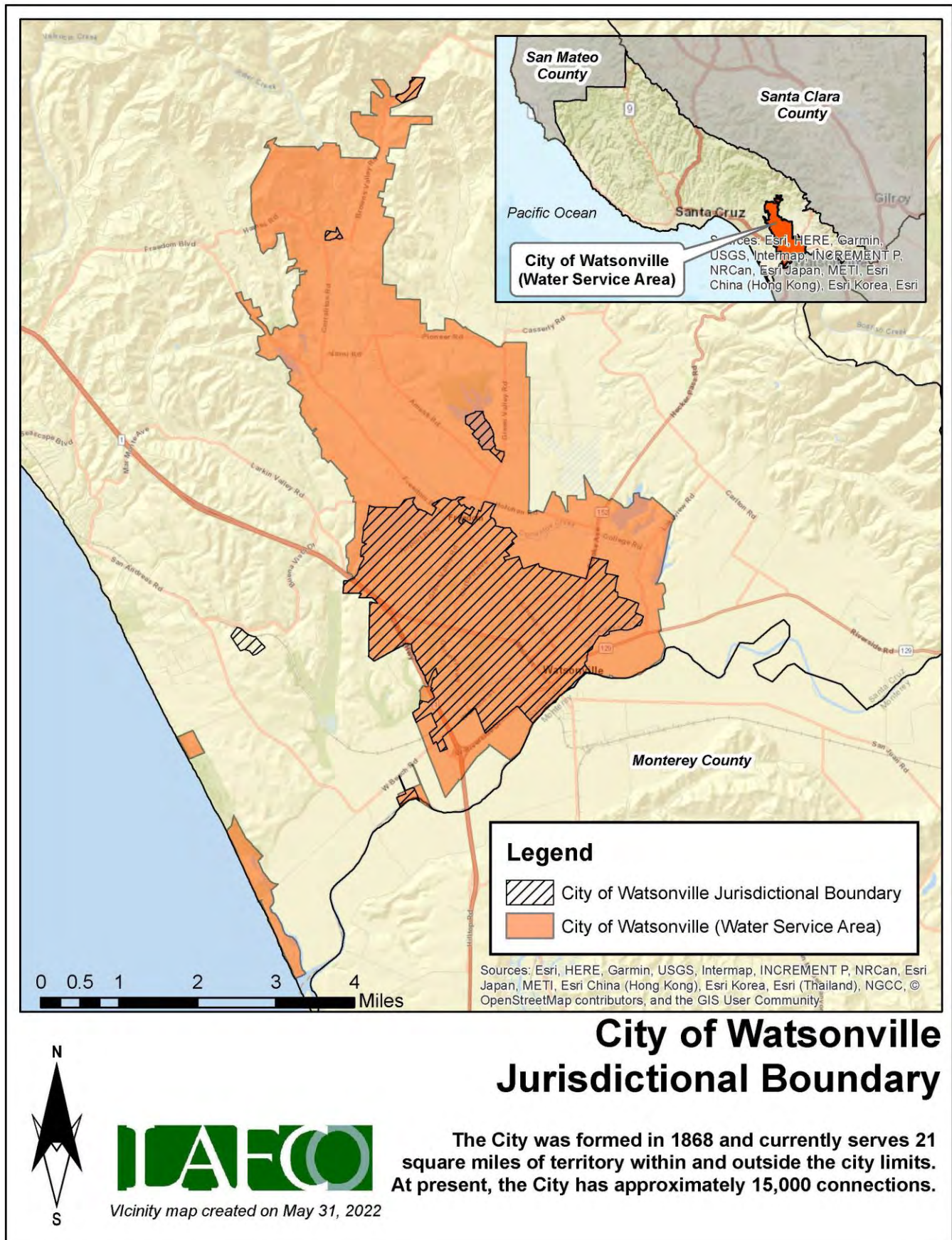
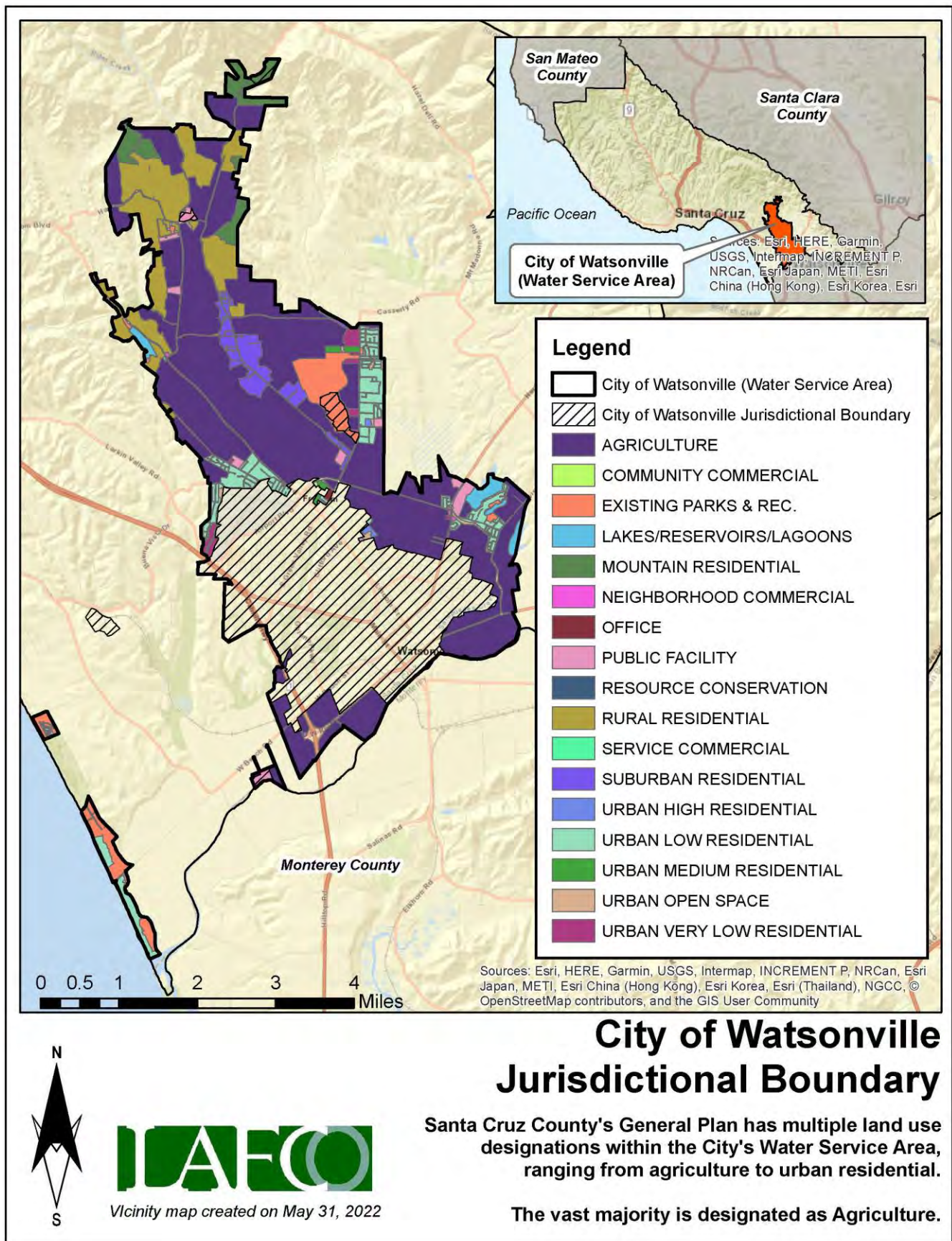


Figure 27: Water Service Area's Land Use Map (Unincorporated Territory)



Population and Growth

Based on staff's analysis, the population of WWSA in 2020 was approximately 65,000. The Association of Bay Area Governments (ABAG) and the Association of Monterey Bay Area Governments (AMBAG) provide population projections for cities and counties in the Coastal Region. Official growth projections are not available for water service areas. In general, the Coastal Region is anticipated to have a slow growth over the next twenty years. Based on this slow growth trend, the population for unincorporated lands and the City of Watsonville is expected to increase by 0.86% and 2.78%, respectively. **Table 38** shows the anticipated population within WWSA. The average rate of change for WWSA is 1.82% based on the combined average rate of change for the County and City.

Population Projection

Based on the projections for Santa Cruz County, LAFCO was able to develop a population forecast for WWSA. LAFCO staff increased the City's water service area 2020 population amount by 1.82% each year. Under this assumption, our projections indicate that the entire population of WWSA will be approximately 70,000 by 2040.

Table 38: Projected Population

	2020	2025	2030	2035	2040	Average Rate of Change
Santa Cruz County (unincorporated area)	136,891	137,896	139,105	140,356	141,645	0.86%
City of Watsonville	53,536	55,187	56,829	58,332	59,743	2.78%
City of Watsonville (Water Service Area)	65,231	66,418	67,626	68,856	70,108	1.82%

Source: AMBAG 2018 Regional Growth Forecast and the City's 2020 Urban Water Management Plan

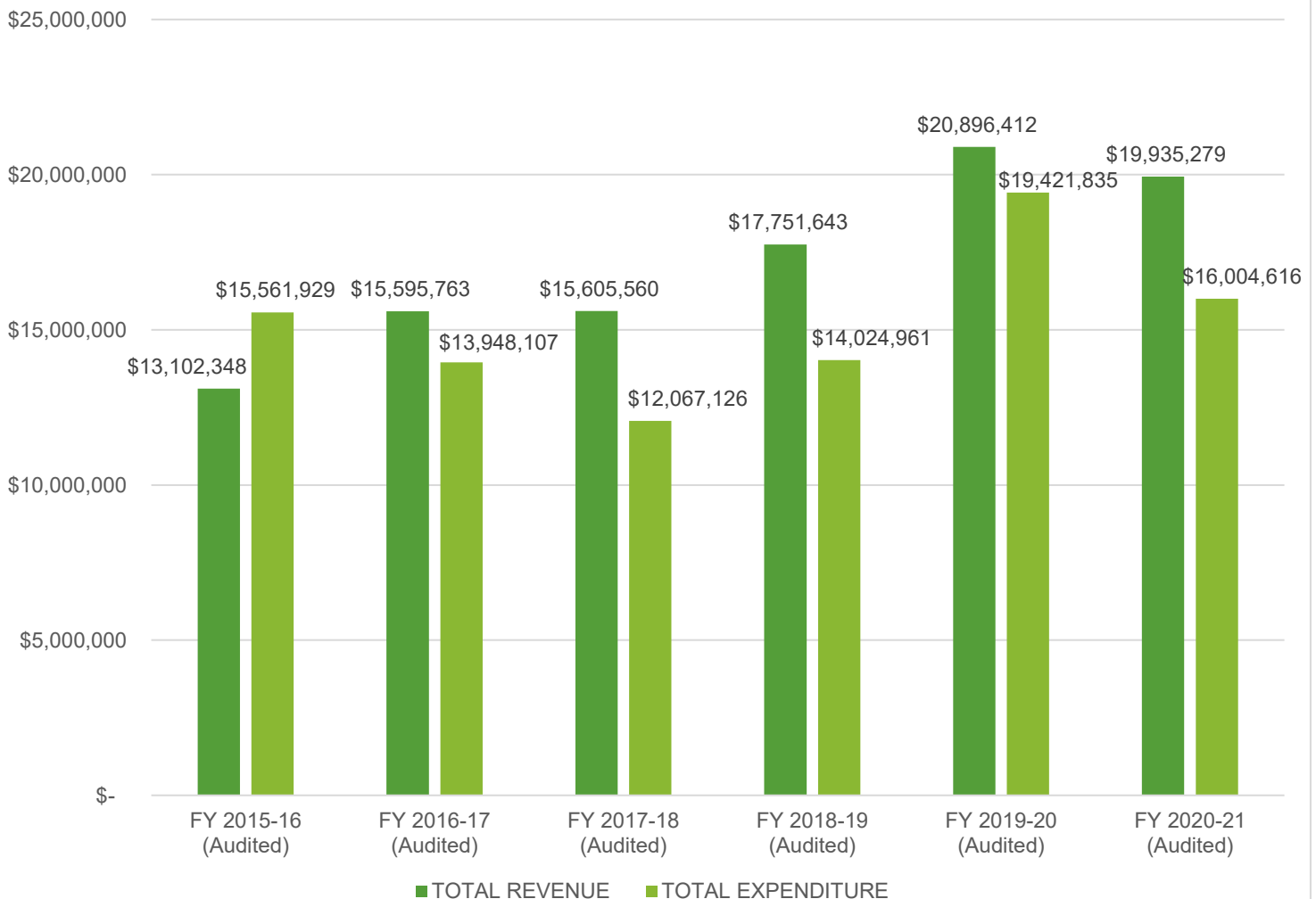
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FINANCES

This section will highlight the City's financial performance during the most recent fiscal years. Fiscal Year 2020-21 is the latest audited financial statement available. LAFCO evaluated the financial health of the City's Water Department from 2015 to 2021. A comprehensive analysis of the City's financial performance during the past six years is shown in **Tables 42 and 43** on pages 87-88.

At the end of Fiscal Year 2020-21, total revenue collected was approximately \$20 million, representing a slight decrease from the previous year (\$21 million in FY 19-20). Total expenses for FY 2020-21 were approximately \$16 million, which decreased by 18% from the previous year (\$19 million in FY 19-20). Since 2015, the City's Water Department ended each fiscal year with a surplus, with the exception of FY 15-16, as shown in **Figure 28**. LAFCO staff believes that this positive trend will continue based upon the City's ongoing conservative budgetary practices reflected in their audited financial statements.

**Figure 28: Statement of Revenues & Expenditures
(FY 2015-16 to FY 2020-21)**



Revenues

Operating Revenue

The City Water Department's primary source of revenue is from operating revenues, specifically Charges for Services. In FY 2020-21, Charges for Services (appx. \$20 million) represented approximately 99.7% of the City Water Department's entire revenue stream.

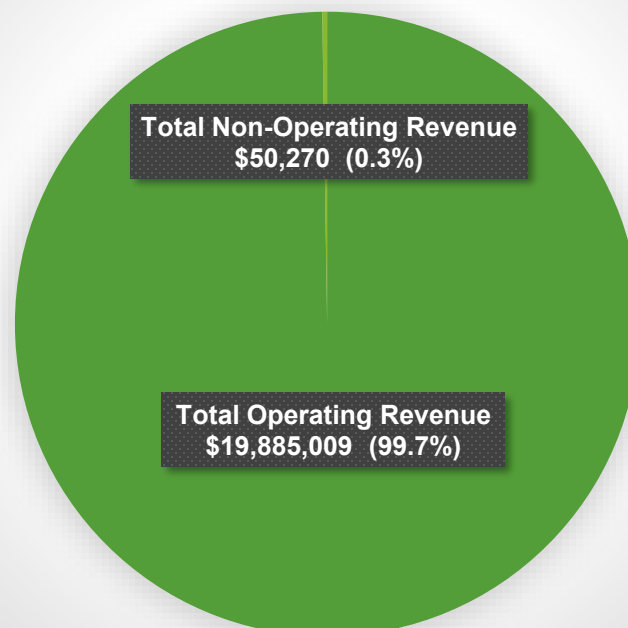
Non-operating Revenue

The remaining 0.3% of total revenue derive from non-operating revenue sources. These funds include Capital Contributions, Interest, and Grant Revenue. **Table 39 and Figure 29** provide a breakdown of the City's revenue by category and source.

Table 39: Revenue Breakdown (FY 2020-21)

Revenue	Amount	Percentage
Operating Revenue		
Charges for Services	<u>\$19,885,009</u>	<u>100%</u>
Total Operating Revenue	\$19,885,009	100%
Non-Operating Revenue		
Capital Contributions – Connection Fees	\$26,310	52%
Interest Revenue	\$16,082	32%
Grant Revenue	<u>\$7,878</u>	<u>16%</u>
Total Non-Operating Revenue	\$50,270	100%
Total Revenue	<u>\$19,935,279</u>	

**Figure 29: Operating v Non-Operating Revenue
(FY 2020-21)**



Expenditures

Operating Expense

The City Water Department's operating expenses represented approximately 99.7% of total expenditure during FY 2020-21. Operating expenses include: Cost of Sales & Services, and Depreciation.

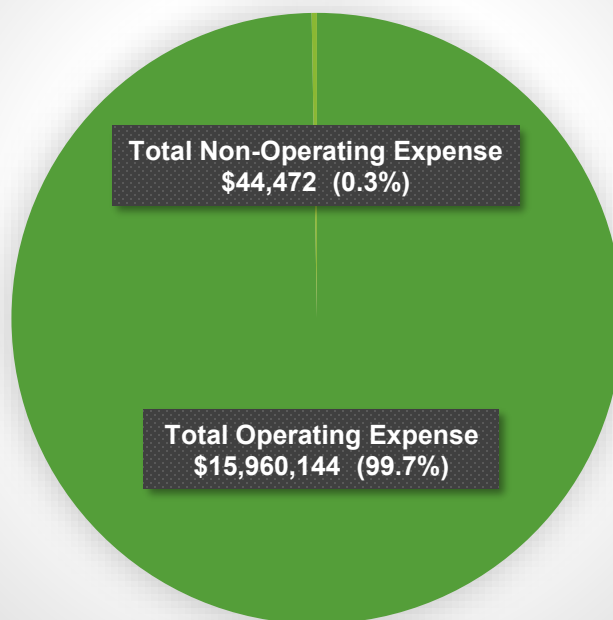
Non-operating Expense

The remaining 0.3% of total expenses derive from non-operating expenses. These costs include Interest Expense and Transfers Out. **Table 40 and Figure 30** provide a breakdown of the City's costs by category and source.

Table 40: Expense Breakdown (FY 2020-21)

Expenditure	Amount	Percentage
Operating Expense		
Cost of Sales & Services	\$14,327,111	90%
Depreciation	<u>\$1,633,033</u>	<u>10%</u>
Total Operating Expense	\$15,960,144	100%
Non-Operating Expense		
Interest Expense & Fiscal Charges	\$27,725	62%
Transfers Out	<u>\$16,747</u>	<u>38%</u>
Total Non-Operating Expense	\$44,472	100.0%
Total Expenditure	<u>\$16,004,616</u>	

Figure 30: Operating v Non-Operating Expenditure (FY 2020-21)



Fund Balance / Net Position

As of June 30, 2021, the total net position balance ended with approximately \$62 million. The following table highlights the net position balance from 2015 to 2021. As shown in **Table 41** and **Figure 31**, the City's fund balance has increased over the years and has maintained an annual balance above \$47 million. Based on this historical trend, LAFCO staff believes the positive balance will continue. This healthy amount will be critical in the event that the City faces any unintended expenses, major capital improvements projects, or emergency repairs.

Table 41: Net Position (2015 to 2021)

	FY 2015-16 (Audited)	FY 2016-17 (Audited)	FY 2017-18 (Audited)	FY 2018-19 (Audited)	FY 2019-20 (Audited)	FY 2020-21 (Audited)
Beginning Balance	\$49,904,170	\$47,475,354	\$49,123,010	\$52,661,444	\$56,388,126	\$57,862,703
Ending Balance	<u>\$47,444,589</u>	<u>\$49,123,010</u>	<u>\$52,661,444</u>	<u>\$56,388,126</u>	<u>\$57,862,703</u>	<u>\$61,793,366</u>
Change (\$)		\$1,678,421	\$3,538,434	\$3,726,682	\$1,474,577	\$3,930,663

Figure 31: Net Position from 2015 to 2021 (Ending Balance)

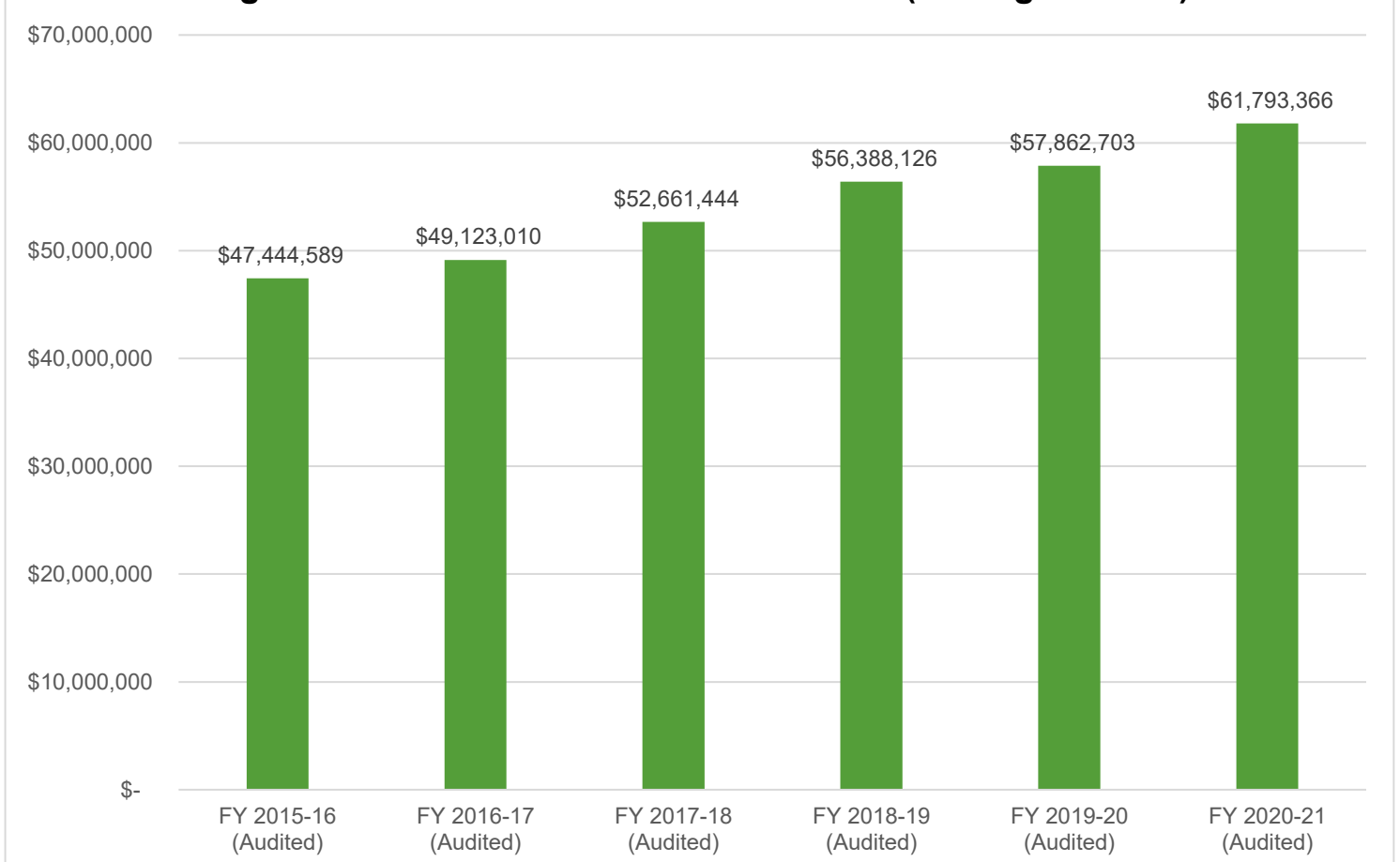


Table 42: Total Revenues & Expenditures

	FY 2015-16 (Audited)	FY 2016-17 (Audited)	FY 2017-18 (Audited)	FY 2018-19 (Audited)	FY 2019-20 (Audited)	FY 2020-21 (Audited)
REVENUE						
<u>Operating Revenue</u>						
Charges for Services	\$ 12,755,561	\$ 14,617,036	\$ 15,243,117	\$ 17,357,169	\$ 20,483,669	\$ 19,885,009
Total Operating Revenue	\$12,755,561	\$14,617,036	\$15,243,117	\$17,357,169	\$20,483,669	\$ 19,885,009
<u>Non-Operating Revenue</u>						
Grant Revenue	\$ -	\$ 600,660	\$ 44,480	\$ -	\$ -	\$ 7,878
Interest Revenue	\$ 52,706	\$ 26,663	\$ 105,390	\$ 369,740	\$ 357,867	\$ 16,082
Capital Contributions - Connection Fees	\$ 294,081	\$ 351,404	\$ 212,573	\$ 24,734	\$ 54,876	\$ 26,310
Total Non-Operating Revenue	\$ 346,787	\$ 978,727	\$ 362,443	\$ 394,474	\$ 412,743	\$ 50,270
TOTAL REVENUE	<u>\$13,102,348</u>	<u>\$15,595,763</u>	<u>\$15,605,560</u>	<u>\$17,751,643</u>	<u>\$20,896,412</u>	<u>\$ 19,935,279</u>
EXPENDITURE						
<u>Operating Expense</u>						
Costs of Sales & Services	\$ 12,989,380	\$ 12,216,914	\$ 10,416,612	\$ 12,416,786	\$ 17,776,770	\$ 14,327,111
Depreciation	\$ 1,632,090	\$ 1,633,985	\$ 1,621,496	\$ 1,579,006	\$ 1,601,585	\$ 1,633,033
Total Operating Expense	\$14,621,470	\$13,850,899	\$12,038,108	\$13,995,792	\$19,378,355	\$ 15,960,144
<u>Non-Operating Expense</u>						
Interest Expense	\$ 915,295	\$ -	\$ -	\$ -	\$ 16,361	\$ 16,747
Transfers Out	\$ 25,164	\$ 97,208	\$ 29,018	\$ 29,169	\$ 27,119	\$ 27,725
Total Non-Operating Expense	\$ 940,459	\$ 97,208	\$ 29,018	\$ 29,169	\$ 43,480	\$ 44,472
TOTAL EXPENDITURE	<u>\$15,561,929</u>	<u>\$13,948,107</u>	<u>\$12,067,126</u>	<u>\$14,024,961</u>	<u>\$19,421,835</u>	<u>\$ 16,004,616</u>
Surplus/(Deficit)	\$ (2,459,581)	\$ 1,647,656	\$ 3,538,434	\$ 3,726,682	\$ 1,474,577	\$ 3,930,663
NET POSITION						
Beginning Balance	\$ 49,904,170	\$ 47,475,354	\$ 49,123,010	\$ 52,661,444	\$ 56,388,126	\$ 57,862,703
Ending Balance	<u>\$47,444,589</u>	<u>\$49,123,010</u>	<u>\$52,661,444</u>	<u>\$56,388,126</u>	<u>\$57,862,703</u>	<u>\$ 61,793,366</u>

Table 43: Total Assets & Liabilities

	FY 2015-16 (Audited)	FY 2016-17 (Audited)	FY 2017-18 (Audited)	FY 2018-19 (Audited)	FY 2019-20 (Audited)	FY 2020-21 (Audited)
ASSETS						
<u>Current Assets</u>						
Cash & Investments	\$ 2,596,550	\$ 4,869,022	\$ 9,453,163	\$ 14,872,208	\$ 20,922,426	\$ 23,823,748
Accounts Receivable	\$ 656,837	\$ 645,206	\$ 417,500	\$ 758,691	\$ 1,359,704	\$ 1,489,762
Interest	\$ 2,512	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental Receivable	\$ -	\$ 9,137	\$ 9,137	\$ 9,137	\$ -	\$ -
Inventories	\$ 401,349	\$ 434,268	\$ 554,203	\$ 722,132	\$ 810,964	\$ 253,010
Total Current Assets	\$ 3,657,248	\$ 5,957,633	\$ 10,434,003	\$ 16,362,168	\$ 23,093,094	\$ 25,566,520
<u>Non-Current Assets</u>						
Advances Receivable	\$ 3,791,759	\$ 3,911,654	\$ 4,022,240	\$ 3,613,159	\$ 3,222,642	\$ 2,557,460
Loans Receivable	\$ 357,793	\$ -	\$ -	\$ -	\$ -	\$ -
<u>Capital Assets</u>						
Land & Improvements	\$ 218,742	\$ 218,742	\$ 218,742	\$ 218,742	\$ 259,333	\$ 259,333
Buildings	\$ 48,447,947	\$ 48,457,209	\$ 48,457,209	\$ 48,457,208	\$ 48,497,149	\$ 48,498,822
Machinery & Equipment	\$ 5,865,828	\$ 5,788,282	\$ 5,874,939	\$ 6,018,131	\$ 6,704,067	\$ 7,326,804
Infrastructure	\$ 12,938,624	\$ 12,938,624	\$ 13,110,752	\$ 13,110,752	\$ 13,476,134	\$ 13,620,179
Construction in Progress	\$ 2,063,021	\$ 2,806,692	\$ 3,250,375	\$ 3,683,692	\$ 1,283,805	\$ 3,782,275
Accumulated Depreciation	\$ (24,873,234)	\$ (26,300,761)	\$ (27,894,420)	\$ (29,473,425)	\$ (31,036,651)	\$ (32,591,982)
Total Non-Current Assets	\$ 48,810,480	\$ 47,820,442	\$ 47,039,837	\$ 45,628,259	\$ 42,406,479	\$ 43,452,891
TOTAL ASSETS	\$ 52,467,728	\$ 53,778,075	\$ 57,473,840	\$ 61,990,427	\$ 65,499,573	\$ 69,019,411
<u>Deferred Outflows of Resources</u>						
Deferred Outflows Related to Pension	\$ 753,567	\$ 960,137	\$ 1,293,472	\$ 973,660	\$ 1,062,888	\$ 903,968
Total Deferred Outflows of Resources	\$ 753,567	\$ 960,137	\$ 1,293,472	\$ 973,660	\$ 1,062,888	\$ 903,968
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ 53,221,295	\$ 54,738,212	\$ 58,767,312	\$ 62,964,087	\$ 66,562,461	\$ 69,923,379
LIABILITIES						
<u>Current Liabilities</u>						
Accounts Payable	\$ 856,786	\$ 601,776	\$ 556,218	\$ 726,312	\$ 1,306,341	\$ 1,226,262
Accrued Personnel Costs	\$ 129,848	\$ 150,132	\$ -	\$ 178,644	\$ 218,921	\$ 239,978
Insurance Claims Payable	\$ -	\$ -	\$ -	\$ -	\$ 250,000	\$ -
Retentions Payable	\$ -	\$ -	\$ -	\$ -	\$ 2,783	\$ 71,669
Customer Deposits	\$ 6,175	\$ 24,152	\$ 46,643	\$ 63,666	\$ 18,879	\$ 9,931
Unearned Revenue	\$ -	\$ 2,372	\$ -	\$ -	\$ -	\$ -
Compensated Absences	\$ 10,051	\$ 10,232	\$ 10,453	\$ 11,801	\$ 11,428	\$ 13,701
Notes Payable	\$ -	\$ -	\$ -	\$ 17,538	\$ 14,511	\$ 13,888
Total Current Liabilities	\$ 1,002,860	\$ 788,664	\$ 613,314	\$ 997,961	\$ 1,822,863	\$ 1,575,429
<u>Non-Current Liabilities</u>						
Compensated Absences	\$ 157,463	\$ 160,307	\$ 163,759	\$ 184,877	\$ 179,043	\$ 214,648
Net OPEB Liability	\$ 321,790	\$ 319,812	\$ 373,403	\$ 373,403	\$ 395,427	\$ 395,427
Net Pension Liability	\$ 3,306,708	\$ 4,097,680	\$ 4,798,463	\$ 4,835,532	\$ 6,091,025	\$ 5,881,983
Notes Payable	\$ -	\$ -	\$ -	\$ 36,890	\$ 44,603	\$ 30,716
Total Non-Current Liabilities	\$ 3,785,961	\$ 4,577,799	\$ 5,335,625	\$ 5,430,702	\$ 6,710,098	\$ 6,522,774
TOTAL LIABILITIES	\$ 4,788,821	\$ 5,366,463	\$ 5,948,939	\$ 6,428,663	\$ 8,532,961	\$ 8,098,203
<u>Deferred Inflows of Resources</u>						
Deferred Inflows Related to Pensions	\$ 863,620	\$ 248,739	\$ 156,929	\$ 147,298	\$ 166,797	\$ 31,810
Total Deferred Inflows of Resources	\$ 863,620	\$ 248,739	\$ 156,929	\$ 147,298	\$ 166,797	\$ 31,810
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	\$ 5,652,441	\$ 5,615,202	\$ 6,105,868	\$ 6,575,961	\$ 8,699,758	\$ 8,130,013
NET POSITION						
Net Investment in Capital Assets	\$ 44,660,928	\$ 43,908,788	\$ 43,017,597	\$ 41,960,672	\$ 39,124,723	\$ 40,850,827
Unrestricted	\$ 2,907,926	\$ 5,214,222	\$ 9,643,847	\$ 14,427,454	\$ 18,737,980	\$ 20,942,539
Total Net Position	\$ 47,568,854	\$ 49,123,010	\$ 52,661,444	\$ 56,388,126	\$ 57,862,703	\$ 61,793,366
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, & NET POSITION	\$ 53,221,295	\$ 54,738,212	\$ 58,767,312	\$ 62,964,087	\$ 66,562,461	\$ 69,923,379

GOVERNANCE

Local Accountability & Structure

The Watsonville Water Department is a municipal utility that is owned and operated by the City of Santa Cruz. It is led by a Director who is appointed by the City Manager and administers the day-to-day operations of the Water Department. The City Water Department employs a full-time staff of 44 employees. The governing body for the Water Department is the seven member City Council. The current board members are as follows:

Table 44: Watsonville Council Members

Board Member	Term of Office
Jimmy Dutra	First Elected: 2020 Term Limit Ends: 2024
Francisco Estrada	First Elected: 2018 Term Limit Ends: 2022
Rebecca Garcia	First Elected: 2014 Term Limit Ends: 2022
Lowell Hurst	First Elected: 2011 Term Limit Ends: 2022
Eduardo Montesino	First Elected: 2020 Term Limit Ends: 2024
Ari Parker	First Elected: 2018 Term Limit Ends: 2022
Vanessa Quiroz-Carter	First Elected: 2022 Term Limit Ends: 2024

Board Meetings

The City Council typically meets on the second and fourth Tuesday of each month. The meeting dates are posted at city hall and on the City's Website. Public meetings are typically held at 4:00pm.

Urban Water Management Plan

The California Department of Water Resources indicates that Urban Water Management Plans ("UWMPs") are prepared by urban water suppliers every five years (California Water Code Sections 10610-10656; 10608). These plans support the suppliers' long-term resource planning to ensure that adequate water supplies are available to meet existing and future water needs. The City adopted its UWMP in 2020,⁹ which provides an in-depth overview of the City's current and future water demand and infrastructure.

⁹ 2020 UWMP: <https://www.cityofwatsonville.org/DocumentCenter/View/16377/2020-Watsonville-Urban-Water-Management-Plan>

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. SB 929 identifies a number of components that must be found within an agency's website. Additionally, the Special District Leadership Foundation (SDLF), an independent, non-profit organization formed to promote good governance and best practices among California's special districts, has also outlined recommended website elements as part of its District Transparency Certificate of Excellence. This program was created in an effort to promote transparency in the operations and governance of special districts to the public and to provide special districts with an opportunity to showcase their efforts in transparency. Based on SB 929's criteria and the recommendations by SDLF, LAFCO thoroughly reviewed the City's website even though the law only applies to independent special districts. **Tables 46 and 46** summarize staff's findings on whether the website is meeting the statutory requirements. At present, the City does meet the statutory requirements under SB 929 and SDLF's website transparency criteria. The only item that is not found in the City's website is LAFCO's adopted service reviews. Overall, the City has a transparent website filled with useful information and resources that are easily accessible.

Table 45: Website Transparency (Required Items)

Website Components	Status (Yes = X)
Required Items (SB 949 Criteria and SDLF Benchmarks)	
1. Names and Contact Information of Board Members*	✓
2. Board Member Term Limits	✓
3. Names of Key Staff, including General Manager	✓
4. Contact Information for Staff	✓
5. Election/Appointment Procedure & Deadlines	✓
6. Board Meeting Schedule*	✓
7. Mission Statement	✓
8. Description of District's Services/Functions and Service Area	✓
9. Authorizing Statute/Enabling Act	✓
10. Adopted District Budgets*	✓
11. Financial Audits*	✓
12. Archive of Board Meeting Agendas & Minutes*	✓
13. Link to State Controller's Webpages for District's reported Board Member and Staff Compensation	N/A
14. Link to State Controller's Webpages for District's reported Financial Transaction Report	N/A
15. Reimbursement & Compensation Policy / Annual Policies	✓
16. Home Page Link to Agendas/Board Packets	✓
17. SB 272 - Compliance-Enterprise Catalogs	✓
18. Machine Readable/Searchable Agendas	✓
19. Recipients of Grant Funding or Assistance	✓
20. Link or Copies of LAFCO's Service & Sphere Reviews	
Total Score (out of a possible 18 – 2 do not apply to cities)	17 (94%)

*Footnote: Senate Bill 929 Statutory Requirements; Items 13 and 14 do not apply to cities

Table 46: Website Transparency (Recommended Items)

Website Components	Status (Yes = X)
Additional Items (SDF's Recommended Elements)	
1. Board Member Ethics Training Certificates	✓
2. Picture, Bio, and Email Addresses of Board Members	✓
3. Last Three Years of Audits	✓
4. Financial Reserves Policy	✓
5. Online/Downloadable Public Records Act Request Form	✓
6. Audio or Video Recordings of Board Meetings	✓
7. Map of District Boundaries/Service Area	✓
8. Link to CSDA Mapping Program	N/A
9. General Description of Special Districts or Link to www.districtmakethedifference.org	N/A
10. Link to Most Recently Filed to FPPC Forms	✓
Total Score (out of a possible 8 – 2 do not apply to cities)	8 (100%)

Footnote: Items 8 and 9 do not apply to cities

Opportunities and Challenges

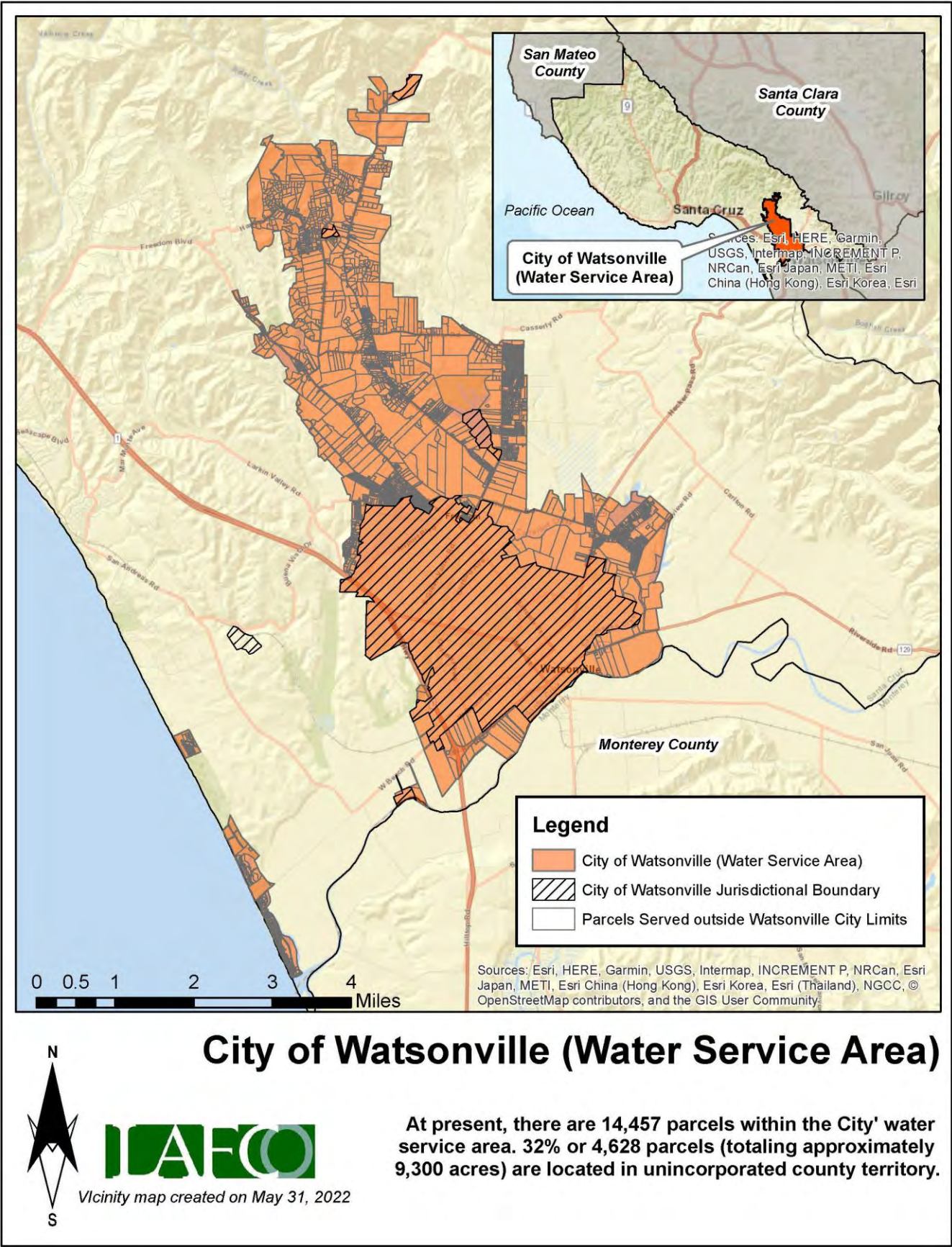
Water agencies, including city water departments, are significantly affected by various factors, including aging infrastructure, escalating operational costs, drought impacts, increase in customer demand, and changes to state laws and regulations that may introduce new requirements without additional funding. These issues are common not only in Santa Cruz County but throughout the State. The following section discusses these challenges and identifies possible opportunities to ensure that residents receive the best level of water services.

Areas Served Outside Jurisdictional Boundary

Pursuant to Government Code Section 56133, a city or district may provide new or extended services by contract or agreement outside its jurisdictional boundaries only if it first requests and receives written approval from the Commission in the affected county. LAFCO may also authorize a city or district to provide new or extended services outside its jurisdictional boundaries but within its sphere of influence in anticipation of a later change of organization. In other words, except for the specific situations exempted by Government Code Section 56133, a city or district shall not provide new or extended services to any party outside its jurisdictional boundaries unless it has obtained written approval from LAFCO. Based on staff's analysis, the City is providing services outside its jurisdiction to approximately 4,700 parcels. The vast majority of these parcels are receiving water services without LAFCO's review and authorization. This is primarily due to the fact that the City began providing water prior to the creation of LAFCO in 1963. **Figure 32** on page 92 shows the subject parcels receiving services outside the City's jurisdiction.

LAFCO Staff Recommendation: *The City should develop a plan to determine when the areas within its water service area should be annexed. The plan should be developed and submitted to LAFCO prior to their next service review cycle (August 2027).*

Figure 32: Areas Served Outside the City's Jurisdiction



Small Water Systems

One area that LAFCO can provide assistance now is addressing any failing mutual water companies (MWCs) or private water systems near WWSA. MWCs are regulated by California's Water Code, Health and Safety Code and must abide by open meeting and records disclosure laws similar to many public water utilities. In operating a public water system, mutual water companies are also subject to regulation by the California Department of Public Health and must comply with requirements imposed by the State Water Resources Control Board and our local Regional Water Quality Control Board. However, over the years, many MWCs have operated without much oversight from the State. That is why the Legislature enacted Assembly Bill 54 in 2012. This law imposes new requirements on mutual water companies that own and operate public water systems and requires greater coordination between them and LAFCO in each county. Corporations Code 14301.1 requires mutual water companies to submit a map depicting its service area to LAFCO.

A total of 42 private water systems are located within and outside the City's water service area. **Figure 33** on page 94 identifies the location of each water system in relation to WWSA. **Table 47** on page 95 also provide more information about the private water systems. While LAFCOs do not have full authority over mutual water companies when compared to with cities and special districts, AB 54 does allow LAFCO to analyze these water systems as part of a service review. Identifying these private water systems may lead to coordination with WWSA and possible annexation, if desired.

LAFCO Staff Recommendation: *The City should coordinate with LAFCO and the subject private water systems to analyze possible annexations and/or sphere amendments to include any mutual water company or other nearby water system that can no longer provide adequate level of service.*

Strategic Partnerships

Several water agencies have expressed interest in exploring ways to further collaborate. Many water agencies have interties in the event of emergencies and all water agencies (including the two Cities) are members of groundwater-related joint powers authorities. This means that the public water providers are already working together in overseeing how water is delivered countywide. It may be beneficial for the water agencies to consider further strategic partnerships, including but not limited to sharing resources and staff, establishing a countywide memorandum of understanding for emergency-related interties, and joint procurements or professional service agreements (i.e. Audits). Such partnerships may also lay the foundation for future changes of organization, including but not limited to annexations, reorganizations, or consolidations.

LAFCO Staff Recommendation: *The City should explore additional ways to share services and resources with neighboring agencies, including but not limited to nearby water districts.*

Figure 33: Map of Private Water Systems Outside the City's Water Service Area

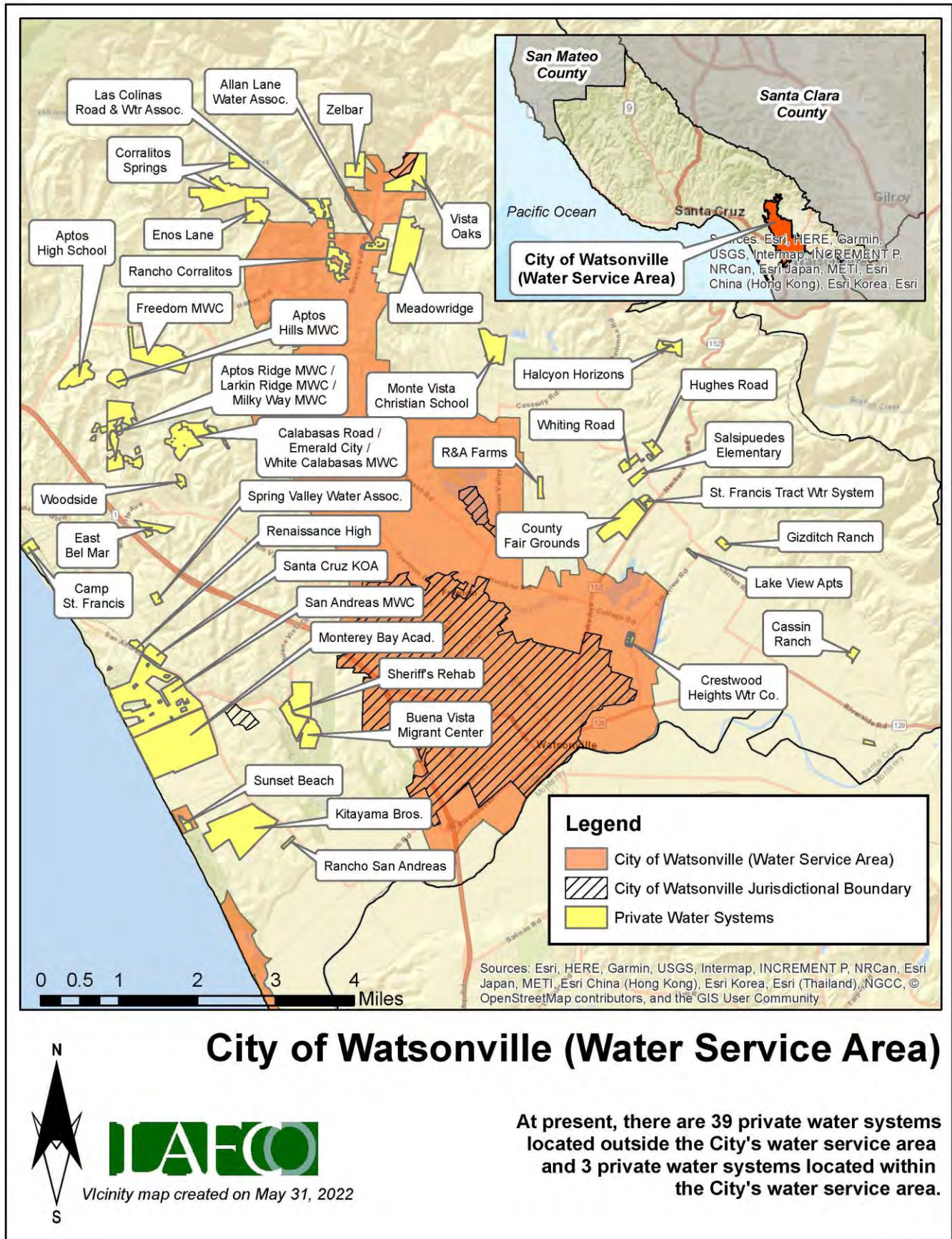


Table 47: List of Private Water Systems Outside the City of Watsonville

#	Water System Name	Type of Water System	Size (Square Miles)	Population
Private Water Systems OUTSIDE City's Jurisdictional Boundary				
1	Renaissance High	Small Water System (2 connections)	0.02	250
2	Kitayama Bros.	Small Water System (3 connections)	0.35	50
3	Sheriff's Rehab	Small Water System (5 connections)	0.17	235
4	R&A Farms	Small Water System (5 connections)	0.02	48
5	Gizditch Ranch	Small Water System (5 connections)	0.02	200
6	Larkin Ridge MWC	Small Water System (5 connections)	0.02	10
7	Freedom MWC	Small Water System (5 connections)	0.19	10
8	East Bel Mar	Small Water System (5 connections)	0.04	12
9	Aptos High School	Small Water System (6 connections)	0.09	1,925
10	Zelbar	Small Water System (6 connections)	0.06	15
11	Enos Lane	Small Water System (6 connections)	0.08	22
12	Corralitos Springs	Small Water System (6 connections)	0.25	11
13	Lake View Apartments	Small Water System (7 connections)	0.01	43
14	Whiting Road	Small Water System (7 connections)	0.03	20
15	Spring Valley Water Assoc.	Small Water System (7 connections)	0.01	16
16	Cassin Ranch	Small Water System (8 connections)	0.02	30
17	Woodside	Small Water System (8 connections)	0.02	16
18	Milky Way MWC	Small Water System (9 connections)	0.03	20
19	Rancho San Andreas	Small Water System (11 connections)	0.01	200
20	Vista Oaks	Small Water System (11 connections)	0.13	30
21	Emerald City	Small Water System (12 connections)	0.11	30
22	Aptos Hills MWC	Small Water System (12 connections)	0.13	32
23	Hughes Road	Small Water System (13 connections)	0.03	25
24	White Calabasas MWC	Small Water System (14 connections)	0.05	31
25	Camp St. Francis	Medium Water System (16 connections)	0.02	57
26	Aptos Ridge MWC	Medium Water System (16 connections)	0.09	52
27	Allan Lane Water Assoc.	Medium Water System (17 connections)	0.04	68
28	Meadowridge	Medium Water System (18 connections)	0.22	42
29	Las Colinas Road & Wtr Assoc.	Medium Water System (24 connections)	0.07	70
30	St. Francis Tract Water System	Medium Water System (29 connections)	0.03	118
31	Rancho Corralitos*	Medium Water System (31 connections)	0.08	60
32	Monte Vista Christian School	Medium Water System (43 connections)	0.11	1,083
33	Crestwood Heights Water Co.*	Medium Water System (45 connections)	0.01	126
34	Sunset Beach*	Medium Water System (65 connections)	0.02	150
35	Monterey Bay Acad.	Medium Water System (78 connections)	0.58	400
36	Santa Cruz KOA	Medium Water System (235 connections)	0.04	110
37	San Andreas MWC	Medium Water System (135 connections)	0.54	350
38	Buena Vista Migrant Center	Medium Water System (140 connections)	0.08	455
39	Calabasas Road	Medium Water System (15 to 199 connections)	0.01	17
40	County Fair Grounds	Medium Water System (15 to 199 connections)	0.16	550
41	Elevate Addiction Services (previously Halcyon Horizons)	Medium Water System (15 to 199 connections)	0.04	80
42	Alianza Charter School (previously Salsipuedes Elementary)	Medium Water System (15 to 199 connections)	0.02	967

*Footnote: Crestwood Heights Water Company, Rancho Corralitos, and Sunset Beach are located within the City's Water Service Area.

SPHERE OF INFLUENCE

Current Sphere Boundary

Santa Cruz LAFCO adopted the City's first sphere of influence on January 12, 1983. The current sphere excludes areas within the City's water service area. The last sphere update occurred in October 2021 as part of the Countywide Fire Protection Service and Sphere Review. **Figure 34** on page 97 shows the current sphere of influence boundary.

Proposed Sphere Boundary

In accordance with state law, the sphere boundary should focus on areas that may receive additional services from the City in the foreseeable future. Based on staff's analysis, the City provides services outside its city limits, totaling 4,628 parcels (approximately 9,400 acres). These parcels are shown in **Figure 32** on page 92. LAFCO staff is recommending that the sphere boundary be expanded to include the City's water service area. **Figure 35** on page 98 shows the proposed sphere boundary. Further analysis would be required as part of any annexation application to determine whether the City is willing and capable of providing services to the annexation area(s), if annexation is pursued in the future based on the new sphere and submitted plan.

LAFCO Staff Recommendation: *The City should develop a plan to determine when the areas within its water service area should be annexed. The plan should be developed and submitted to LAFCO prior to their next service review cycle (August 2027).*

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Figure 34: City's Current Sphere Map

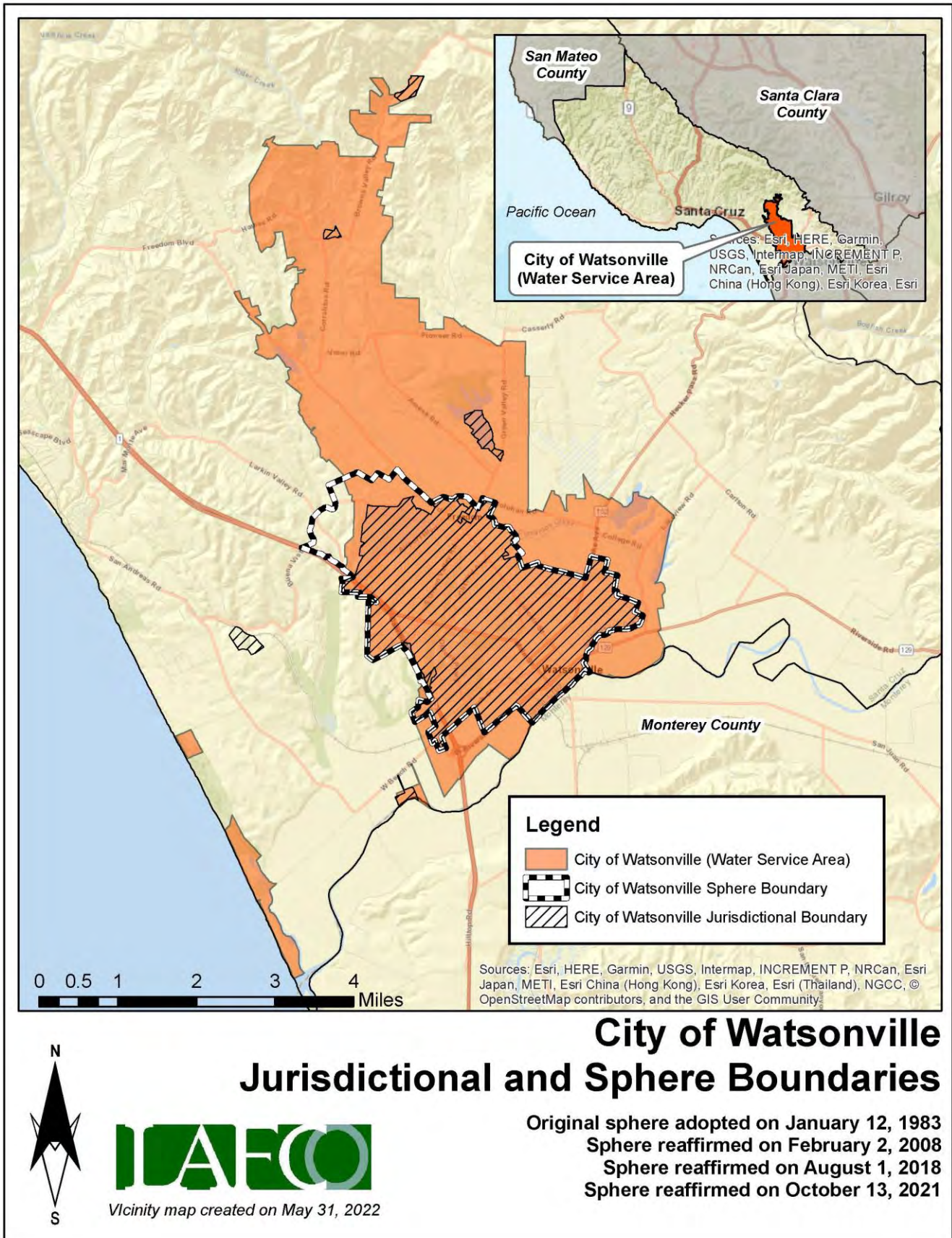
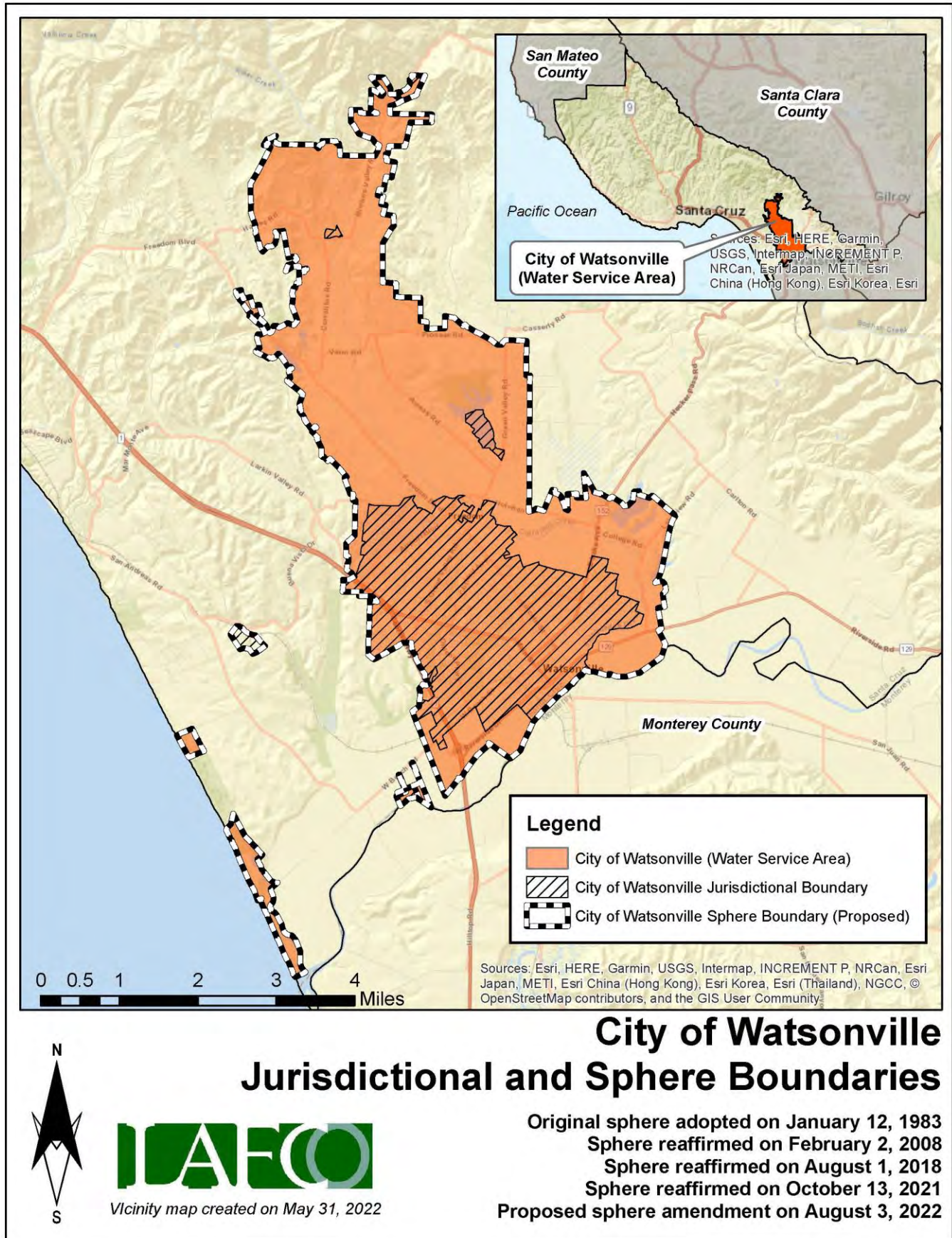


Figure 35: City's Proposed Sphere Map



DISTRICT SUMMARY

City of Watsonville Water Department	
Formation	California Charter City Law (Article XI, section 3(a) of the California Constitution)
Board of Directors	City Council: 7 members (four-year terms)
Contact Person	Rene Mendez, City Manager
Employees	44 Full-Time Employees
Facilities	14,884 connections; 190 miles of pipeline; 14 wells; 9 booster stations; 9 hydraulic pressure zones; and 8 reservoirs and water storage facilities.
WSA Area	21 square miles (appx. 13,000 acres)
Sphere of Influence	<p>Current Sphere: Larger than the City (i.e., sphere boundary includes areas outside the City's jurisdictional boundary)</p> <p>Proposed Sphere: Larger than the City (i.e., sphere boundary includes areas outside the City's jurisdictional boundary)</p>
FY 2020-21 Audit	<p>Total Revenue = \$19,935,279</p> <p>Total Expenditure = \$16,004,616</p> <p>Net Position (Ending Balance) = \$61,793,366</p>
Contact Information	<p>Mailing Address: 250 Main Street, Watsonville CA 95076 (Water Department)</p> <p>Phone Number: (831) 831-768-3100</p> <p>Email Address: citymanager@cityofwatsonville.org</p> <p>Website: https://www.cityofwatsonville.org/</p>
Public Meetings	The City Council meets in the Watsonville City Council Chambers, 275 Main Street, on the second and fourth Tuesday of each month, at 4:00 p.m.
Mission Statement	The Water Division is responsible for one of life's most valuable resources: drinking water. The City provides service to residential, commercial, industrial, and institutional customers assuring delivery of the highest quality of potable water serving Watsonville and parts of unincorporated areas of Santa Cruz County.

SERVICE AND SPHERE REVIEW DETERMINATIONS

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

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 boundary. Written statements of determination must be prepared with respect to each of the following:

1. Growth and population projections for the affected area.

The population of WWSA in 2020 was estimated to be 65,000. Based on LAFCO's analysis, the population within WWSA will be approximately 70,000 by 2040.

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

In 2020, the California statewide median household income was \$78,672, and 80% of that was \$62,938. Based on LAFCO's analysis, there are no disadvantaged unincorporated communities within or contiguous to the City's sphere boundary.

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.

In accordance with the California Water Code, every urban water supplier with 3,000 or more service connections or supplying more than 3,000 acre-feet of water per year are required to prepare an Urban Water Management Plan every five years. With 14,884 active service connections, the City of Watsonville clearly meets the definition of "Urban Water Supplier" and prepared a plan in 2020.

4. Financial ability of agencies to provide services.

WWSA is financially sound. The District ended with a surplus in five of the last six fiscal years during 2015 to 2021. As of June 30, 2021, the total net position balance ended with approximately \$62 million. LAFCO believes that this positive trend will continue based upon the City's ongoing conservative budgetary practices reflected in their audited financial statements.

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

LAFCO encourages the City to explore additional methods to collaborate with neighboring water agencies, including the privately-owned water companies surrounding WWSA. At present, there are 42 private water systems near WWSA.

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

The City has a detailed and transparent website that provides in-depth information regarding the City's various departments, including its water department.

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

LAFCO recommends that the City develop a plan to determine when the areas within its water service area should be annexed. The plan should be developed and submitted to LAFCO prior to their next service review cycle (August 2027).

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.

At present, the majority of land within the City's water service area is designated as Agriculture. The remaining areas also include unincorporated territory designated for various land uses including residential under the County's existing general plan.

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

The City adopted an Urban Water Management Plan in 2020 which provides an in-depth overview of the City's current and future water demand and infrastructure.

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

The City's regional water system consists of 190 miles of pipelines, 14 wells, 8 reservoirs and the Corralitos Filtration Plant treatment plant that delivers clean, safe water to our service population of 66,000 customers.

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.

A total of 42 private water systems are located near WWSA. The City should coordinate with LAFCO and the subject private water systems to analyze possible annexations and/or sphere amendments to include any mutual water company or other nearby water system that can no longer provide adequate level of service.

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.

In 2020, the California statewide median household income was \$78,672, and 80% of that was \$62,938. Based on LAFCO's analysis, there are no disadvantaged unincorporated communities within or contiguous to the City's sphere boundary.

COUNTY SERVICE AREA 54 (SUMMIT WEST)

OVERVIEW

The County Service Area 54 was formed on February 7, 1996 to provide water services to the Summit West community located in the Santa Cruz Mountains south of Summit Road and west of Highway 17. **Figure 36**, on page 103, is a vicinity map depicting the District's current jurisdictional boundary.

History

For many years prior to 1987, the CSA 54 area received water service from the Mountain Charlie Water Works, a private water company, subject to State Public Utility Commission rate regulation, and State and County Health Department regulation of drinking water quality. In 1987, the water company had approximately 150 customers in a low-density, mountain residential area. The water system was damaged in the 1989 Loma Prieta earthquake. The water company was unable to meet quality or quantity standards. Customers were distraught with the water company and the ineffectiveness of the regulatory bodies. A 1995 decision of the State Public Utilities Commission found that the management of the Mt. Charlie Water Works had neither the financial or technical competence to meet water quality and quantity standards.

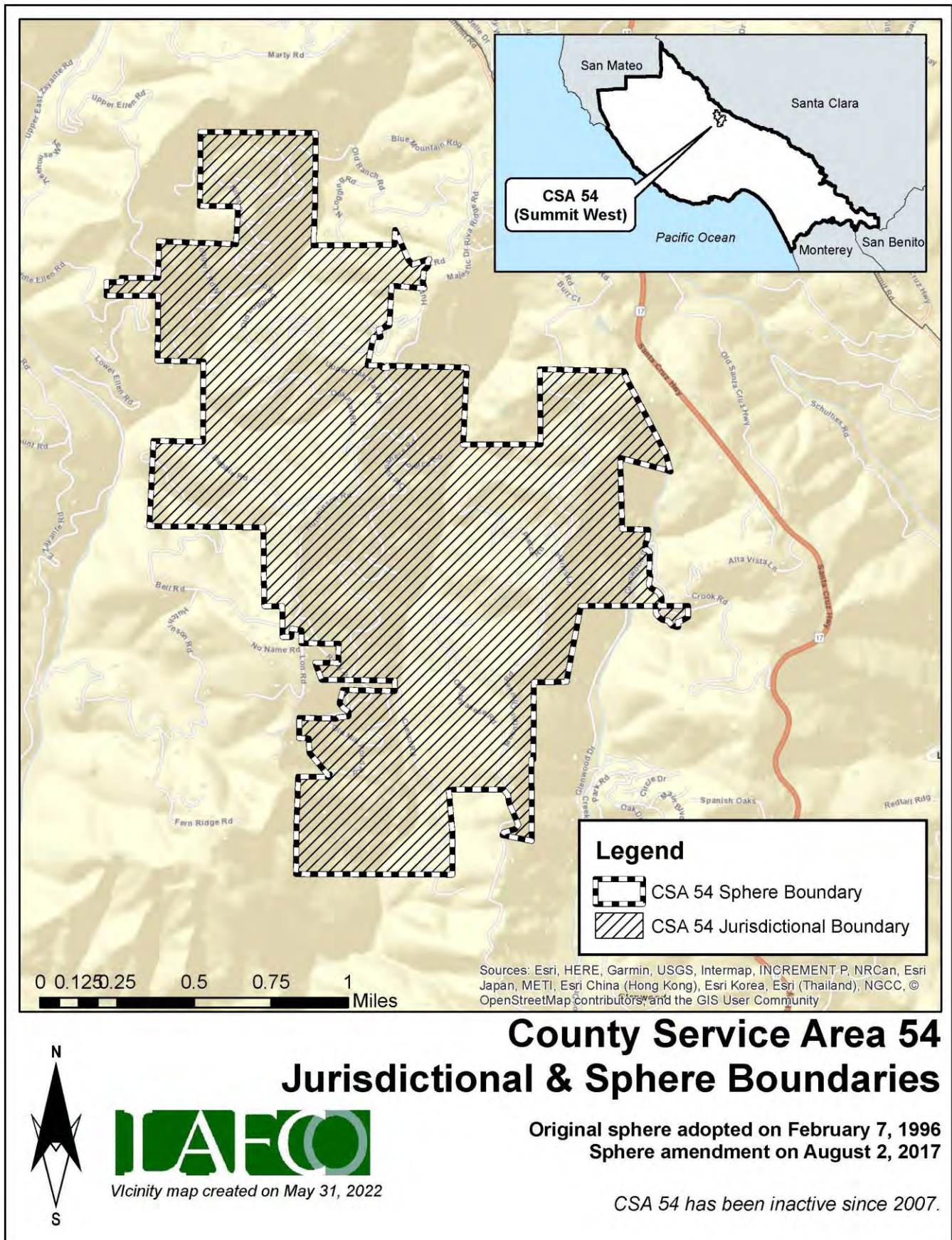
In May 1995, the County of Santa Cruz petitioned the Superior Court to place the Mt. Charlie system under receivership. The Court granted the petition and appointed a receiver, John W. Richardson. Seeking a permanent solution, system customers also approached the County of Santa Cruz with the concept of using the County's power of eminent domain to acquire and run the water system. On February 7, 1996, LAFCO approved the County's application to form the county service area.

CSA Inactivity

The County then collected a levy from the property owners within CSA 54, and proceeded to file an eminent domain lawsuit to acquire the key water rights and operating facilities of the Mt. Charlie Water Works. The suit was settled with the rights and facilities being acquired in exchange for a cash amount. The County began operating the system and the customers organized a mutual benefit corporation which would ultimately take over operations of the water system.

In May 2001, the Board of Supervisors authorized the transfer of the water system to the newly-formed mutual, the Summit West Mutual Water Company. For a period of time after the transfer was complete, CSA 54 continued to collect a levy in order to make payments on a State Department of Water Resources loan. The loan was eventually transferred to the Summit West Mutual Water Company, and they have since paid it off. In 2005, the Summit West Mutual Water Company served 139 connections, and was obligated to serve an additional 25 properties within the service area if connections were requested. The County stopped collecting CSA 54 levies, but maintained the balance in the CSA 54 account. On October 16, 2007, the Board of Supervisors used \$25,000 of CSA 54's fund balance to help fund storm damage repairs to a supply main slip out on Upper Oak Flat Road. Since then, CSA 54 has been inactive.

Figure 36: CSA 54's Vicinity Map



Population and Growth

Based on staff's analysis, the population of CSA 54 in 2020 was estimated to be 550. The Association of Bay Area Governments (ABAG) and the Association of Monterey Bay Area Governments (AMBAG) provide population projections for cities and counties in the Coastal Region. Official growth projections are not available for special districts. In general, the Coastal Region is anticipated to have a slow growth over the next twenty years. **Table 48** shows the anticipated population within the CSA. The average rate of change is 0.86%. Based on the projections for Santa Cruz County, LAFCO was able to develop a population forecast for the CSA. LAFCO staff increased CSA 54's 2020 population amount by 0.86% each year. Under this assumption, our projections indicate that the entire population of the CSA will be approximately 570 by 2040.

Table 48: Projected Population

	2020	2025	2030	2035	2040	Average Rate of Change
Santa Cruz County (unincorporated area)	136,891	137,896	139,105	140,356	141,645	0.86%
CSA 54	550	555	559	564	569	0.86%

Source: AMBAG 2018 Regional Growth Forecast and GIS Parcel Data

FINANCES

As previously mentioned, CSA 54 has been inactive since 2007. The County has not been providing services or collecting funds for over fifteen years. Therefore, LAFCO did not conduct a financial analysis for this agency.

GOVERNANCE

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. LAFCO anticipates the State to identify CSA 54 as an inactive district and require the completion of a mandatory dissolution.

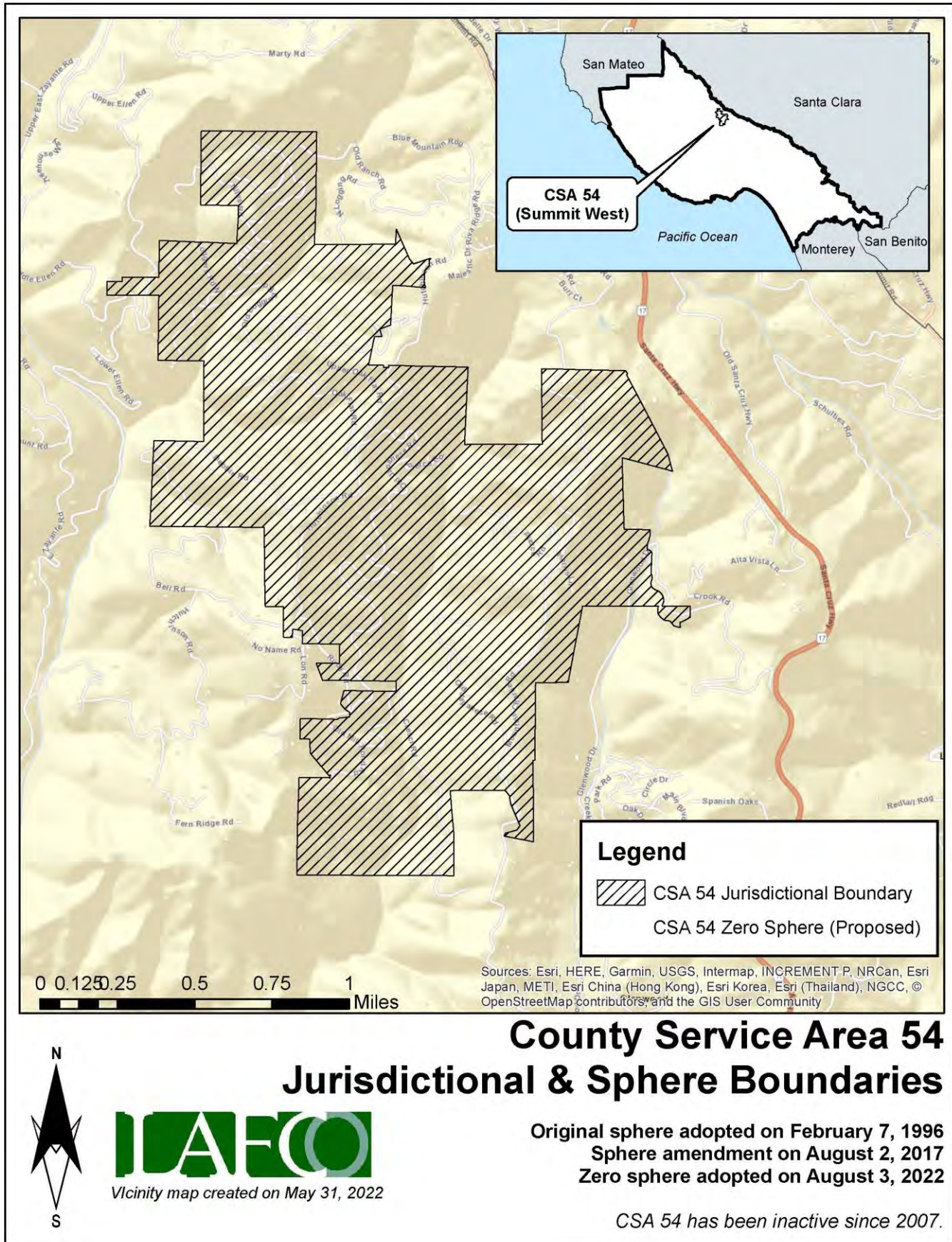
SPHERE OF INFLUENCE

Proposed Sphere Boundary

Due to the lack of operations and governance, LAFCO staff is recommending the adoption of a zero sphere, as shown as **Figure 37** on page 105. LAFCO may adopt a "zero" sphere (encompassing no territory) for a public agency when the Commission has determined that the service functions of the affected agency are either: nonexistent, no longer needed, or should be reallocated to some other local government. Adoption of a zero sphere indicates that the CSA should ultimately be dissolved .

LAFCO Staff Recommendation: Adopt a zero sphere as a precursor to dissolution. The County or LAFCO should initiate dissolution by December 2022.

Figure 37: CSA 54's Proposed Sphere Map



DISTRICT SUMMARY

County Service Area 54 (Summit West)	
Formation	California County Service Area Law, Section 25,000 et seq.
Board of Directors	County Board of Supervisors
Contact Person	No General Manager
Employees	0 Full-Time Employees
Facilities	None
District Area	2.14 square miles (appx. 1,400 acres)
Sphere of Influence	<p>Current Sphere: Coterminous (i.e. sphere boundary the same as the District's jurisdictional boundary)</p> <p>Proposed Sphere: Zero (i.e., precursor to dissolution)</p>
FY 2020-21 Audit	<p>Total Revenue = \$0</p> <p>Total Expenditure = \$0</p> <p>Net Position (Ending Balance) = \$0</p>
Contact Information	<p>Mailing Address: None</p> <p>Phone Number: None</p> <p>Email Address: None</p> <p>Website: None</p>
Public Meetings	N/A
Mission Statement	None

SERVICE AND SPHERE REVIEW DETERMINATIONS

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

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 boundary. Written statements of determination must be prepared with respect to each of the following:

1. Growth and population projections for the affected area.

The population of CSA 54 in 2020 was estimated to be 550. Based on LAFCO's analysis, the population within the CSA will be approximately 570 by 2040.

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

In 2020, the California statewide median household income was \$78,672, and 80% of that was \$62,938. Based on LAFCO's analysis, there are no disadvantaged unincorporated communities within or contiguous to the CSA's sphere boundary.

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.

There is no present and planned capacity of public facilities or adequacy of public services. The CSA has no general manager, no office, no website, no capital improvement plan, and a significant lack of transparency.

4. Financial ability of agencies to provide services.

The CSA has been inactive since 2007. The County has not collected any revenue or incurred any expenses in over fifteen years.

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

LAFCO strongly encourages the County to support dissolution.

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

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. LAFCO anticipates the State to identify CSA 54 as an inactive district and require the completion of a mandatory dissolution.

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

LAFCO strongly encourages the County to support dissolution.

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.

At present, the majority of land within the CSA is designated mountain residential.

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

The CSA has no long-term planning in place.

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

There is no present and planned capacity of public facilities or adequacy of public services. The CSA has no general manager, no office, no website, no capital improvement plan, and a significant lack of transparency.

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 besides the Summit West Mutual Water Company.

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.

In 2020, the California statewide median household income was \$78,672, and 80% of that was \$62,938. Based on LAFCO's analysis, there are no disadvantaged unincorporated communities within or contiguous to the CSA's sphere boundary.

OVERVIEW

The Pajaro Valley Water Management Agency was formed in November 1984 through special legislation (Pajaro Valley Water Management Act¹⁰). The Act indicates that PVWMA is responsible for preventing further increase in and continuing reduction of long-term overdraft and to provide and insure sufficient water supplies for present and anticipated needs within its boundaries. Today, the District manages existing and supplemental water supplies within 124 square miles of territory that encompasses the City of Watsonville and unincorporated territory located in three counties (Monterey, San Benito, and Santa Cruz). There is a total of 21,414 parcels within the District (totaling approximately 79,000 acres) – 323 parcels in San Benito County, 3,547 parcels in Monterey County, and 17,563 parcels in Santa Cruz County.

Based on the total size and assessed value of PVWMA's service area within each county, Santa Cruz LAFCO is the "Principal LAFCO" and responsible for any future boundary changes regarding the District. **Figure 38**, on page 113, is a vicinity map depicting PVWMA's current jurisdictional boundary. **Figure 39**, on page 114, also shows the current land use designation under the County's General Plan. At present, the majority of land within the District is designated as Agriculture. A map showing the land use designations within the City of Watsonville was not produced since the City already has a map available on its website¹¹.

Zero boundary changes have occurred since 1984. There was an attempt to detach the Aromas Water District (located in Monterey County) from PVWMA in 1990 but that application was denied by LAFCO. Since then, the District's boundary has remained unchanged.

Services and Infrastructure

PVWMA is not a water purveyor of domestic (i.e. potable) water, such as a typical water district or municipal water department, but rather is a Groundwater Sustainability Agency (GSA) responsible for achieving sustainable groundwater resources within the Pajaro Valley Groundwater Basin. There are three main watersheds located inside PVWMA: (1) Corralitos Creek Watershed, (2) Watsonville Slough Complex (both of which are in Santa Cruz County and drain into the Pajaro River), and (3) the Carneros Creek Watershed in Monterey County, which drains into Elkhorn Slough. The Pajaro River Watershed extends east of PVWMA into San Benito County and is approximately 1,300 square miles in size. The area contributing to the flow in the Pajaro River is much larger than all of the local watersheds combined. PVWMA monitors surface water in the watersheds for electrical conductivity, calcium concentration, magnesium concentration, sodium concentration, chloride concentration, carbonate and bi-carbonate concentration, sulfate concentration, boron concentration, nitrate concentration, iron concentration, manganese concentration, potassium concentration, turbidity, and in select locations pesticides and fertilizers.

¹⁰ PVWMA Act: https://www.pvwwater.org/images/about-pvwma/assets/agency_act_assets/Agency%20Act%20-%202009_Act%20760.PVWMA.pdf

¹¹ City of Watsonville Land Use Map - <https://www.cityofwatsonville.org/DocumentCenter/View/106/2005-General-Plan-Land-Use-Diagram->

While PVWMA has the authority to manage groundwater resources in the basin, PVWMA's activities typically focus on halting seawater intrusion by balancing the overdraft conditions in the basin. For example, the District's charter specifically prevents supplying potable water, which is intended to remain the responsibility of local water purveyors. Therefore, all PVWMA projects considered and approved in its Basin Management Plan only supply non-potable (irrigation) water. PVWMA activities do not include flood control, stream restoration or habitat management (except as mitigations for PVWMA projects), which are the responsibility of state and/or county jurisdictions. **Table 49** summarizes the District's services and **Table 50** provides an overview of the District's infrastructure.

Table 49: List of Service Provisions

Services	Checkmark (Yes)
Agricultural Water	✓
Drainage	
Groundwater Replenishment	✓
Retail Potable Water	
Recycled Water	✓
Wastewater (Sewer)	
Water Treatment	✓
Water Conservation	✓

Table 50: List of Infrastructure / Facilities

Infrastructure	Checkmark (Yes)	Quantity
Distribution / Storage Tanks	✓	2.5 million gallons of recycled water storage
Pressure Zones	-	-
Production Wells	✓	2 production wells; Monitors groundwater levels through 175 publicly and privately owned wells
Pump Stations	✓	6 pump stations (including 2 new distribution pumps)
Recycled Water System	✓	
Treatment Plants	✓	Recycled Water Treatment Facility (partnership with City of Watsonville)
Water Diversions	✓	Harkins Slough Filter Plant (Water Right Permit to divert up to 2,000 acre-feet per year from Harkins Slough)
Water Pipeline	✓	22 miles (Coastal Distribution System delivers supplemental water supply)
Total Connections	✓	1,109 metered wells; 1,200 unmetered domestic wells; 110 turnouts (62 active)

Water Services

PVWMA's investments in integrated water infrastructure and associated water management programs are intended to protect and enhance the quality of groundwater resources in the Pajaro Basin by increasing supplemental water supply and water conservation and reducing groundwater pumping. With the completion of several water projects and the planned addition of projects described in the Basin Management Plan Update, PVWMA provides two types of water: (1) supplemental water service, and (2) delivered water service. Supplemental water service is funded by the District's augmentation charge while delivered water service is funded through the District's delivered water charge. **Table 51** on page 112 provides an overview of the water charges. In 2021, PVWMA conducted a cost study to increase its existing service charges¹². **Table 52** on page 112 also shows the new service charges based on the findings from the 2021 cost study.

Supplemental Water Service

PVWMA provides supplemental water service to groundwater users throughout the Pajaro Basin. Supplemental water service includes the purchase/acquisition, capture, storage, and distribution of supplemental water through existing facilities, as well as the implementation of projects identified in the Basin Management Plan Update to reduce groundwater overdraft and retard seawater intrusion. Existing facilities include the Watsonville Recycled Water Treatment Facility, supplemental wells for blending, the Harkins Slough Project, and the Coastal Distribution System. These facilities, and the projects identified in the BMP Update, are intended to advance the following PVWMA objectives for the benefit of all groundwater users in the Pajaro Basin: (a) Protect and maintain the ability of property owners basin-wide to continue ongoing groundwater extraction; (b) Secure the basin water supply; (c) Retard seawater intrusion; (d) Reduce overdraft; (e) Promote water conservation; and (f) Avoid harsher and stricter groundwater pumping limits that could be imposed by the Agency, State Water Resources Control Board, or court adjudication and order, and thereby protect and preserve the ability of all groundwater pumpers throughout the groundwater basin to continue relying on groundwater resources without regulatory limits.

The supplemental water service is funded primarily through an augmentation charge pursuant to the PVWMA Act. The augmentation charge is a charge levied on the extraction of groundwater from wells within PVWMA. In order to administer the charge, it is necessary for the Agency to know the actual or reasonable estimate of groundwater extraction from each well. PVWMA installs meters on all wells capable of extracting 10 or more acre feet per year. There are four well types in the Agency: (1) municipal wells operated by retail water providers; (2) agricultural wells; (3) industrial wells; and (4) small wells that serve rural residential parcels that are not connected to a public or community water system. The municipal, agricultural, and industrial wells are metered and they account for approximately 88% of the total groundwater basin water use. There are approximately 1,100 wells serving the rural residential parcels, which account for approximately 2% of the water use, and the remaining 10% of water use is by delivered water users.

¹² PVWMA Cost Study: https://www.pvwma.org/images/2021-Cost-of-Service-Rate-Study-Final_Feb.2021_Final.pdf

Delivered Water Service

In addition to the supplemental water services provided basin-wide, PVWMA supplies delivered water to property owners within the Delivered Water Zone (DWZ) through the Coastal Distribution System. Delivered water is produced by PVWMA facilities constructed and operated to protect the groundwater basin from overdraft and seawater intrusion. Delivered water service includes the design, construction, operation, maintenance, management, monitoring, repair and replacement of existing facilities, and other facilities identified in the Basin Management Plan Update that provide irrigation water to delivered water service customers. The DWZ delineates those water users able to receive delivered water directly from PVWMA. Delivery and use of delivered water in the DWZ helps to preserve the amount and quality of the groundwater underlying the properties in the DWZ. As a result, properties in the DWZ are subject to a higher augmentation charge, which reflects the higher level of services provided through the immediate availability of delivered water and the benefits to the underlying groundwater. PVWMA funds this service through a delivered water charge imposed on users of the delivered water service. The only property owners subject to the delivered water charge are those who apply for and receive delivered water from the PVWMA through the Coastal Distribution System. The charge is authorized by the PVWMA Act.

Table 51: Previous Cost of Service Rate (Unit Cost Per Acre-Foot)

Charges	2017 (Adopted)	2018 (Adopted)	2019 (Adopted)	2020 (Adopted)	2021 (Adopted)
Augmentation Charge					
Metered Users (Outside Delivered Water Zone)	\$203	\$217	\$231	\$246	\$246
Metered Users (Inside Delivered Water Zone)	\$258	\$282	\$309	\$338	\$338
Unmetered Users (Rural Residential)	\$97	\$103	\$109	\$115	\$115
Delivered Water Charge					
Delivered Water Charge	\$359	\$369	\$381	\$392	\$392

Table 52: New Cost of Service Rate (Unit Cost Per Acre-Foot)

Charges	2022 (Adopted)	2023 (Adopted)	2024 (Adopted)	2025 (Adopted)	2026 (Adopted)
Augmentation Charge					
Metered Users (Outside Delivered Water Zone)	\$263	\$282	\$302	\$323	\$346
Metered Users (Inside Delivered Water Zone)	\$363	\$391	\$420	\$452	\$486
Unmetered Users (Rural Residential Per Residence)	\$123	\$132	\$142	\$152	\$163
Delivered Water Charge					
Delivered Water Charge	\$412	\$432	\$454	\$477	\$501

Figure 38: PVWMA's Vicinity Map

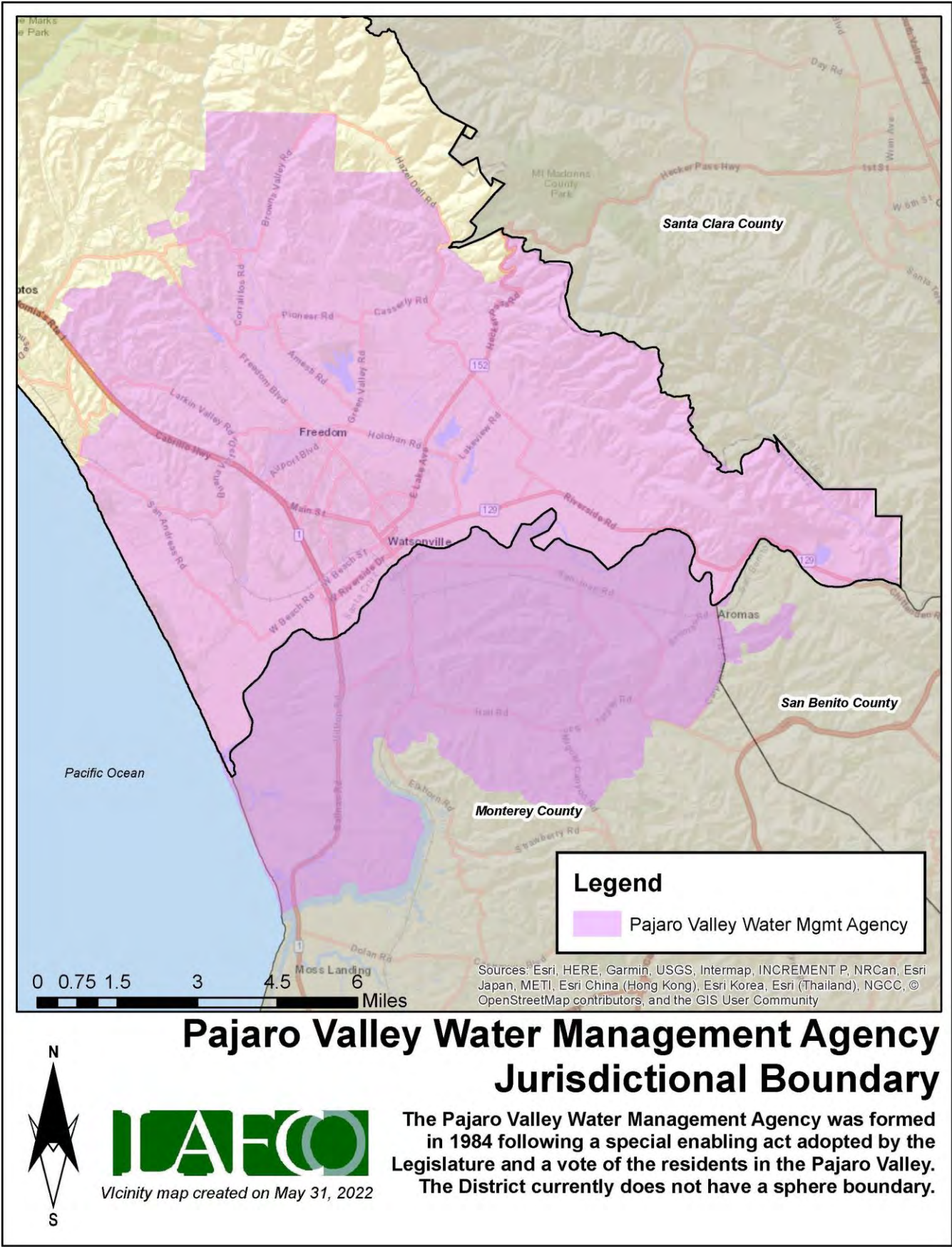
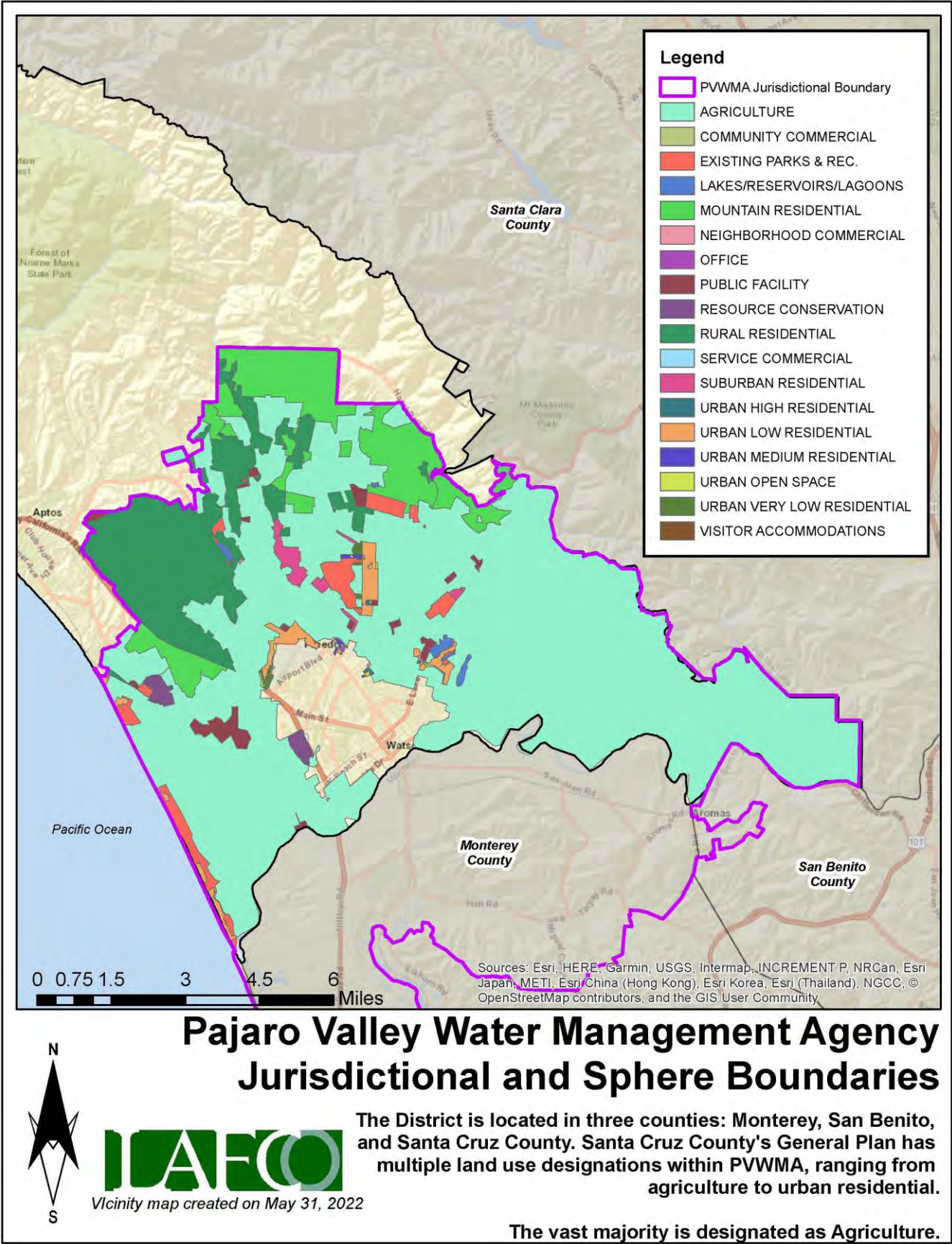


Figure 39: PVWMA's Land Use Map



Population and Growth

Based on staff's analysis, the population of PVWMA in 2020 was estimated to be 90,000. The Association of Bay Area Governments (ABAG) and the Association of Monterey Bay Area Governments (AMBAG) provide population projections for cities and counties in the Coastal Region. Official growth projections are not available for special districts. In general, the Coastal Region is anticipated to have a slow growth over the next twenty years. **Table 53** shows the anticipated population within PVWMA. The average rate of change for Monterey County is 0.25%, Santa Cruz County is 0.86%, City of Watsonville is 2.78%, and San Benito County is 6.54%.

Population Projection

Based on the projections for the areas within the Pajaro Valley, LAFCO was able to develop a population forecast for PVWMA. LAFCO staff increased the District's 2020 population amount by 2.61% each year. Under this assumption, our projections indicate that the entire population of PVWMA will be approximately 100,000 by 2040.

Table 53: Projected Population

	2020	2025	2030	2035	2040	Average Rate of Change
Monterey County (unincorporated area)	105,361	105,682	106,007	106,323	106,418	0.25%
San Benito County (unincorporated area)	20,360	22,745	23,879	25,116	26,195	6.54%
Santa Cruz County (unincorporated area)	136,891	137,896	139,105	140,356	141,645	0.86%
City of Watsonville	53,536	55,187	56,829	58,332	59,743	2.78%
Pajaro Valley Water Management Agency	90,000	92,347	94,756	97,227	99,762	2.61%

Source: AMBAG 2018 Regional Growth Forecast and FY 2020-21 PVMWA Annual Reports

FINANCES

This section will highlight the District's financial performance during the most recent fiscal years. Fiscal Year 2020-21 is the latest audited financial statement available. LAFCO evaluated PVWMA's financial health from 2015 to 2021. A comprehensive analysis of the District's financial performance during the past six years is shown in **Tables 57 and 58** on pages 120-121.

At the end of Fiscal Year 2020-21, total revenue collected was approximately \$30 million, representing a 25% increase from the previous year (\$24 million in FY 19-20). Total expenses for FY 2020-21 were approximately \$24 million, which decreased by 7% from the previous year (\$26 million in FY 19-20). Since 2015, the District ended each fiscal year with a surplus, with the exception of FYs 15-16 and 19-20, as shown in **Figure 40**. LAFCO staff believes that this positive trend will continue based upon the District's ongoing conservative budgetary practices reflected in their audited financial statements and the recent adoption of new service charges following their 2021 cost study.

**Figure 40: Statement of Revenues & Expenditures
(FY 2015-16 to FY 2020-21)**



Footnote: During FY 15-16, PVWMA received \$23 million in grants and bonds and incurred \$27 million in debt service expenses. This is the primary reason why the audited amount is significantly higher than the following years.

Revenues

Operating Revenue

The District's primary source of revenue is typically from operating revenues. In FY 2020-21, operating revenue represented 49% of the District's entire revenue stream. Funding from this category include Augmentation Charges, Water Sales, and Management Fees.

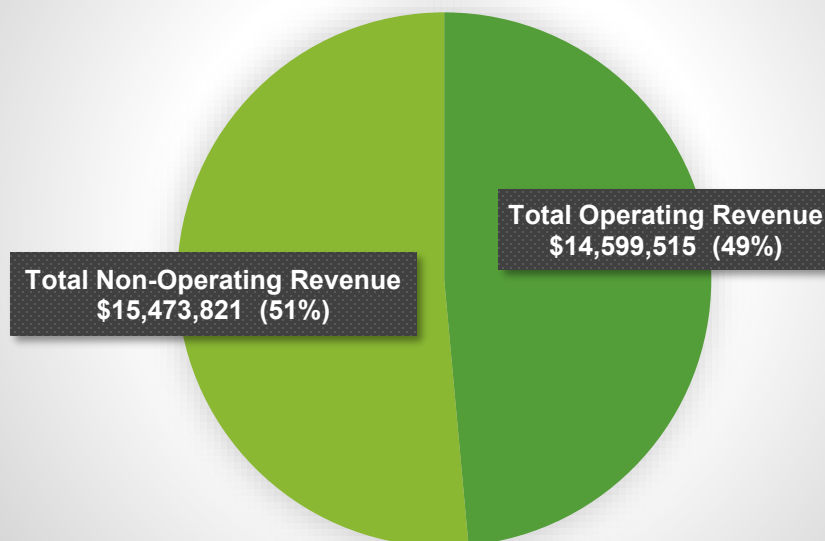
Non-operating Revenue

The remaining 51% of total revenue derive from non-operating revenue sources. These funds include Capital Grants, Proceeds from Notes, and Operating Transfers In. **Table 54 and Figure 41** provide a breakdown of the District's revenue by category and source.

Table 54: Revenue Breakdown (FY 2020-21)

Revenue	Amount	Percentage
Operating Revenue		
Augmentation Charges	\$12,102,376	82.90%
Water Sales	\$2,109,806	14.45%
Management Fees	<u>\$387,333</u>	<u>2.65%</u>
Total Operating Revenue	\$14,599,515	100.00%
Non-Operating Revenue		
Operating Transfers In	\$9,350,736	60.43%
Capital Grants and Contributions	\$4,551,434	29.41%
Proceeds from Notes	\$1,544,031	9.98%
Other Revenue	\$19,870	0.13%
Interest Income	<u>\$7,750</u>	<u>0.05%</u>
Total Non-Operating Revenue	\$15,473,821	100.00%
Total Revenue	<u>\$30,073,336</u>	

**Figure 41: Operating v Non-Operating Revenue
(FY 2020-21)**



Expenditures

Operating Expense

The District's operating expenses represented approximately 6% of total expenditure during FY 2020-21. Operating expenses include: Office Administration, Board Support, Education & Outreach, and Grant Administration.

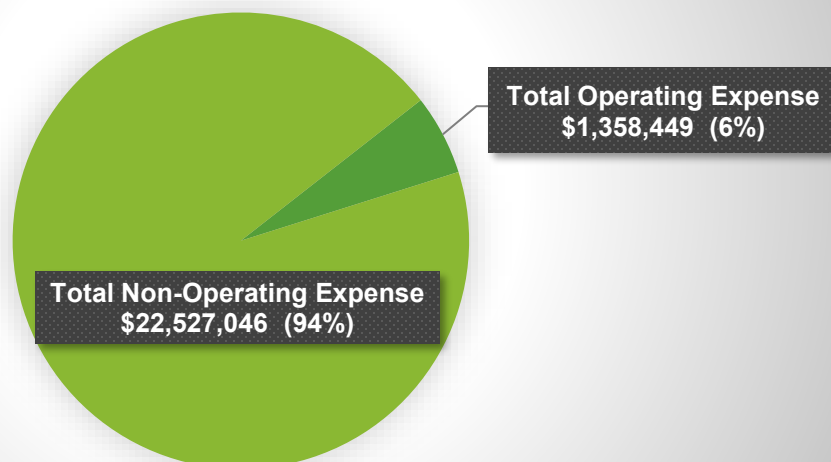
Non-operating Expense

The remaining 94% of total expenses derive from non-operating expenses. These costs include but are not limited to the following; College Lake Project, Recycled Water Facility, and the Coastal Distribution System. **Table 55 and Figure 42** provide a breakdown of the District's costs by category and source.

Table 55: Expense Breakdown (FY 2020-21)

Expenditure	Amount	Percentage
Operating Expense		
Office Administration	\$1,067,991	78.62%
Education and Outreach	\$135,294	9.96%
Grant Administration	\$127,903	9.42%
Board Support	<u>\$27,261</u>	<u>2.01%</u>
Total Operating Expense	\$1,358,449	100.00%
Non-Operating Expense		
Operating Transfers Out	\$9,350,736	41.51%
Other Expenses	\$7,385,449	32.78%
College Lake Project	\$2,712,835	12.04%
Recycled Water Facility	\$2,071,730	9.20%
Coastal Distribution System	<u>\$1,006,296</u>	<u>4.47%</u>
Total Non-Operating Expense	\$22,527,046	100.00%
Total Expenditure	<u>\$23,885,495</u>	

**Figure 42: Operating v Non-Operating Expense
(FY 2020-21)**



Fund Balance / Net Position

As of June 30, 2021, the total net position balance ended with approximately \$20 million. The following table highlights the net position balance from 2015 to 2021. As shown in **Table 56** and **Figure 43**, the District's fund balance has increased over the years and has maintained an annual balance above \$10 million. Based on this historical trend, LAFCO staff believes the positive balance will continue. This healthy amount will be critical in the event that the District faces any unintended expenses, major capital improvements projects, or emergency repairs.

Table 56: Net Position (2015 to 2021)

	FY 2015-16 (Audited)	FY 2016-17 (Audited)	FY 2017-18 (Audited)	FY 2018-19 (Audited)	FY 2019-20 (Audited)	FY 2020-21 (Audited)
Beginning Balance	<u>\$13,172,911</u>	<u>\$10,878,539</u>	<u>\$11,709,044</u>	<u>\$14,120,704</u>	<u>\$15,735,766</u>	<u>\$14,030,224</u>
Ending Balance	<u>\$10,878,539</u>	<u>\$11,647,759</u>	<u>\$14,120,704</u>	<u>\$15,735,766</u>	<u>\$14,030,224</u>	<u>\$20,218,065</u>
Change (\$)		\$769,220	\$2,472,945	\$1,615,062	\$(1,705,542)	\$6,187,841

Figure 43: Net Position from 2015 to 2021 (Ending Balance)

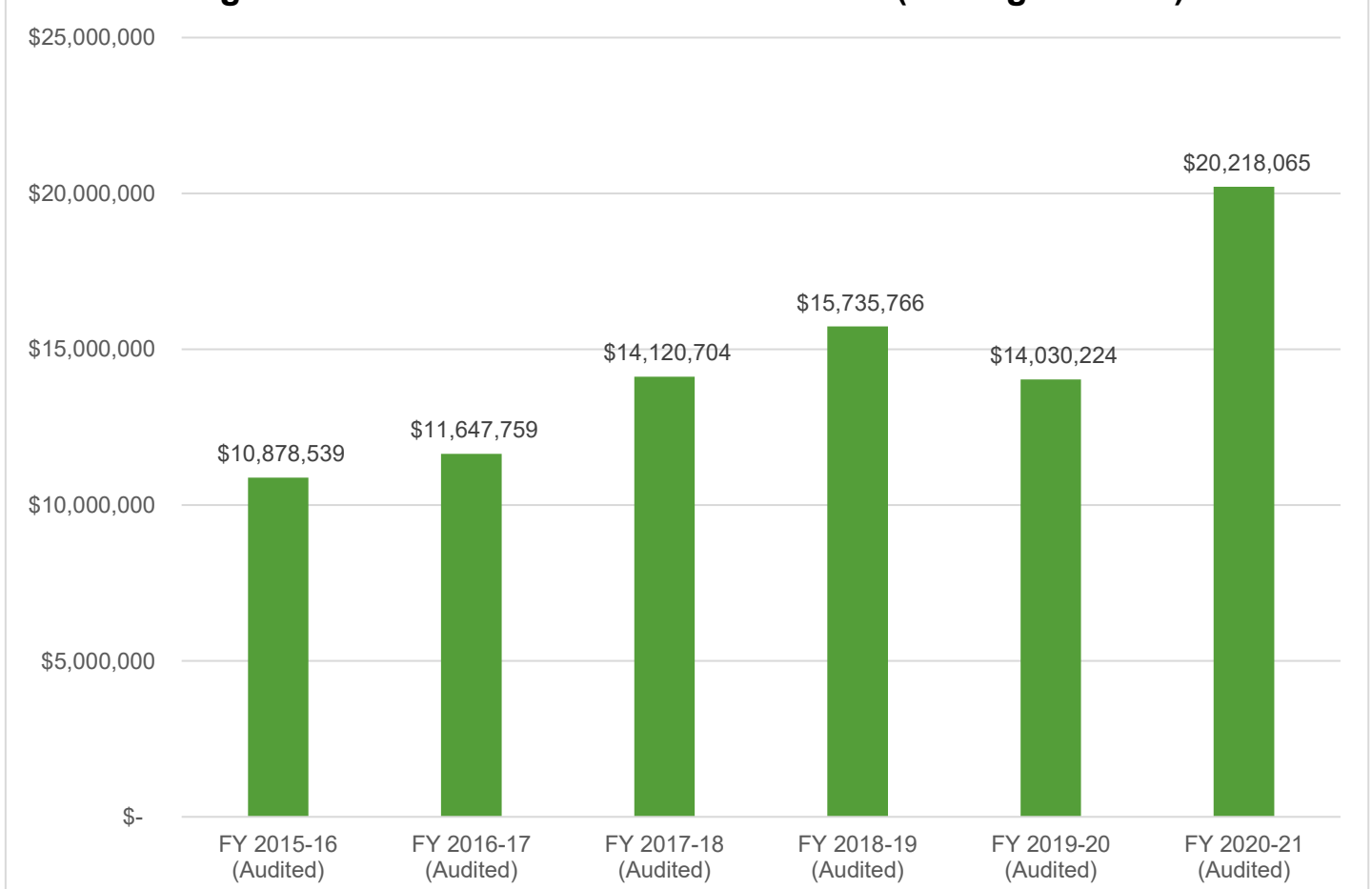


Table 57: Total Revenues & Expenditures

	FY 2015-16 (Audited)	FY 2016-17 (Audited)	FY 2017-18 (Audited)	FY 2018-19 (Audited)	FY 2019-20 (Audited)	FY 2020-21 (Audited)
REVENUE						
<u>Operating Revenue</u>						
Charge for Services						
Augmentation Charges	\$ 9,443,150	\$ 9,080,219	\$ 10,776,768	\$ 10,261,547	\$ 11,429,592	\$ 12,102,376
Water Sales	\$ 1,528,990	\$ 1,371,994	\$ 1,768,135	\$ 1,815,815	\$ 2,293,841	\$ 2,109,806
Management Fees	\$ 383,938	\$ 383,998	\$ 375,592	\$ 386,986	\$ 283,614	\$ 387,333
Total Operating Revenue	\$11,356,078	\$10,836,211	\$12,920,495	\$12,464,348	\$14,007,047	\$14,599,515
<u>Non-Operating Revenue</u>						
Capital Grants and Contributions	\$ 12,482,003	\$ 3,237,582	\$ 1,365,994	\$ 85,070	\$ 816,898	\$ 4,551,434
Interest Income	\$ 99,391	\$ 53,183	\$ 87,079	\$ 243,273	\$ 294,545	\$ 7,750
Other Revenue	\$ 67,652	\$ 56,618	\$ 30,573	\$ 36,406	\$ 29,121	\$ 19,870
Proceeds from Note	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,544,031
Issuance of Refunding Bonds	\$ 11,435,000	\$ -	\$ -	\$ -	\$ -	\$ -
Bond Premium on Refunding Bonds	\$ 1,013,542	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Transfers In	\$ 19,431,758	\$ 8,836,388	\$ 6,960,657	\$ 6,081,467	\$ 8,858,396	\$ 9,350,736
Total Non-Operating Revenue	\$44,529,346	\$12,183,771	\$ 8,444,303	\$ 6,446,216	\$ 9,998,960	\$15,473,821
TOTAL REVENUE	\$55,885,424	\$23,019,982	\$21,364,798	\$18,910,564	\$24,006,007	\$30,073,336
EXPENDITURE						
<u>Operating Expense</u>						
Office Administration	\$ 114,179	\$ 908,674	\$ 965,532	\$ 1,089,204	\$ 852,705	\$ 1,067,991
Board Support	\$ -	\$ 42,496	\$ 31,455	\$ 26,958	\$ 29,297	\$ 27,261
Education and Outreach	\$ -	\$ 99,097	\$ 107,245	\$ 101,100	\$ 96,893	\$ 135,294
Personnel	\$ 1,754,183	\$ -	\$ -	\$ -	\$ -	\$ -
Operating	\$ 2,694,150	\$ -	\$ -	\$ -	\$ -	\$ -
Training and Travel	\$ 20,697	\$ -	\$ -	\$ -	\$ -	\$ -
Grant Administration	\$ -	\$ 168,356	\$ 142,216	\$ 100,307	\$ 71,791	\$ 127,903
Total Operating Expense	\$ 4,583,209	\$ 1,218,623	\$ 1,246,448	\$ 1,317,569	\$ 1,050,686	\$ 1,358,449
<u>Non-Operating Expense</u>						
Conservation	\$ 59,351	\$ 192,980	\$ 415,875	\$ 137,753	\$ 307,134	\$ 312,886
Monitoring Well	\$ 66,262	\$ -	\$ -	\$ -	\$ -	\$ -
Delivered Water	\$ 35,823	\$ -	\$ -	\$ -	\$ -	\$ -
Professional Services	\$ 5,069,368	\$ -	\$ -	\$ -	\$ -	\$ -
Bond Issuance Costs	\$ 307,593	\$ -	\$ -	\$ -	\$ -	\$ -
Harkins Slough Facility	\$ -	\$ 232,854	\$ 188,642	\$ 153,516	\$ 232,890	\$ 209,867
Coastal Distribution System	\$ -	\$ 909,914	\$ 986,033	\$ 980,688	\$ 1,076,245	\$ 1,006,296
Supplemental Water (In-Basin)	\$ -	\$ 138,611	\$ 184,131	\$ 368,599	\$ 312,197	\$ 392,480
BMP Network Improvements	\$ -	\$ 8,578	\$ 187,589	\$ 31,152	\$ 25,242	\$ -
Blendwell Enhancements	\$ -	\$ 1,638	\$ -	\$ -	\$ -	\$ -
Recycled Water Storage	\$ -	\$ 4,006,948	\$ 799,928	\$ -	\$ -	\$ -
K-1 Pipeline	\$ -	\$ 353,804	\$ -	\$ -	\$ -	\$ -
Recycled Water Facility	\$ -	\$ 1,513,526	\$ 1,541,176	\$ 1,814,657	\$ 2,127,486	\$ 2,071,730
Metering Program	\$ -	\$ 251,484	\$ 229,614	\$ 230,585	\$ 425,352	\$ 355,203
Basin Modeling	\$ -	\$ 102,218	\$ 62,342	\$ 228,849	\$ 208,198	\$ 147,637
Basin Monitoring	\$ -	\$ 207,256	\$ 169,540	\$ 154,900	\$ 185,944	\$ 186,554
In-Basin Management Plan	\$ -	\$ 78,920	\$ 52,570	\$ 40,833	\$ 46,348	\$ 434,144
Regional Water Management Plan	\$ -	\$ 37,563	\$ 10,548	\$ 10,182	\$ 8,035	\$ 6,817
Out-of-Basin Funding	\$ -	\$ 7,519	\$ 23,302	\$ 14,954	\$ 13,385	\$ 17,489
In-Basin Funding	\$ -	\$ 12,403	\$ 11,865	\$ 21,089	\$ 97,621	\$ 104,995
Harkins Slough Recharge Facilities	\$ -	\$ 181,203	\$ 501,275	\$ 408,864	\$ 371,106	\$ 170,610
College Lake Project	\$ -	\$ 429,129	\$ 1,514,474	\$ 1,136,357	\$ 733,169	\$ 2,712,835
Watsonville Slough & North Dunes	\$ -	\$ 166,263	\$ 507,250	\$ 281,544	\$ 441,760	\$ 300,264
Murphy Crossing Recharge	\$ -	\$ 7,326	\$ -	\$ -	\$ -	\$ -
Recycled Water Disk Filter Upgrade	\$ -	\$ -	\$ -	\$ 365,517	\$ 3,055,198	\$ 103,090
Recycled Water Storage Phase III	\$ -	\$ -	\$ -	\$ 5,438	\$ 3,065	\$ 31,210
F-Line Expansion	\$ -	\$ -	\$ -	\$ 155,459	\$ 2,740,552	\$ 1,141,705
Capital Outlay	\$ -	\$ -	\$ -	\$ -	\$ 33,062	\$ 34,056
Debt Service						
Principal	\$ 27,142,574	\$ 2,227,358	\$ 2,156,877	\$ 2,230,291	\$ 2,316,408	\$ 2,489,816
Interest	\$ 1,483,862	\$ 1,128,256	\$ 1,203,002	\$ 1,125,239	\$ 1,042,070	\$ 946,626
Operating Transfers Out	\$ 19,431,754	\$ 8,836,388	\$ 6,960,657	\$ 6,081,467	\$ 8,858,396	\$ 9,350,736
Total Non-Operating Expense	\$53,596,587	\$21,032,139	\$17,706,690	\$15,977,933	\$24,660,863	\$22,527,046
TOTAL EXPENDITURE	\$58,179,796	\$22,250,762	\$18,953,138	\$17,295,502	\$25,711,549	\$23,885,495
Surplus/(Deficit)	\$ (2,294,372)	\$ 769,220	\$ 2,411,660	\$ 1,615,062	\$ (1,705,542)	\$ 6,187,841
NET POSITION						
Beginning Balance	\$ 13,172,911	\$ 10,878,539	\$ 11,709,044	\$ 14,120,704	\$ 15,735,766	\$ 14,030,224
Ending Balance	\$10,878,539	\$11,647,759	\$14,120,704	\$15,735,766	\$14,030,224	\$20,218,065

Table 58: Total Assets & Liabilities

	FY 2015-16 (Audited)	FY 2016-17 (Audited)	FY 2017-18 (Audited)	FY 2018-19 (Audited)	FY 2019-20 (Audited)	FY 2020-21 (Audited)
ASSETS						
<u>Current Assets</u>						
Cash & Cash Equivalents	\$ 9,298,364	\$ 9,851,258	\$ 11,566,594	\$ 13,426,398	\$ 12,675,111	\$ 17,575,026
Cash & Cash Equivalents - Restricted	\$ 253,424	\$ 253,553	\$ 253,681	\$ 253,809	\$ 253,939	\$ 254,139
Accounts Receivable, Net	\$ 2,771,458	\$ 2,959,413	\$ 3,584,419	\$ 3,320,202	\$ 3,727,674	\$ 4,177,072
Grant Receivable	\$ 405,349	\$ 466,620	\$ 85,032	\$ 37,961	\$ 429,988	\$ 67,604
Interest Receivable	\$ 1,448	\$ 14,059	\$ 29,310	\$ 78,785	\$ 41,493	\$ 8,356
Notes Receivable	\$ 33,333	\$ 33,333	\$ -	\$ -	\$ -	\$ -
Prepaid Expenses and Other Assets	\$ 46,508	\$ 35,934	\$ 80,042	\$ 53,990	\$ 59,815	\$ 81,997
Total Current Assets	\$ 12,809,884	\$13,614,170	\$15,599,078	\$17,171,145	\$17,188,020	\$ 22,164,194
<u>Non-Current Assets</u>						
Capital Assets - Not Being Depreciated	\$ 6,228,122	\$ 8,017,427	\$ 5,100,825	\$ 7,485,156	\$ 14,855,248	\$ 11,630,943
Depreciable Capital Assets, Net	\$ 66,106,272	\$ 66,916,840	\$ 70,639,640	\$ 68,073,681	\$ 65,515,218	\$ 70,256,945
Total Non-Current Assets	\$ 72,334,394	\$74,934,267	\$75,740,465	\$75,558,837	\$80,370,466	\$ 81,887,888
TOTAL ASSETS	\$ 85,144,278	\$88,548,437	\$91,339,543	\$92,729,982	\$97,558,486	\$104,052,082
<u>Deferred Outflows of Resources</u>						
Pensions	\$ 234,849	\$ 431,674	\$ 493,065	\$ 378,657	\$ 370,789	\$ 353,818
Total Deferred Outflows of Resources	\$ 234,849	\$ 431,674	\$ 493,065	\$ 378,657	\$ 370,789	\$ 353,818
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ 85,379,127	\$88,980,111	\$91,832,608	\$93,108,639	\$97,929,275	\$104,405,900
LIABILITIES						
<u>Current Liabilities</u>						
Accounts Payable	\$ 1,927,498	\$ 1,672,764	\$ 1,416,859	\$ 1,394,831	\$ 3,134,812	\$ 1,900,290
Accrued Wages Payable	\$ -	\$ 79,509	\$ 53,418	\$ 36,563	\$ 52,157	\$ 75,335
Retention Payable	\$ -	\$ 214,138	\$ -	\$ -	\$ -	\$ -
Accrued Interest	\$ 279,745	\$ 411,889	\$ 358,038	\$ 332,354	\$ 305,232	\$ 275,879
Unearned Revenue	\$ -	\$ -	\$ 8,097	\$ 3,985	\$ 4,160	\$ 4,285
Long-Term Liabilities - Due Within One Year	\$ 2,227,356	\$ -	\$ -	\$ -	\$ -	\$ -
Compensated Absences	\$ -	\$ 66,143	\$ 64,119	\$ 62,405	\$ 71,227	\$ 79,023
Notes Payable	\$ -	\$ 196,877	\$ 201,630	\$ 206,408	\$ 211,565	\$ 216,589
Bonds Payable	\$ -	\$ 1,960,000	\$ 2,030,000	\$ 2,110,000	\$ 2,210,000	\$ 2,310,000
Total Current Liabilities	\$ 4,434,599	\$ 4,601,320	\$ 4,132,161	\$ 4,146,546	\$ 5,989,153	\$ 4,861,401
<u>Non-Current Liabilities</u>						
Long-Term Liabilities -Due in More Than 1 Yr	\$ 34,207,486	\$ -	\$ -	\$ -	\$ -	\$ -
Compensated Absences	\$ -	\$ 198,429	\$ 192,355	\$ 187,216	\$ 213,681	\$ 237,068
Net Pension Liability	\$ -	\$ 1,044,568	\$ 1,227,637	\$ 1,173,363	\$ 1,292,431	\$ 1,414,845
Note Payable	\$ -	\$ 2,124,354	\$ 1,922,724	\$ 1,717,655	\$ 1,907,990	\$ 3,167,182
Bonds Payable	\$ -	\$ 28,624,369	\$ 26,385,421	\$ 24,066,473	\$ 21,647,525	\$ 19,128,577
Total Non-Current Liabilities	\$ 34,207,486	\$31,991,720	\$29,728,137	\$27,144,707	\$25,061,627	\$ 23,947,672
TOTAL LIABILITIES	\$ 38,642,085	\$36,593,040	\$33,860,298	\$31,291,253	\$31,050,780	\$ 28,809,073
<u>Deferred Inflows of Resources</u>						
Pensions	\$ 132,035	\$ 52,335	\$ 24,026	\$ -	\$ 22,596	\$ 10,092
Total Deferred Inflows of Resources	\$ 132,035	\$ 52,335	\$ 24,026	\$ -	\$ 22,596	\$ 10,092
TOTAL LIABILITIES & INFLOWS OF RESOURCES	\$ 38,774,120	\$36,645,375	\$33,884,324	\$31,291,253	\$31,073,376	\$ 28,819,165
NET POSITION						
Net Investment in Capital Assets	\$ 35,899,554	\$ 42,028,667	\$ 45,200,690	\$ 47,458,301	\$ 54,393,386	\$ 57,065,540
Restricted	\$ 253,424	\$ 253,553	\$ 253,681	\$ 253,810	\$ 253,939	\$ 254,139
Unrestricted	\$ 10,452,029	\$ 10,052,516	\$ 12,493,913	\$ 14,105,275	\$ 12,241,907	\$ 18,300,838
Total Net Position	\$ 46,605,007	\$52,334,736	\$57,948,284	\$61,817,386	\$66,889,232	\$ 75,620,517
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, & NET POSITION	\$ 85,379,127	\$88,980,111	\$91,832,608	\$93,108,639	\$97,962,608	\$104,439,682

GOVERNANCE

Local Accountability & Structure

PVWMA is governed by a seven-member board of directors, who must live within the agency boundaries and be registered voters. Four directors are directly elected by voters within their division for overlapping terms of four years each. The remaining three directors are separately appointed by Monterey County, Santa Cruz County, and the City of Watsonville. Appointed directors serve two-year terms and must derive at least 51% of their net income from agriculture. PVWMA employs a full-time staff of 14 employees. The Board of Directors are responsible for the establishment of policy relative to the District's mission, goals, and operations. The current Board is as follows:

Table 59: Board of Directors

Board Member	Term of Office
Mary Bannister (Division A)	Elected: November 2018 Term Limit Ends: November 30, 2022
Stephen Rider (Division B)	Elected: December 12, 2020 Term Limit Ends: November 30, 2024
Amy Newell (Division C)	Elected: February 2013 Term Limit Ends: November 30, 2022
Robert Culbertson III (Division D)	Elected: April 2017 Term Limit Ends: November 30, 2024
Javier Zamora (Monterey County)	Appointed: December 2018 Term Limit Ends: November 30, 2022
Tom Broz (Santa Cruz County)	Appointed: December 2018 Term Limit Ends: November 30, 2022
Abel Sanchez (City of Watsonville)	Appointed: July 2021 Term Limit Ends: November 30, 2022

Board Meetings

The District's Board of Directors meet regularly and citizens are encouraged to attend. Board meetings are typically held on the third Wednesday of each month at 7:00 p.m. Meetings are held at the Watsonville City Council Chambers (275 Main Street, Fourth Floor, Watsonville, CA 95076).

Annual Reports

Pursuant to the PVWMA Act, the District prepares detailed reports on groundwater supplies and conditions, including groundwater management objectives and a plan of implements of those objectives. Additionally, PVWMA produces several annual reports, including one specifically regarding the Pajaro Valley Subbasin and another on the District's overall annual performance. The annual performance report contains summary information about PVWMA's major activities for the year, audited budget information, project operations, conservation efforts and a summary of the state of the groundwater basin. These reports cover three overlapping periods: activity information for the previous calendar year; financial information from the prior fiscal year; and water information from the prior water year (ending Sept. 30). Both reports are easily accessible on the PVWMA website.

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. SB 929 identifies a number of components that must be found within an agency's website. Additionally, the Special District Leadership Foundation (SDLF), an independent, non-profit organization formed to promote good governance and best practices among California's special districts, has also outlined recommended website elements as part of its District Transparency Certificate of Excellence. This program was created in an effort to promote transparency in the operations and governance of special districts to the public and to provide special districts with an opportunity to showcase their efforts in transparency.

Based on SB 929's criteria and the recommendations by SDLF, LAFCO thoroughly reviewed the District's website. **Table 60** on page 124 summarizes staff's findings on whether the District's website is meeting the statutory requirements. At present, the District almost meets all the statutory requirements under SB 929 and SDLF's website transparency criteria. There are certain items that should be added to its website, specifically their adopted policies, information on how to request for records, and links to LAFCO's adopted service reviews related to the District. Overall, PVWMA has a transparent website filled with useful information and resources that are easily accessible.



Table 60: Website Transparency

Website Components	Checkmark (Yes)
Required Items (SB 949 Criteria and SDLF Benchmarks)	
1. Names and Contact Information of Board Members*	✓
2. Board Member Term Limits	✓
3. Names of Key Staff, including General Manager	✓
4. Contact Information for Staff	✓
5. Election/Appointment Procedure & Deadlines	✓
6. Board Meeting Schedule*	✓
7. Mission Statement	✓
8. Description of District's Services/Functions and Service Area	✓
9. Authorizing Statute/Enabling Act	✓
10. Adopted District Budgets*	✓
11. Financial Audits*	✓
12. Archive of Board Meeting Agendas & Minutes*	✓
13. Link to State Controller's Webpages for District's reported Board Member and Staff Compensation	✓
14. Link to State Controller's Webpages for District's reported Financial Transaction Report	✓
15. Reimbursement & Compensation Policy / Annual Policies	✓
16. Home Page Link to Agendas/Board Packets	✓
17. SB 272 - Compliance-Enterprise Catalogs	✓
18. Machine Readable/Searchable Agendas	✓
19. Recipients of Grant Funding or Assistance	✓
20. Link or Copies of LAFCO's Service & Sphere Reviews	✓
Total Score (out of a possible 20)	20 (100%)
Additional Items (SDLF's Recommended Elements)	
1. Board Member Ethics Training Certificates	✓
2. Picture, Bio, and Email Addresses of Board Members	
3. Last Three Years of Audits	✓
4. Financial Reserves Policy	✓
5. Online/Downloadable Public Records Act Request Form	
6. Audio or Video Recordings of Board Meetings	
7. Map of District Boundaries/Service Area	✓
8. Link to CSDA Mapping Program	
9. General Description of Special Districts or Link to www.districtmakethedifference.org	
10. Link to Most Recently Filed to FPPC Forms	
Total Score (out of a possible 10)	4 (40%)

*Footnote: Senate Bill 929 Statutory Requirements

Opportunities and Challenges

Water agencies are significantly affected by various factors, including aging infrastructure, escalating operational costs, drought impacts, increase in customer demand, and changes to state laws and regulations that may introduce new requirements without additional funding. These issues are common not only in Santa Cruz County but throughout the State. The following section discusses these challenges and identifies possible opportunities to ensure that residents receive the best level of water services.

Reclamation District No. 2049 Reorganization

Santa Cruz County has one reclamation district (Reclamation District No. 2049), which has been in existence for over 100 years, and its sole purpose is to drain the College Lake each year so that the lake bottom can be farmed during the summer. Based on staff's analysis, the reclamation district has obsolete infrastructure, limited staffing, depleting finances, zero transparency, lack of Brown Act compliance, and other statutory violations. Due to these significant issues, the Reclamation District Board of Directors adopted a resolution on July 27, 2022 to initiate the dissolution process. The Reclamation District is already in PVWMA's jurisdictional boundary (refer to **Figure 44** on page 126). It is also LAFCO's understanding that PVWMA is in the process of completing a project directly tied with the College Lake. The primary purposes of the College Lake Integrated Resources Project are to help balance the groundwater basin, prevent further seawater intrusion, and meet water supply needs in PVWMA's service area by developing College Lake as a water storage and supply source. Project components include a weir structure and intake pump station, a water treatment plant, and an approximately 6-mile-long pipeline to convey water from the water treatment plant to the Watsonville Area Recycled Water Treatment Facility and to the Coastal Distribution System. Construction is estimated to occur over approximately 18 months and may begin later this year, pending acquisition of necessary permits and property rights.

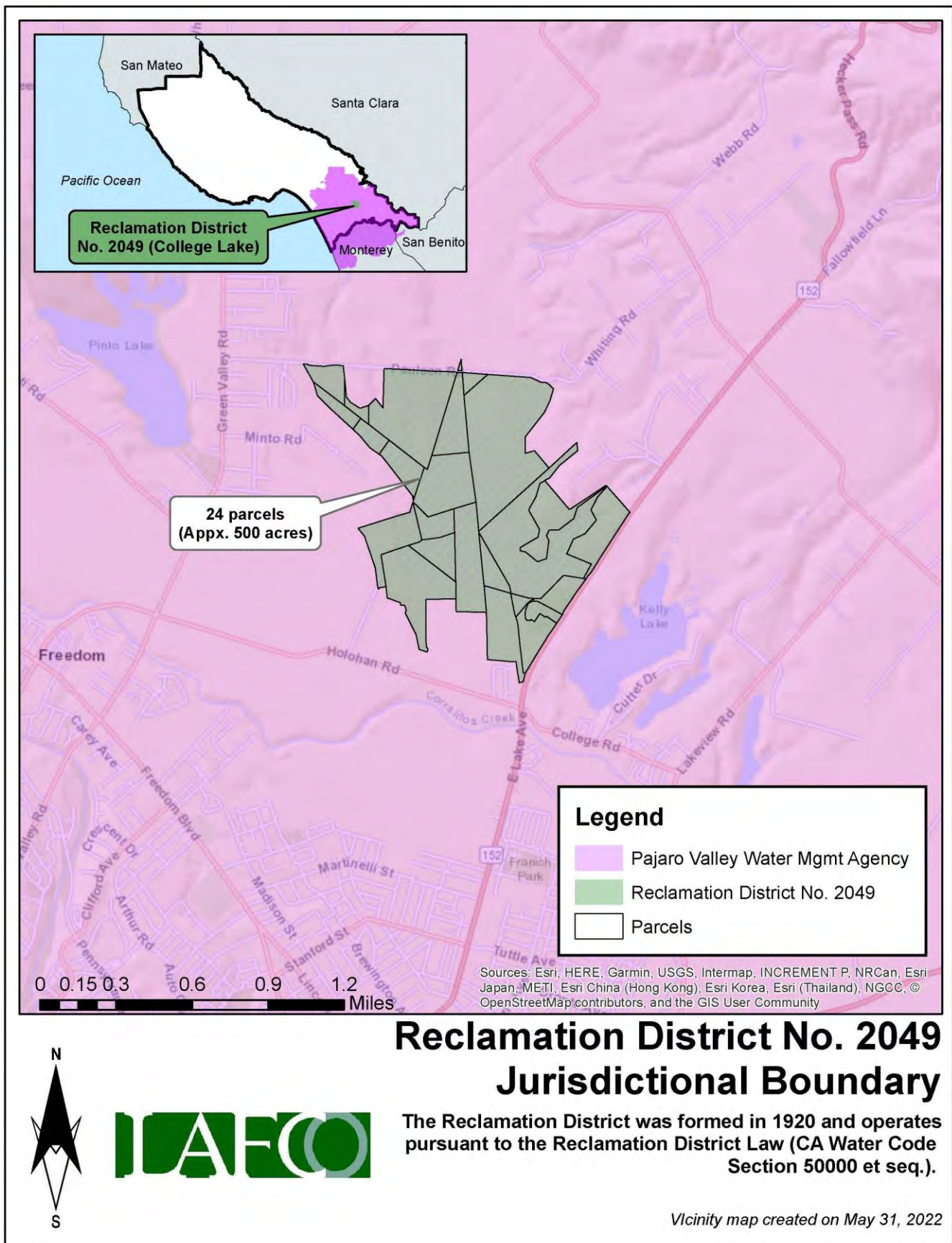
LAFCO Staff Recommendation: *PVWMA should coordinate with LAFCO and the Reclamation District to successfully transfer service responsibilities as part of the dissolution process.*

Groundwater Basin Management Plan

PVWMA is not a water purveyor of domestic water, such as a typical water district or municipal water department. One of its major tasks has been the development of basin-wide groundwater management plan. A Revised Basin Management Plan was adopted by the PVWMA Board in 2014. The Plan identifies the specific the water conservation/water supply projects planned to be implemented in the near future. As such, it also guides capital facilities planning for PVWMA. The District's primary focus is implementation of its Basin Management Plan towards elimination of groundwater overdraft and seawater intrusion.

LAFCO Staff Recommendation: *PVWMA should consider updating the Basin Management Plan since the last update was eight years ago. The update should include the assumption that the District will be the successor agency of the Reclamation District No. 2049, which is consistent with the scheduled completion of the College Lake Integrated Resources Management Project.*

Figure 44: Reclamation District within PVWMA's Jurisdictional Boundary



Groundwater Basins

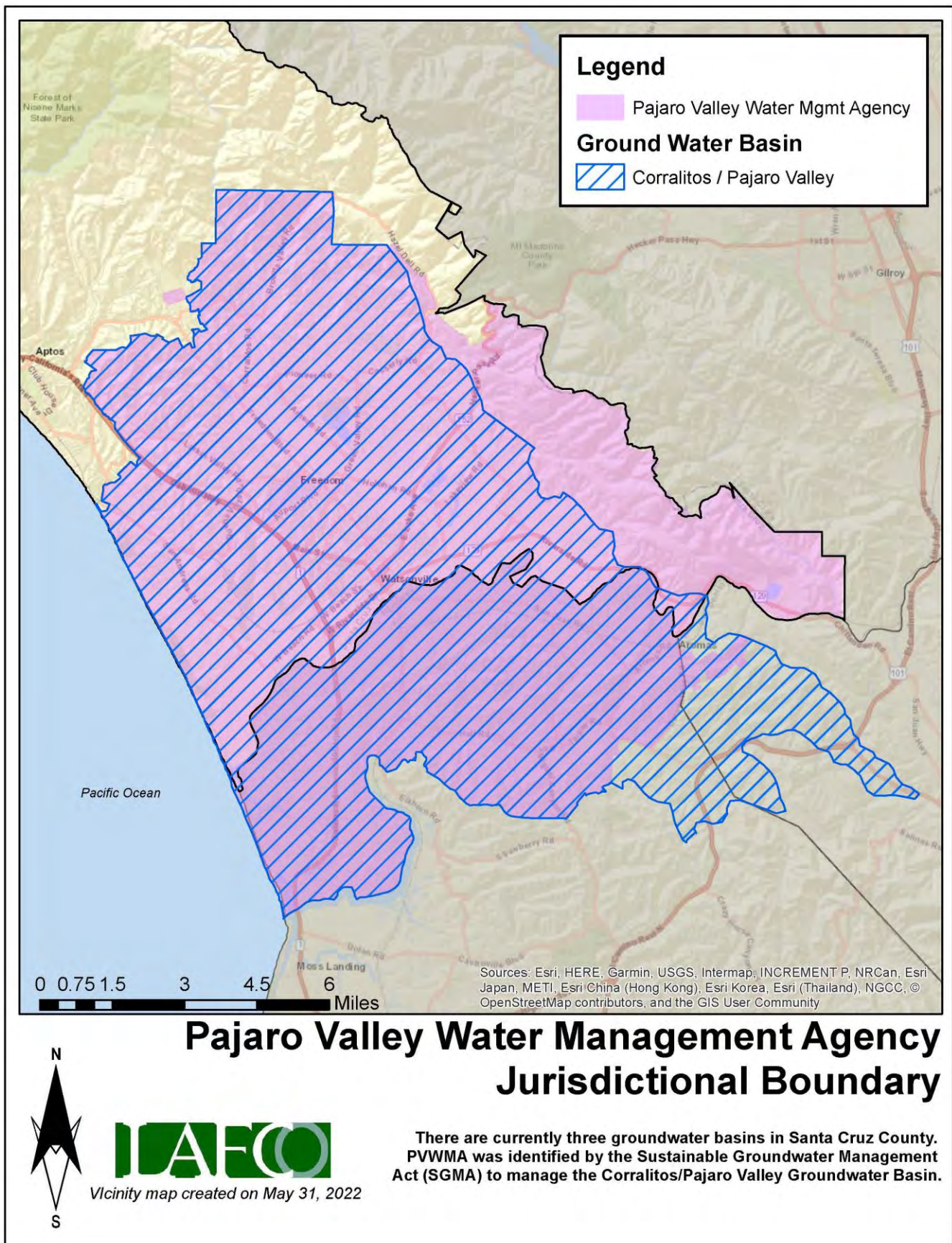
The Sustainable Groundwater Management Act (SGMA) was signed into law on September 16, 2014, approximately five months after the PVWMA Board of Directors approved its latest Basin Management Plan Update. It established a new structure for managing groundwater in California that aims to give local agencies the means to manage groundwater basins in a manner that is sustainable over the long-term. There are three groundwater basins in Santa Cruz County. PVWMA was named in SGMA as one of 15 existing agencies, created by statute, to manage groundwater that are deemed to be the exclusive local agencies within their respective statutory boundaries with the power to comply with the Act. At present, the Santa Cruz Mid-County Groundwater Agency oversees the Purisima Formation Basin, Soquel Valley Basin, and the West Santa Cruz Terrace Basin, the Santa Margarita Groundwater Agency oversees the Santa Margarita Basin, and PVWMA oversees the Pajaro Valley Basin (refer to **Figure 45** on page 128).

While PVWMA has adopted detailed annual reports and executed various projects related to the Pajaro Valley Basin, its jurisdictional boundary is not coterminous with the basin area. This discrepancy may lead to possible conflicts in the future. Additionally, PVWMA does not have an established sphere boundary. A sphere of influence should be adopted for the PVWMA as part of this service review and it should be coterminous with the boundaries of the Pajaro Valley Basin. This sphere, if approved, would indicate that PVWMA should annex certain areas in the future in order to accurately depict its legal authority over the Pajaro Valley Basin.

LAFCO Staff Recommendation: *PVWMA should support the adoption of a sphere of influence boundary that is coterminous with a combination of the Agency's statutory boundary and the California Department of Water Resources defined Pajaro Valley Groundwater Basin boundary and should consider annexing areas outside its jurisdiction but within its new sphere in the foreseeable future.*

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Figure 45: Areas Served Outside PVWMA's Jurisdiction



Small Water Systems

One area that LAFCO can provide assistance now is addressing any failing mutual water companies (MWCs) or private water systems. MWCs are regulated by California's Water Code, Health and Safety Code and must abide by open meeting and records disclosure laws similar to many public water utilities. In operating a public water system, mutual water companies are also subject to regulation by the California Department of Public Health and must comply with requirements imposed by the State Water Resources Control Board and our local Regional Water Quality Control Board. However, over the years, many MWCs have operated without much oversight from the State. That is why the Legislature enacted Assembly Bill 54 in 2012. This law imposes new requirements on mutual water companies that own and operate public water systems and requires greater coordination between them and LAFCO in each county. Corporations Code 14301.1 requires mutual water companies to submit a map depicting its service area to LAFCO.

A total of 43 private water systems are located within PVWMA. **Figure 46** on page 130 identifies the location of each water system in relation to PVWMA. **Table 61** on page 131 also provide more information about the private water systems. While PVWMA does not deliver potable water, the map on the following page may be helpful for the District and LAFCO to know which small water systems are also using the Pajaro Valley Basin.

Strategic Partnerships

Several water agencies have expressed interest in exploring ways to further collaborate. Many water agencies have interties in the event of emergencies and all water agencies (including the two Cities) are members of groundwater-related joint powers authorities. Specifically, PVWMA and the City of Watsonville have collaborated to jointly construct and operate the Watsonville Area Recycled Water Treatment Facility. The facility has the capacity to produce about 4,000 AFY of tertiary treated disinfected recycled water, which will augment with water from the Harkins Slough Facility, Blend Wells, and the City's potable water to increase supply and improve the quality for agricultural irrigation needs.

This successful partnership shows valid proof that working together among local agencies would benefit the residents by maximizing economies of scale and utilizing the agencies' existing resources. It may be beneficial for the water agencies to consider further strategic partnerships, including but not limited to sharing resources and staff, establishing a countywide memorandum of understanding for emergency-related interties, and joint procurements or professional service agreements (i.e. Audits). Such partnerships may also lay the foundation for future changes of organization, including but not limited to annexations, reorganizations, or consolidations.

LAFCO Staff Recommendation: *PVWMA should explore additional ways to share services and resources with neighboring agencies, including but not limited to nearby water districts.*

Figure 46: Map of Private Water Systems Within PVWMA

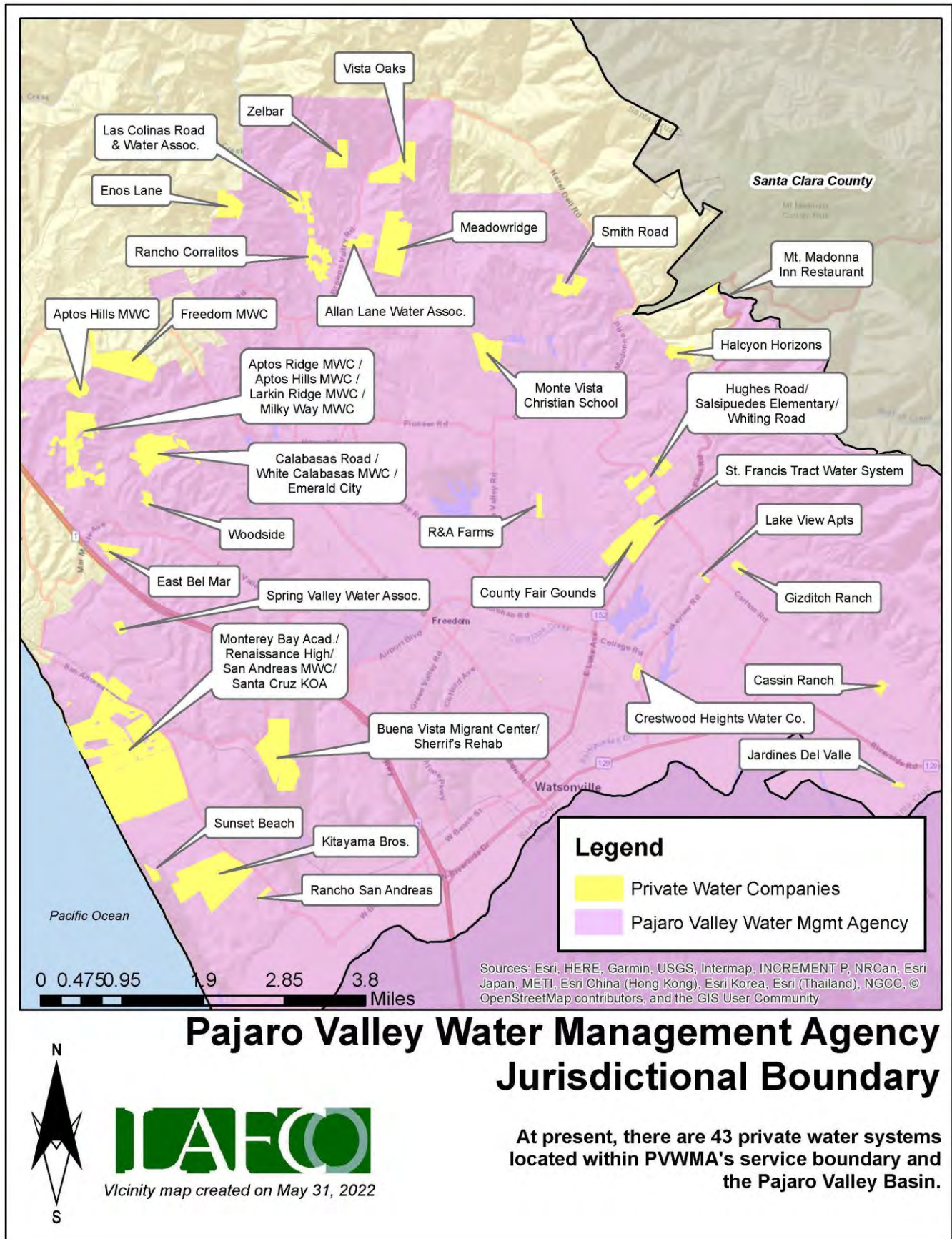


Table 61: List of Private Water Systems Within PVWMA

#	Water System Name	Type of Water System	Size (Square Miles)	Population
Private Water Systems WITHIN PVWMA's Jurisdictional Boundary				
1	Renaissance High	Small Water System (2 connections)	0.02	250
2	Kitayama Bros.	Small Water System (3 connections)	0.35	50
3	Sheriff's Rehab	Small Water System (5 connections)	0.17	235
4	Gizditch Ranch	Small Water System (5 connections)	0.02	200
5	Freedom MWC	Small Water System (5 connections)	0.19	10
6	Larkin Ridge MWC	Small Water System (5 connections)	0.02	10
7	East Bel Mar	Small Water System (5 connections)	0.04	12
8	R&A Farms	Small Water System (5 connections)	0.02	48
9	Enos Lane	Small Water System (6 connections)	0.08	22
10	Zelbar	Small Water System (6 connections)	0.06	15
11	Spring Valley Water Assoc.	Small Water System (7 connections)	0.01	16
12	Lake View Apartments	Small Water System (7 connections)	0.01	43
13	Whiting Road	Small Water System (7 connections)	0.03	20
14	Jardines Del Valle	Small Water System (7 connections)	0.01	150
15	Woodside	Small Water System (8 connections)	0.02	16
16	Cassin Ranch	Small Water System (8 connections)	0.02	30
17	Milky Way MWC	Small Water System (9 connections)	0.03	20
18	Rancho San Andreas	Small Water System (11 connections)	0.01	200
19	Smith Road	Small Water System (11 connections)	0.06	28
20	Vista Oaks	Small Water System (11 connections)	0.13	30
21	Aptos Hills MWC	Small Water System (12 connections)	0.13	32
22	Emerald City	Small Water System (12 connections)	0.11	30
23	Hughes Road	Small Water System (13 connections)	0.03	25
24	White Calabasas MWC	Small Water System (14 connections)	0.05	31
25	Aptos Ridge MWC	Medium Water System (16 connections)	0.09	52
26	Camp St. Francis	Medium Water System (16 connections)	0.02	57
27	Allan Lane Water Assoc.	Medium Water System (17 connections)	0.04	68
28	Meadowridge	Medium Water System (18 connections)	0.22	42
29	Las Colinas Road & Water Assoc.	Medium Water System (24 connections)	0.07	70
30	St. Francis Tract Water System	Medium Water System (29 connections)	0.03	118
31	Mt. Madonna Inn Restaurant	Medium Water System (31 connections)	0.01	165
32	Rancho Corralitos	Medium Water System (31 connections)	0.08	60
33	Monte Vista Christian School	Medium Water System (43 connections)	0.11	1,083
34	Crestwood Heights Water Co.	Medium Water System (45 connections)	0.01	126
35	Sunset Beach	Medium Water System (65 connections)	0.02	150
36	Monterey Bay Acad.	Medium Water System (78 connections)	0.58	400
37	San Andreas MWC	Medium Water System (135 connections)	0.54	350
38	Buena Vista Migrant Center	Medium Water System (140 connections)	0.08	455
39	Santa Cruz KOA	Medium Water System (235 connections)	0.04	110
40	County Fair Grounds	Medium Water System (15 to 199 connections)	0.16	550
41	Calabasas Road	Medium Water System (15 to 199 connections)	0.01	17
42	Elevate Addiction Services (previously Halcyon Horizons)	Medium Water System (15 to 199 connections)	0.04	80
43	Alianza Charter School (previously Salsipuedes Elementary)	Medium Water System (15 to 199 connections)	0.02	967

SPHERE OF INFLUENCE

Current Sphere Boundary

Santa Cruz LAFCO has not adopted a sphere boundary for PVWMA as shown in **Figure 47** on page 133. Monterey County LAFCO adopted a “status quo sphere of influence” on October 27, 1987 for the areas within Monterey County and San Benito County LAFCO has not adopted a sphere boundary for PVWMA. State law requires all independent special districts to have a sphere of influence boundary (Government Code Section 56425).

Proposed Sphere Boundary

Based on staff’s analysis, the sphere boundary should be coterminous with the Pajaro Valley Basin. **Figure 48** on page 134 shows the proposed sphere boundary.

Parcels Subject to Annexation

As stated earlier in this report, PVWMA has legal authority over the Pajaro Valley Basin. The District should consider annexing the areas outside its jurisdictional boundary but within the Pajaro Valley Basin (as shown in **Figure 45** on page 128) to accurately reflect its legal authority over the groundwater basin. Staff estimates that the subject area involves approximately 7,000 acres.

LAFCO Staff Recommendation: *PVWMA should consider annexing the areas currently outside its jurisdictional boundary but within the Pajaro Valley Basin to accurately reflect its authority over the groundwater basin.*

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Figure 47: PVWMA's Current Sphere Map

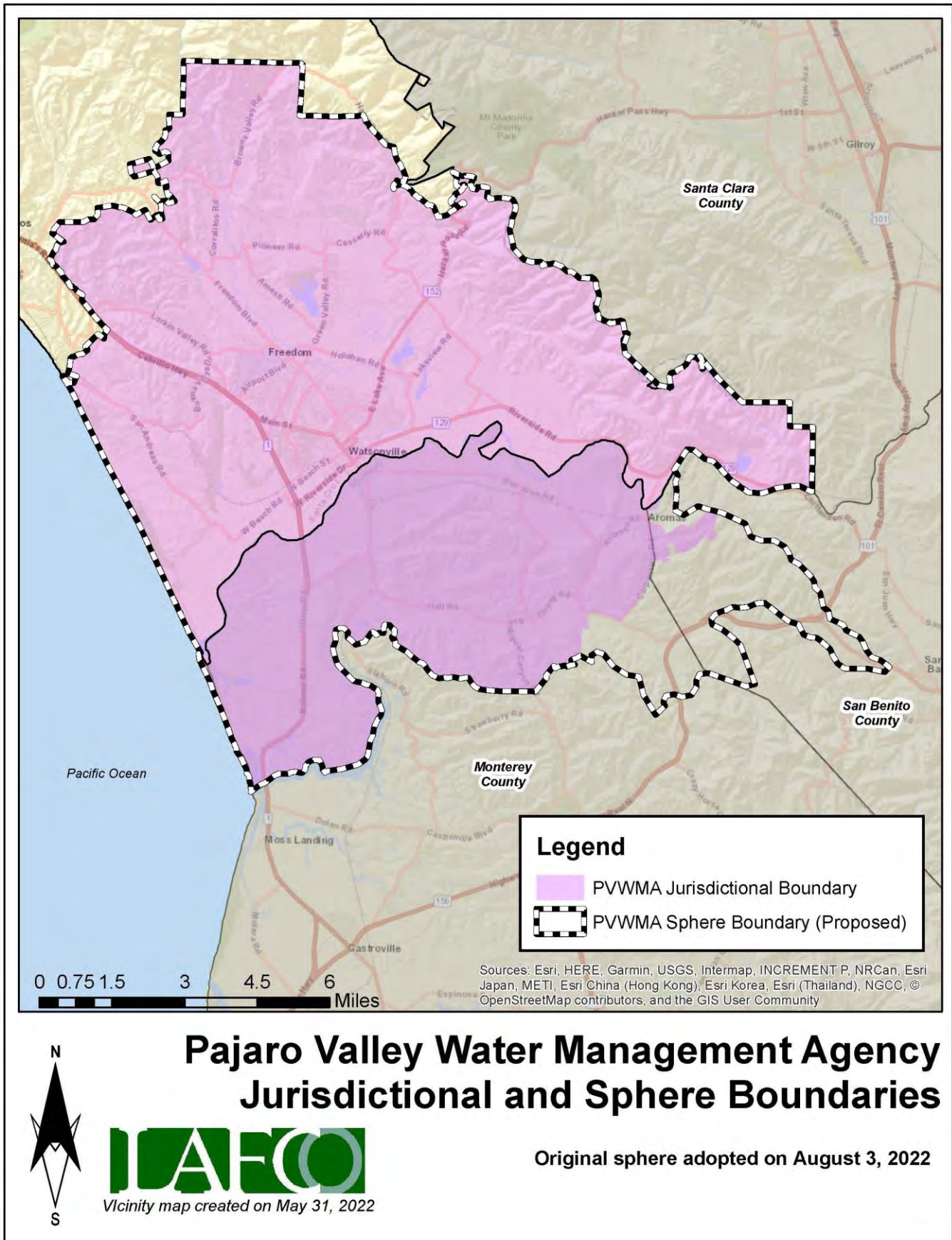


Vicinity map created on May 31, 2022

Pajaro Valley Water Management Agency Jurisdictional Boundary

The District currently does not have a sphere boundary.

Figure 48: PVWMA's Proposed Sphere Map



DISTRICT SUMMARY

Pajaro Valley Water Management Agency	
Formation	California Water Code, section 10,000 et seq.
Board of Directors	Seven members; Four elected by divisions (four-year terms), and Three are appointed (two-year terms)
Contact Person	Brian Lockwood, General Manager
Employees	14 Full-Time Employees
Facilities	1,019 metered wells; 1,200 unmetered, domestic wells; 22 miles of pipeline; 6 pump stations; 2 production wells; 1 storage tank; 1 Coastal Distribution System, and 1 Recycled Water Treatment Facility
District Area	124 square miles (appx. 79,000 acres)
Sphere of Influence	<p>Current Sphere: No Sphere Boundary</p> <p>Proposed Sphere: Larger than the District (i.e., sphere boundary includes areas outside the District's jurisdictional boundary)</p>
FY 2020-21 Audit	<p>Total Revenue = \$30,073,336</p> <p>Total Expenditure = \$23,885,495</p> <p>Net Position (Ending Balance) = \$20,218,065</p>
Contact Information	<p>Mailing Address: 36 Brennan Street, Watsonville CA 95076</p> <p>Phone Number: (831) 722-9292</p> <p>Email Address: Info@PVWater.org</p> <p>Website: https://www.pvwater.org/</p>
Public Meetings	Meetings are held on the third Wednesday of each month at 7:00 p.m.
Mission Statement	The Pajaro Valley Water Management Agency is a state-chartered water management district formed to efficiently and economically manage existing and supplemental water supplies in order to prevent further increase in, and to accomplish continuing reduction of, long-term overdraft. PV Water also works to provide and ensure sufficient water supplies for present and future anticipated needs within its boundaries, generally the greater coastal Pajaro Valley.

SERVICE AND SPHERE REVIEW DETERMINATIONS

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

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 boundary. Written statements of determination must be prepared with respect to each of the following:

1. Growth and population projections for the affected area.

The population of PVWMA in 2020 was estimated to be 90,000. Based on LAFCO's analysis, the population within PVWMA will be approximately 100,000 by 2040.

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

In 2020, the California statewide median household income was \$78,672, and 80% of that was \$62,938. Based on LAFCO's analysis, there are no disadvantaged unincorporated communities within or contiguous to the District's sphere boundary.

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.

PVWMA prepares annual reports on groundwater supplies and conditions, including groundwater management objectives and a plan of implements of those objectives.

4. Financial ability of agencies to provide services.

PVWMA is financially sound. The District ended with a surplus in four of the last six fiscal years during 2015 to 2021. As of June 30, 2021, the total net position balance ended with approximately \$20 million. LAFCO believes that this positive trend will continue based upon the District's ongoing conservative budgetary practices reflected in their audited financial statements.

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

LAFCO encourages PVWMA to explore additional methods to collaborate with neighboring water agencies, including the privately-owned water companies within the District. At present, there are 43 private water systems within PVWMA.

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

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. SB 929 identifies a number of components that must be found within an agency's website. At present, the District meets most of the statutory requirements under SB 929 and SDLF's website transparency criteria.

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

LAFCO recommends that PVWMA consider annexation in the near future to address areas outside its jurisdictional boundary but within the Pajaro Valley Basin.

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.

At present, the majority of land within the District is designated as Agriculture. The District's customer base is predominantly farmers.

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

PVWMA currently has a number of long-range plans including but not limited to its annual performance reports, the Basin Management Plan, and the Pajaro Valley Subbasin annual reports.

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

PVWMA is not a water purveyor of domestic water, such as a typical water district or municipal water department. While PVWMA has the authority to manage groundwater resources in the basin, PVWMA's activities typically focus on halting seawater intrusion by balancing the overdraft conditions in the basin. For example, the District's charter specifically prevents supplying potable water, which is intended to remain the responsibility of local water purveyors. Therefore, all PVWMA projects considered and approved in its Basin Management Plan only supply non-potable (irrigation) water. PVWMA activities do not include flood control, stream restoration or habitat management (except as mitigations for PVWMA projects), which are the responsibility of state and/or county jurisdictions.

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.

At present, there are 43 private water systems within PVWMA.

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.

In 2020, the California statewide median household income was \$78,672, and 80% of that was \$62,938. Based on LAFCO's analysis, there are no disadvantaged unincorporated communities within or contiguous to the District' sphere boundary.

RECLAMATION DISTRICT NO. 2049 (COLLEGE LAKE)

OVERVIEW

The Reclamation District No. 2049 was formed on February 2, 1920 in conformity with Division 2200 of the Deering Act and now operates under Section 50000 et seq. of the California Water Code. The District provides drainage for approximately 500 acres in the College Lake area, north of the City of Watsonville. **Figure 49**, on page 139, is a vicinity map depicting the District's current jurisdictional boundary. **Figure 50**, on page 140, also shows the current land use designation under the County's General Plan. At present, the majority of land within the District is designated as Agriculture. Zero boundary changes have occurred since inception. The only LAFCO action considered and approved was the District's original sphere adoption in 1988.

Services and Infrastructure

The District's sole purpose is to drain the College Lake once a year to allow for farming purposes during the summer season. The District currently uses one weir, a small water dam, to control the flow of water. The District does not provide any other services or has any other infrastructure or facility, as shown in **Tables 62 and 63**. While the District has been in existence for 102 years, its service operation and overall governance is in disarray.

Table 62: List of Service Provisions

Services	Checkmark (Yes)
Agricultural Water	
Drainage	✓
Groundwater Replenishment	
Retail Potable Water	
Recycled Water	
Wastewater (Sewer)	
Water Treatment	
Water Conservation	

Table 63: List of Infrastructure / Facilities

Infrastructure	Checkmark (Yes)	Quantity
Distribution / Storage Tanks	-	-
Pressure Zones	-	-
Production Wells	-	-
Pump Stations	-	-
Recycled Water System	-	-
Treatment Plants	-	-
Water Diversions	-	-
Water Pipeline	-	-
Total Connections	-	-

Figure 49: Reclamation District's Vicinity Map

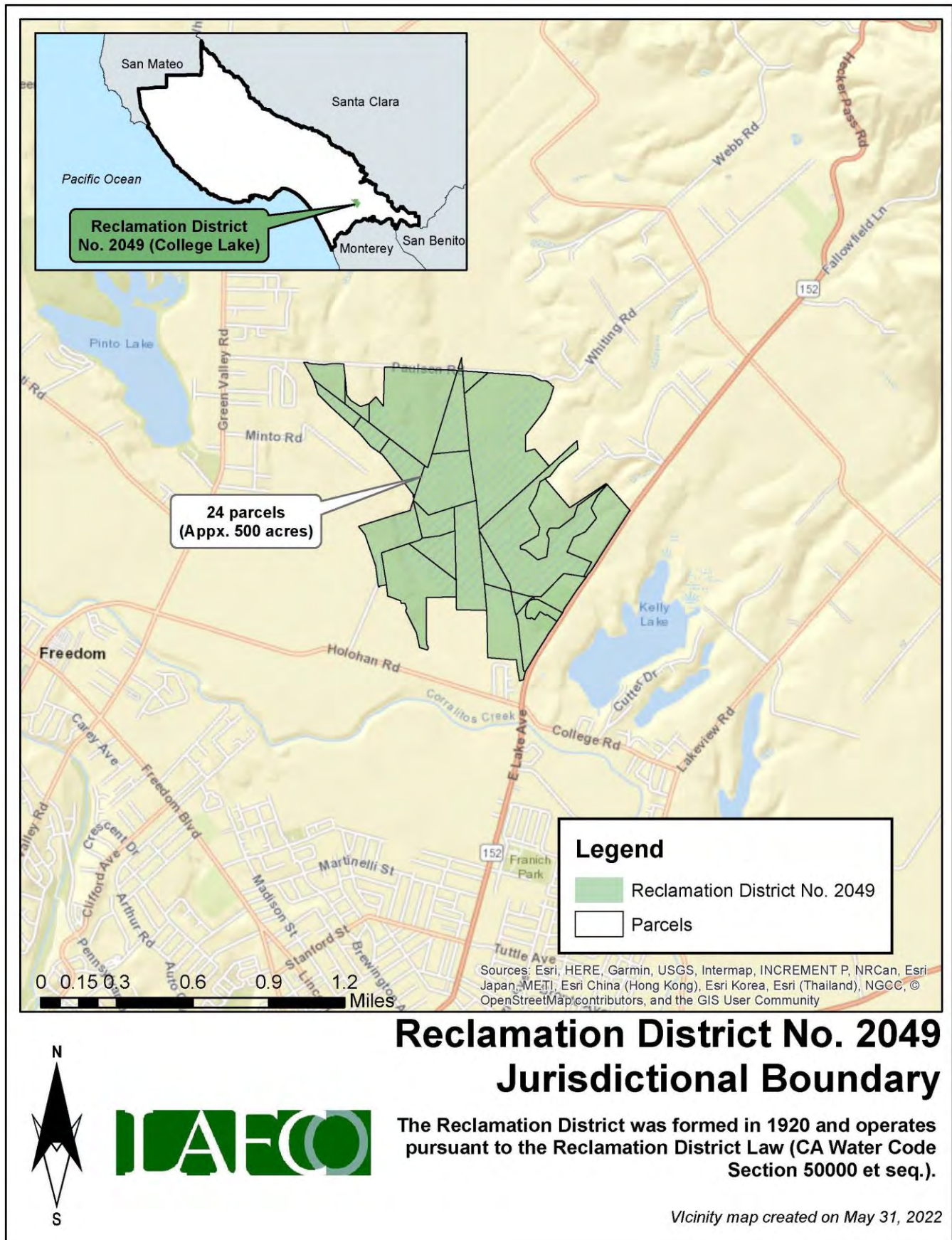
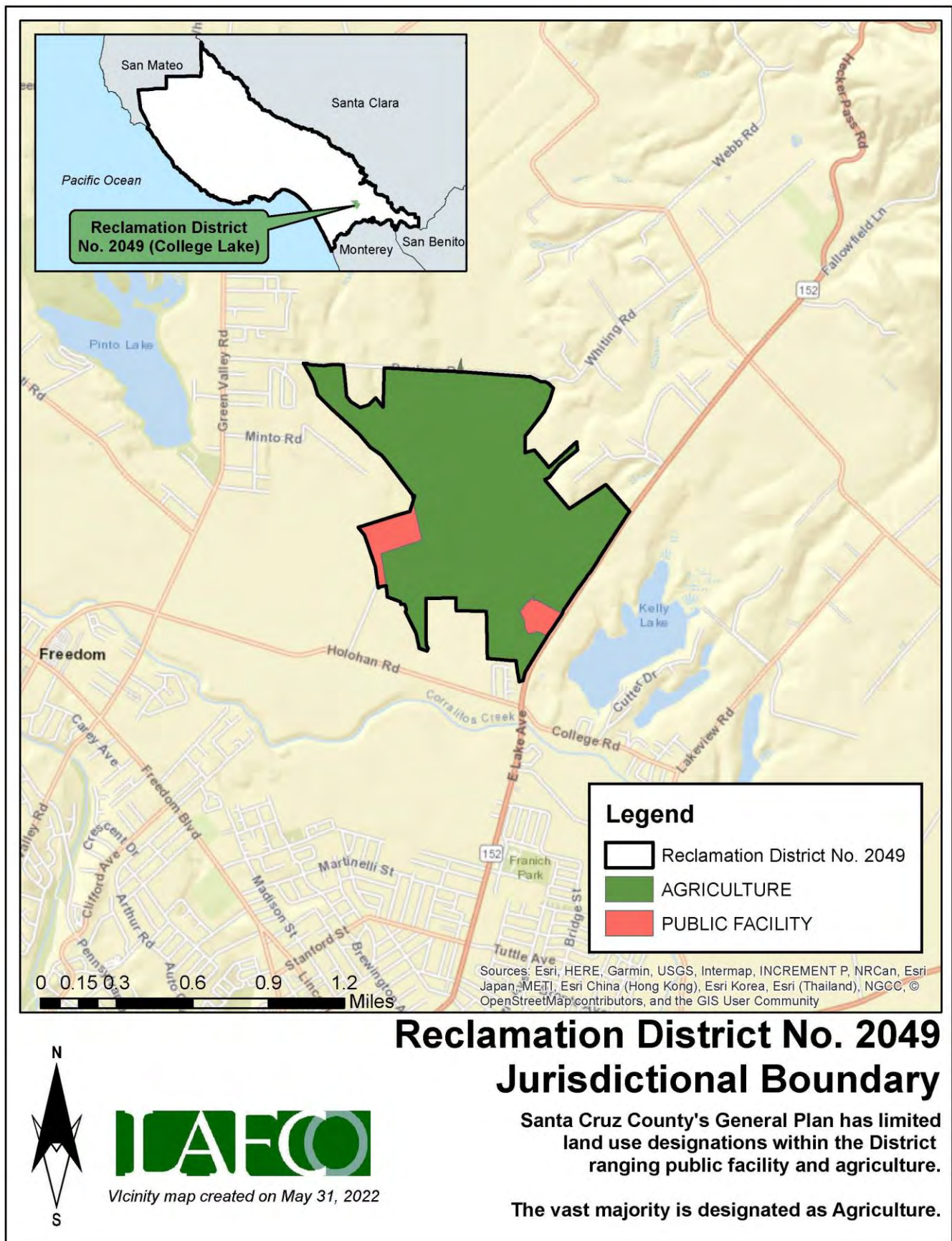


Figure 50: Reclamation District's Land Use Map



Population and Growth

Based on staff's analysis, the population of the Reclamation District in 2020 was estimated to be 16. The Association of Bay Area Governments (ABAG) and the Association of Monterey Bay Area Governments (AMBAG) provide population projections for cities and counties in the Coastal Region. Official growth projections are not available for special districts. In general, the Coastal Region is anticipated to have a slow growth over the next twenty years. **Table 64** shows the anticipated population within the District. The average rate of change is 0.86%.

Population Projection

Based on the projections for Santa Cruz County, LAFCO was able to develop a population forecast for the Reclamation District. LAFCO staff increased the District's 2020 population amount by 0.86% each year. Under this assumption, our projections indicate that the entire population of the District will be approximately 17 by 2040.

Table 64: Projected Population

	2020	2025	2030	2035	2040	Average Rate of Change
Santa Cruz County (unincorporated area)	136,891	137,896	139,105	140,356	141,645	0.86%
Reclamation District No. 2049	16	16	16	16	17	0.86%

Source: AMBAG 2018 Regional Growth Forecast and GIS Parcel Data

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FINANCES

This section will highlight the District's financial performance during the most recent fiscal years. There are no recent audited financial statements available. The last audit occurred back in 2017 and analyzed the District during June 30, 2011 through June 30, 2015. As an alternative approach, LAFCO utilized the County's financial database to determine the financial health of the District from 2015 to 2021. A comprehensive analysis of the District's financial performance during the past six years is shown in **Tables 68 and 69** on pages 146-147.

At the end of Fiscal Year 2020-21, total revenue collected was approximately \$48,000, representing a 32% decrease from the previous year (\$71,000 in FY 19-20). Total expenses for FY 2020-21 were approximately \$70,000, which increased by 79% from the previous year (\$39,000 in FY 19-20). Since 2015, the District ended with a deficit in three of the last six fiscal years, as shown in **Figure 51**. LAFCO staff believes that this negative trend will continue based upon the District's lack of staff, depleting reserves, and zero adopted policies to help the board with any financial guidance. Additionally, the Board Chair has indicated to LAFCO that it may run out of money by November 2022.

**Figure 51: Statement of Revenues & Expenditures
(FY 2015-16 to FY 2020-21)**



Revenues

Operating Revenue

The District's primary source of revenue is from operating revenues, specifically from assessments. In FY 2020-21, Assessments represented approximately 98% of the District's entire revenue stream.

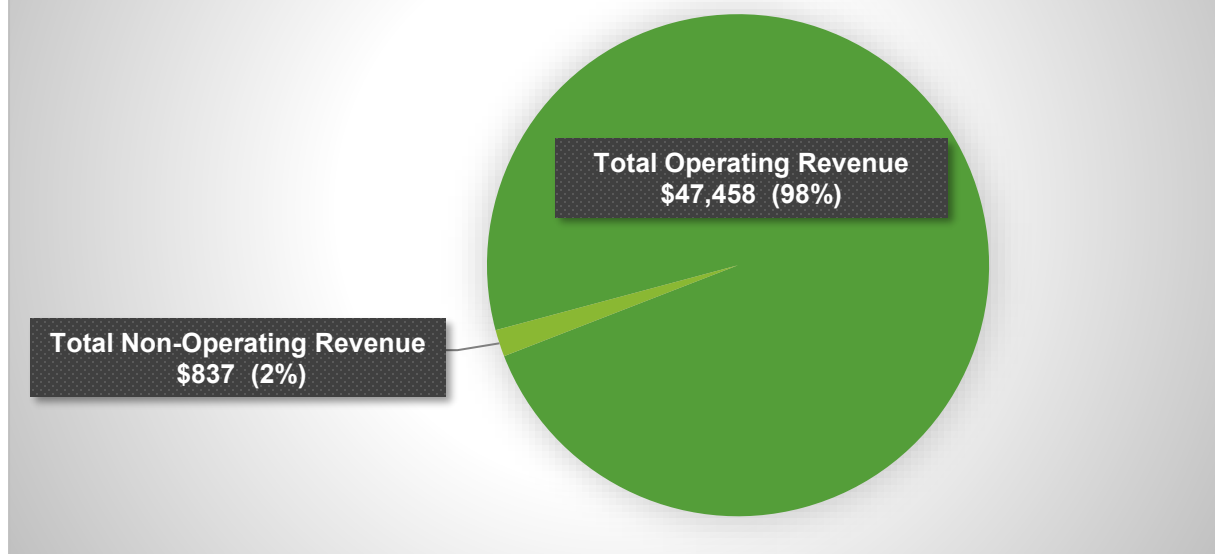
Non-operating Revenue

The remaining 2% of total revenue derive from non-operating revenue sources. These funds include Interest Income and Penalties. **Table 65** and **Figure 52** provide a breakdown of the District's revenue by category and source.

Table 65: Revenue Breakdown (FY 2020-21)

Revenue	Amount	Percentage
Operating Revenue		
Assessments	<u>\$47,458</u>	<u>100%</u>
Total Operating Revenue	\$1,168,449	100%
Non-Operating Revenue		
Interest Income	\$434	52%
Penalties	<u>\$403</u>	<u>48%</u>
Total Non-Operating Revenue	\$837	100%
Total Revenue	<u>\$48,295</u>	

**Figure 52: Operating v Non-Operating Revenue
(FY 2020-21)**



Expenditures

Operating Expense

The District's operating expenses represented approximately 100% of total expenditure during FY 2020-21. The only expenses identified were Services & Supplies, as shown in **Table 66** and **Figure 53**.

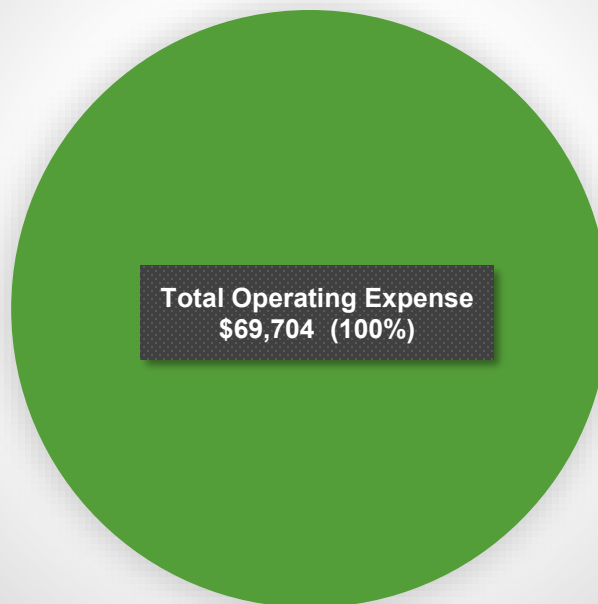
Non-operating Expense

The District did not have any identified non-operating expenses during FY 2020-21.

Table 66: Expense Breakdown (FY 2020-21)

Expenditure	Amount	Percentage
Operating Expense		
Services & Supplies	<u>\$69,704</u>	<u>100%</u>
Total Operating Expense	\$69,704	100%
Total Expenditure	<u>\$69,704</u>	

**Figure 53: Operating v Non-Operating Expense
(FY 2020-21)**



Fund Balance / Net Position

As of June 30, 2021, the total net position balance ended with approximately \$63,000. The following table highlights the net position balance from 2015 to 2021. As shown in **Table 67** and **Figure 54**, the District's fund balance has increased over the years and has maintained an annual balance above \$25,000. However, the current balance of \$63,000 does not cover the operating costs of \$70,000 during FY 2020-21. Additionally, this minimal amount may be completely depleted if any unintended expenses, major capital improvements projects, or emergency repairs were needed at any given time. As previously mentioned, the Board Chair informed LAFCO that the District may run out of money as early as November 2022.

Table 67: Net Position (2015 to 2021)

	FY 2015-16 (Unaudited)	FY 2016-17 (Unaudited)	FY 2017-18 (Unaudited)	FY 2018-19 (Unaudited)	FY 2019-20 (Unaudited)	FY 2020-21 (Unaudited)
Beginning Balance	\$33,553	\$25,697	\$38,499	\$29,052	\$52,122	\$83,966
Ending Balance	\$25,697	\$38,499	\$29,052	\$52,122	\$83,966	\$62,556
Change (\$)		\$12,802	\$(9,447)	\$23,070	\$31,843	\$(21,409)

Figure 54: Net Position from 2015 to 2021 (Ending Balance)

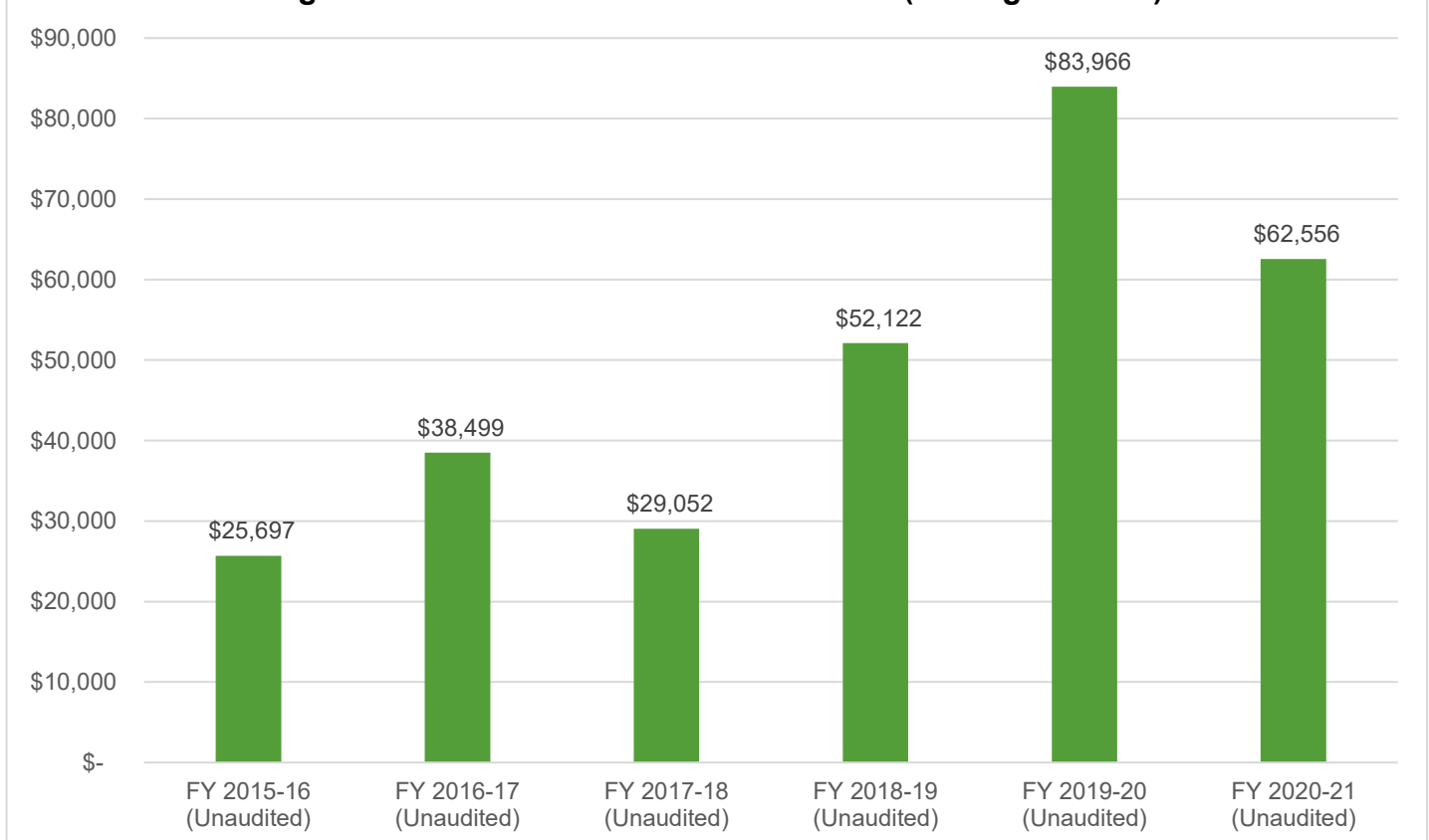


Table 68: Total Revenues & Expenditures

	FY 2015-16 (Unaudited)	FY 2016-17 (Unaudited)	FY 2017-18 (Unaudited)	FY 2018-19 (Unaudited)	FY 2019-20 (Unaudited)	FY 2020-21 (Unaudited)
REVENUE						
<u>Operating Revenue</u>						
Assessments	\$ 35,133	\$ 35,539	\$ 46,543	\$ 46,785	\$ 60,109	\$ 47,458
Total Operating Revenue	\$ 35,133	\$ 35,539	\$ 46,543	\$ 46,785	\$ 60,109	\$ 47,458
<u>Non-Operating Revenue</u>						
Interest Income	\$ 233	\$ 277	\$ 457	\$ 821	\$ 1,132	\$ 434
Penalties	\$ (156)	\$ -	\$ -	\$ -	\$ 9,607	\$ 403
Total Non-Operating Revenue	\$ 77	\$ 277	\$ 457	\$ 821	\$ 10,739	\$ 837
TOTAL REVENUE	\$ 35,210	\$ 35,817	\$ 47,001	\$ 47,606	\$ 70,847	\$ 48,295
EXPENDITURE						
<u>Operating Expense</u>						
Services & Supplies	\$ 43,066	\$ 23,015	\$ 56,448	\$ 24,535	\$ 39,004	\$ 69,704
Total Operating Expense	\$ 43,066	\$ 23,015	\$ 56,448	\$ 24,535	\$ 39,004	\$ 69,704
<u>Non-Operating Expense</u>						
<i>None Disclosed</i>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Non-Operating Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL EXPENDITURE	\$ 43,066	\$ 23,015	\$ 56,448	\$ 24,535	\$ 39,004	\$ 69,704
Surplus/(Deficit)	\$ (7,856)	\$ 12,802	\$ (9,447)	\$ 23,070	\$ 31,843	\$ (21,409)
NET POSITION						
Beginning Balance (as restated)	\$ 33,553	\$ 25,697	\$ 38,499	\$ 29,052	\$ 52,122	\$ 83,966
Ending Balance	\$ 25,697	\$ 38,499	\$ 29,052	\$ 52,122	\$ 83,966	\$ 62,556

Table 69: Total Assets & Liabilities

	FY 2010-11 (Audited)	FY 2011-12 (Audited)	FY 2012-13 (Audited)	FY 2013-14 (Audited)	FY 2014-15 (Audited)
ASSETS					
<u>Current Assets</u>					
Cash	\$ 14,345	\$ 7,829	\$ 26,672	\$ 39,526	\$ 48,290
Assessments Receivable	\$ 12,124	\$ 10,210	\$ 3,449	\$ 4,326	\$ 5,892
Total Current Assets	\$ 26,469	\$ 18,039	\$ 30,121	\$ 43,852	\$ 54,182
<u>Non-Current Assets</u>					
Capital Assets	\$ 3,953	\$ 2,603	\$ 1,253	\$ -	\$ -
Total Non-Current Assets	\$ 3,953	\$ 2,603	\$ 1,253	\$ -	\$ -
TOTAL ASSETS	\$ 30,422	\$ 20,642	\$ 31,374	\$ 43,852	\$ 54,182
<u>Deferred Outflows of Resources</u>					
<i>None Disclosed</i>	\$ -	\$ -	\$ -	\$ -	\$ -
Total Deferred Outflows of Resources	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ 30,422	\$ 20,642	\$ 31,374	\$ 43,852	\$ 54,182
LIABILITIES					
<u>Current Liabilities</u>					
Accounts Payable	\$ 11,380	\$ -	\$ 10,226	\$ 20,043	\$ 14,737
Deferred Credits	\$ 12,124	\$ 10,210	\$ 3,449	\$ 4,326	\$ 5,892
Total Current Liabilities	\$ 23,504	\$ 10,210	\$ 13,675	\$ 24,369	\$ 20,629
<u>Non-Current Liabilities</u>					
<i>None Disclosed</i>	\$ -	\$ -	\$ -	\$ -	\$ -
Total Non-Current Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL LIABILITIES	\$ 23,504	\$ 10,210	\$ 13,675	\$ 24,369	\$ 20,629
<u>Deferred Inflows of Resources</u>					
<i>None Disclosed</i>	\$ -	\$ -	\$ -	\$ -	\$ -
Total Deferred Inflows of Resources	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	\$ 23,504	\$ 10,210	\$ 13,675	\$ 24,369	\$ 20,629
NET POSITION					
Net Investment in Capital Assets	\$ 3,953	\$ 2,603	\$ 1,253	\$ -	\$ -
Unrestricted	\$ 2,965	\$ 7,809	\$ 16,446	\$ 19,483	\$ 33,553
Total Net Position	\$ 6,918	\$ 10,412	\$ 17,699	\$ 19,483	\$ 33,553
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, & NET POSITION	\$ 30,422	\$ 20,622	\$ 31,374	\$ 43,852	\$ 54,182

GOVERNANCE

Local Accountability & Structure

The Reclamation District is governed by a five-member Board of Directors, which are elected to four-year terms by the registered voters within the District's boundaries. Typically, a General Manager administers the day-to-day operations of the District, however, the Reclamation District does not have a General Manager or any additional administrative staff other than a board secretary. It is also LAFCO's understanding that the District has two vacancies on its Board. The current board members are as follows:

Table 70: Board of Directors

Board Member	Term of Office
John Diffenbaugh, Chair	Appointed: November 14, 2017 Term Limit Ends: December 1, 2019
Tony Lazaro	Appointed: November 14, 2017 Term Limit Ends: December 1, 2021
Frank Capurro	Appointed: November 14, 2017 Term Limit Ends: December 1, 2021
Vacant	N/A
Vacant	N/A

Footnote: The three "current" board members were appointed by the County Board of Supervisors in lieu of an election. However, their term limits have since expired.

Board Meetings

LAFCO's analysis shows that the last official board meeting was held in October 2021. LAFCO staff met with the Board Chair to discuss the issues of the District and was invited to attend their May 18, 2022 Board Meeting. There was no public notice posted at the venue or any indication that a board meeting was taking place. Additionally, only two board members present, which did not fulfill the quorum requirements under State law. Furthermore, it is LAFCO's understanding that the terms of the current board members have expired. This conclusion was confirmed by the County Elections Department on June 16, 2022.

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. SB 929 identifies a number of components that must be found within an agency's website. Additionally, the Special District Leadership Foundation (SDLF), an independent, non-profit organization formed to promote good governance and best practices among California's special districts, has also outlined recommended website elements as part of its District Transparency Certificate of Excellence. This program was created in an effort to promote transparency in the operations and governance of special districts to the public and to provide special districts with an opportunity to showcase their efforts in transparency. LAFCO was not able to conduct this assessment because the District does not have a website. In fact, the District does not have an official office, official phone number, or any other contact information. LAFCO staff is extremely concerned with the lack of transparency by the Reclamation District.

Opportunities and Challenges

Water agencies are significantly affected by various factors, including aging infrastructure, escalating operational costs, drought impacts, increase in customer demand, and changes to state laws and regulations that may introduce new requirements without additional funding. These issues are common not only in Santa Cruz County but throughout the State. The following section discusses these challenges and identifies possible opportunities to ensure that residents receive the best level of water services.

Statutory Violations

The Reclamation District has been on notice since the last audited financial statement prepared by the County of Santa Cruz back on March 17, 2017. The audit, which analyzed the District from 2011 to 2015, identified a number of concerns as shown in **Appendix G. Table 71** lists those concerns and whether the District addressed them.

Table 71: List of Concerns from 2017 Audit

Issue / Violation	Description	Current Status
1. Adopted Policies	District not in compliance with state law which requires adoption of policies, including but not limited to Purchasing, Compensation, Depreciation, and Conflict of Interest. County Auditor Recommendation: <i>Adopt board policies</i>	No action taken; Still not in compliance
2. Board Minutes	District does not have meeting minutes accessible to the public County Auditor Recommendation: <i>Taken meeting minutes and make them accessible to the public</i>	No action taken; Still not in compliance
3. Ethics Training	District not in compliance with GCS 53235 which requires board members to receive ethics training County Auditor Recommendation: <i>Complete ethics training and/or adopt resolution prohibiting board members from receiving reimbursements</i>	No action taken; Still not in compliance
4. Bids	District showed no proof of solicitation for services that cost above \$3,000 County Auditor Recommendation: <i>Solicit bids for services over \$3,000</i>	No action taken; No policy was adopted
5. Calculating Assessments	District does not calculate assessments based on the Valuation Assessment Role of \$30 per \$1,000 assessed value as confirmed by the County Board of Supervisors in accordance with GCS 51326 County Auditor Recommendation: <i>Comply with CA Water Code and calculate assessments according to the Valuation Assessment Role</i>	No action taken; Still not in compliance

6. Financial Statement Preparation	District did not prepare, or have control in place that would assure the preparation of internal financial statements County Auditor Recommendation: <i>Hire proper staff to address this “material weakness” and provide Board oversight</i>	No action taken; No General Manager or adequate staff
7. Board Composition	District has an ongoing issue with board member retention County Auditor Recommendation: <i>Comply with statutory laws regarding election and appointment of Board Members</i>	Still not in compliance; All term limits have expired and no appointments/elections have occurred since 2017
8. Brown Act	District does not comply with the Brown Act County Auditor Recommendation: <i>Comply with the Brown Act by properly notifying the public about upcoming board meetings</i>	Still not in compliance; meeting notices are not advertised properly

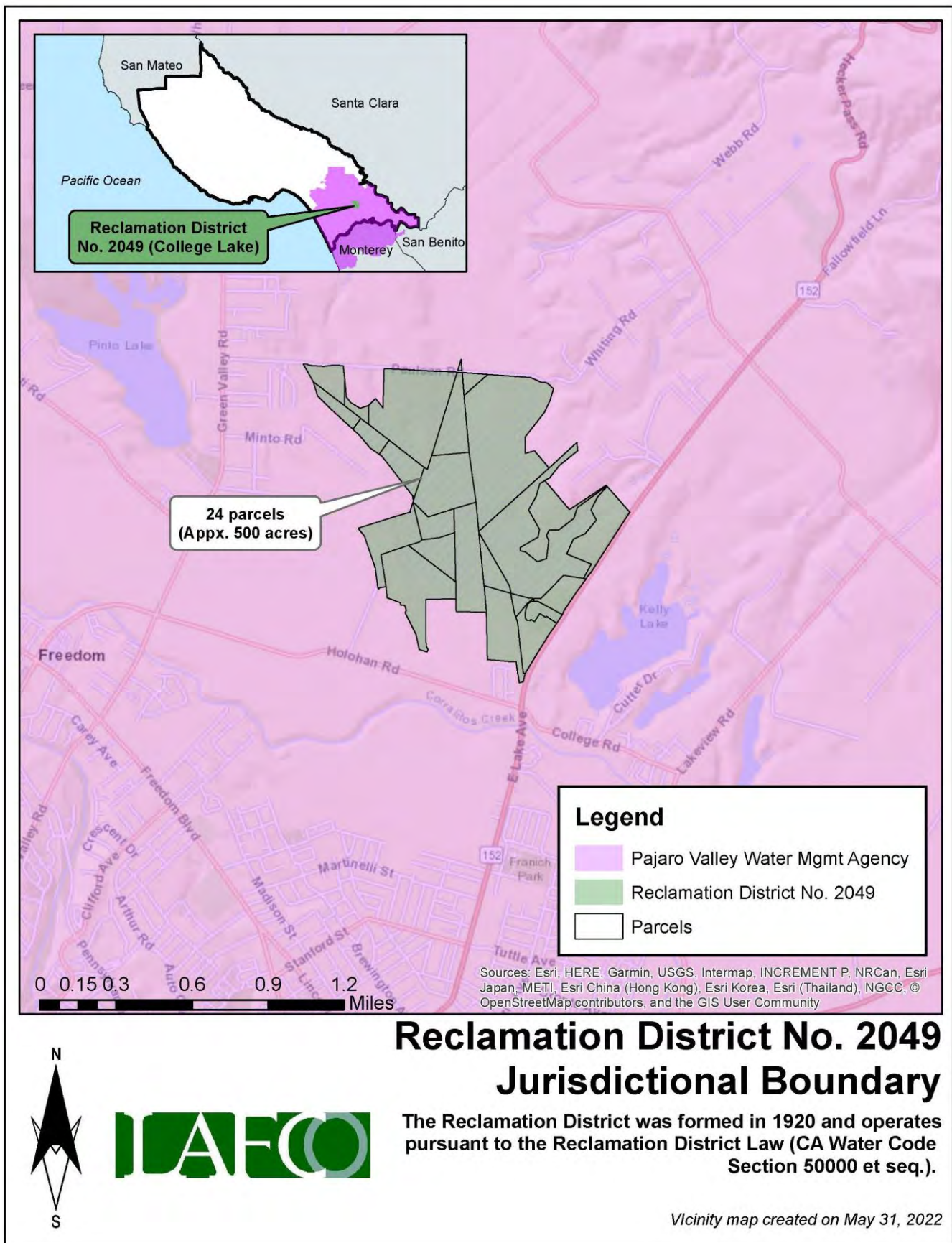
The Reclamation District has not complied with the recommendations identified in their last audit, but more troubling is that the District has violated a number of legal obligations as a special district. The lack of staffing and transparency are extremely concerning and the root cause of their improper governmental oversight. LAFCO staff has determined that the District has no general manager or adequate staff, no administrative office, no method of contact, no website, no adopted policies, and no valid board membership. Since LAFCO’s initial findings were shared with the District in May, the remaining board members have taken proactive steps to work with LAFCO and have agreed to initiate the dissolution process. In June, the District and LAFCO co-hosted a workshop to inform the 16 affected landowners about the current issues and the benefits of dissolution.

Pending Dissolution

Based on staff’s analysis, the Reclamation District has obsolete infrastructure, limited staffing, depleting finances, zero transparency, lack of Brown Act compliance, and other statutory violations. Due to these significant issues, the Reclamation District Board of Directors adopted a resolution to initiate dissolution on July 27, 2022. The Reclamation District is already in PVWMA’s jurisdictional boundary (refer to **Figure 55** on page 151). It is also LAFCO’s understanding that PVWMA is in the process of completing a project directly tied with the College Lake. The primary purposes of the College Lake Integrated Resources Project are to help balance the groundwater basin, prevent further seawater intrusion, and meet water supply needs in PVWMA’s service area by developing College Lake as a water storage and supply source. Project components include a weir structure and intake pump station, a water treatment plant, and an approximately 6-mile-long pipeline to convey water from the water treatment plant to the Watsonville Area Recycled Water Treatment Facility and to the Coastal Distribution System. Construction is estimated to occur over approximately 18 months and may begin later this year, pending acquisition of necessary permits and property rights.

LAFCO Staff Recommendation: *The Reclamation District must coordinate with LAFCO and PVWMA to successfully transfer service responsibilities as part of the dissolution process.*

Figure 55: Reclamation District within PVWMA's Jurisdictional Boundary



SPHERE OF INFLUENCE

Current Sphere Boundary

Santa Cruz LAFCO adopted the District's first sphere of influence on November 2, 1988. The current sphere is coterminous with the District's jurisdictional boundary. The last sphere update occurred in December 2017 following the last service review cycle. **Figure 56** on page 153 shows the current sphere of influence boundary.

Proposed Sphere Boundary

Due to the ongoing deficiencies and financial constraints, in conjunction with the findings by LAFCO and the last audited financial statement, LAFCO staff is recommending the adoption of a zero sphere, as shown as **Figure 57** on page 154. LAFCO may adopt a "zero" sphere (encompassing no territory) for a public agency when the Commission has determined that the service functions of the affected agency are either: nonexistent, no longer needed, or should be reallocated to some other local government. Adoption of a zero sphere indicates that the Reclamation District should ultimately be dissolved and service responsibilities be transferred to another local agency, specifically the Pajaro Valley Water Management Agency.

LAFCO Staff Recommendation: *Adopt a zero sphere as a precursor to dissolution.*

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Figure 56: Reclamation District's Current Sphere Map

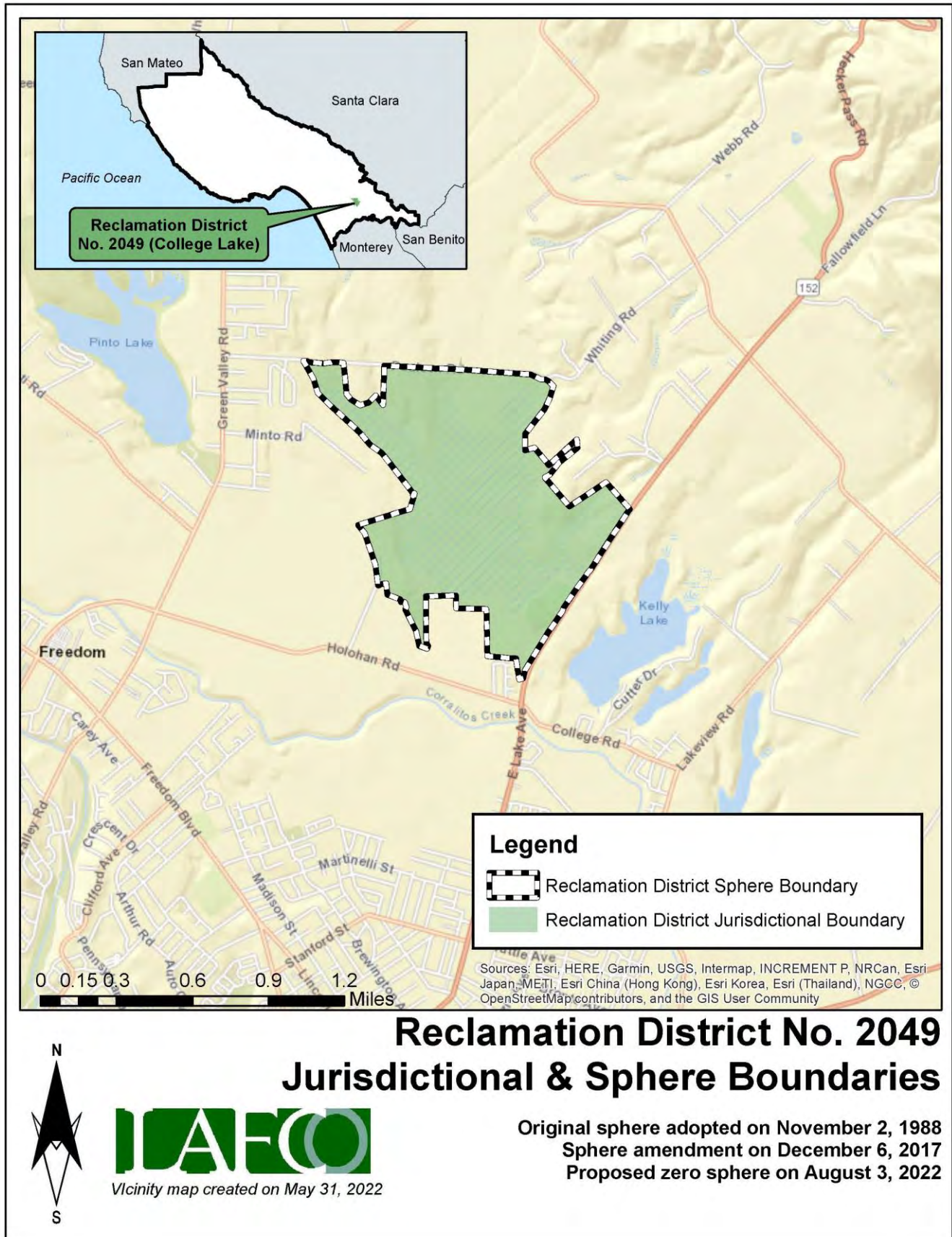
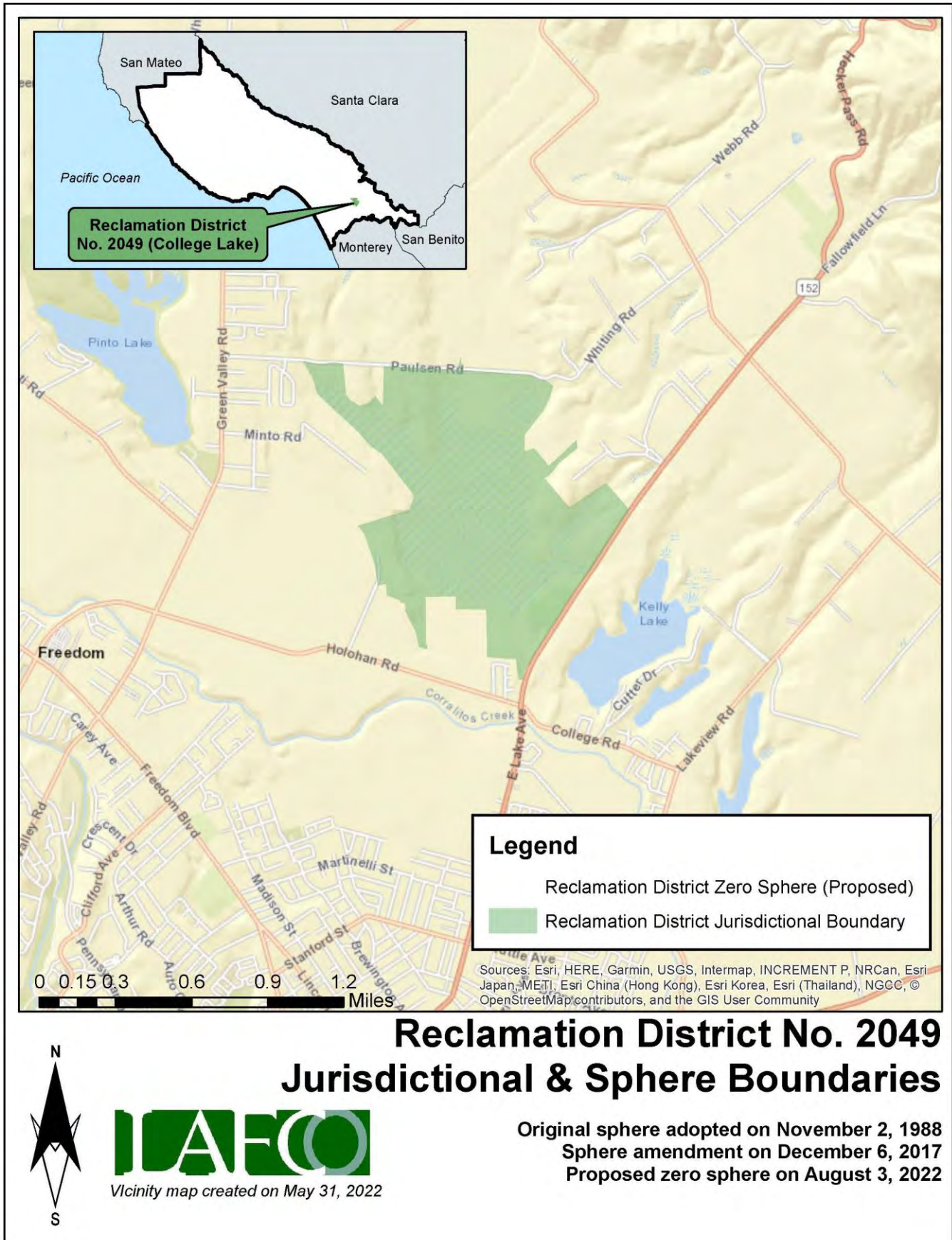


Figure 57: Reclamation District's Proposed Sphere Map



DISTRICT SUMMARY

Reclamation District No. 2049 (College Lake)	
Formation	California Water Code, section 50,000 et seq.
Board of Directors	Five members; all board member term limits have expired; no legal board members in place
Contact Person	No General Manager
Employees	0 Full-Time Employees
Facilities	1 Weir
District Area	0.79 square miles (appx. 500 acres)
Sphere of Influence	<p>Current Sphere: Coterminous (i.e. sphere boundary the same as the District's jurisdictional boundary)</p> <p>Proposed Sphere: Zero (i.e., precursor to dissolution)</p>
FY 2020-21 Audit	<p>Total Revenue = \$48,295</p> <p>Total Expenditure = \$69,704</p> <p>Net Position (Ending Balance) = \$62,556</p>
Contact Information	<p>Mailing Address: None</p> <p>Phone Number: None</p> <p>Email Address: None</p> <p>Website: None</p>
Public Meetings	Brown Act Violations (no adequate posting; no legal board members); Last official meeting occurred in October 2021
Mission Statement	None

SERVICE AND SPHERE REVIEW DETERMINATIONS

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

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 boundary. Written statements of determination must be prepared with respect to each of the following:

1. Growth and population projections for the affected area.

The population of the Reclamation District in 2020 was estimated to be 16. Based on LAFCO's analysis, the population within the District will be approximately 17 by 2040.

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

In 2020, the California statewide median household income was \$78,672, and 80% of that was \$62,938. Based on LAFCO's analysis, there are no disadvantaged unincorporated communities within or contiguous to the District's sphere boundary.

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.

There is no present and planned capacity of public facilities or adequacy of public services. The District has no general manager, no office, no website, no capital improvement plan, and a significant lack of transparency.

4. Financial ability of agencies to provide services.

The Reclamation District is not financially stable. The District ended with a deficit in three of the last six fiscal years during 2015 to 2021. As of June 30, 2021, the total net position balance ended with approximately \$63,000. The District has informed LAFCO that it may run out of money by November 2022.

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

LAFCO strongly encourages the District to support dissolution and transfer drainage responsibilities to another local agency, such as the Pajaro Valley Water Management Agency (PVWMA).

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

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. SB 929 identifies a number of components that must be found within an agency's website. At present, the District does not have a website.

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

LAFCO strongly encourages the District to support dissolution and transfer drainage responsibilities to another local agency, such as the PVWMA.

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.

At present, the majority of land within the District is designated as Agriculture. The District's customer base is predominantly farmers.

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

The District has no long-term planning in place.

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

There is no present and planned capacity of public facilities or adequacy of public services. The District has no general manager, no office, no website, no capital improvement plan, and a significant lack of transparency.

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.

The District has been in existence for 102 years and has not been able to adapt to the statutory requirements set forth on local governments, specifically independent special districts. It is LAFCO's recommendation that the District dissolve as soon as possible.

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.

In 2020, the California statewide median household income was \$78,672, and 80% of that was \$62,938. Based on LAFCO's analysis, there are no disadvantaged unincorporated communities within or contiguous to the District' sphere boundary.

SAN LORENZO VALLEY WATER DISTRICT

OVERVIEW

The San Lorenzo Valley Water District was formed in 1941 and operates under the County Water District Law (Sections 30000 et seq. of the California Water Code) for the purpose of developing and providing water for domestic use, fire protection, and recreation in the San Lorenzo Valley. Today, the District serves 60 square miles of unincorporated territory. There is a total of 14,785 parcels within the District (totaling approximately 118,000 acres). **Figure 58**, on page 160, is a vicinity map depicting SVLWD's current jurisdictional boundary. **Figure 59**, on page 161, also shows the current land use designation under the County's General Plan. At present, the majority of land within the District is designated as Mountain Residential.

A total of 56 boundary changes have been approved by LAFCO, the Lompico Reorganization last approved in August 2016. **Appendix H** provides an overview of all the approved boundary changes since 1963.

Services and Infrastructure

SLVWD owns, operates, and maintains two water systems that supply separate service areas from separate water sources. The North/South Service Area includes the unincorporated communities of Boulder Creek, Brookdale, Ben Lomond, Zayante, Lompico, portions of the City of Scotts Valley and adjacent unincorporated neighborhoods. The Felton Service Area was acquired by the District from California American Water in September 2008 and includes the town of Felton and adjacent unincorporated areas. The District owns, operates, and maintains a wastewater system in Boulder Creek's Bear Creek Estates, which serves approximately 56 homes. There are 170 miles of pipeline, 39 tank sites and 30 booster pump stations serving 36 pressure zones. The District currently provides service to approximately 8,000 residential, commercial, and institutional connections. The District relies on both surface water and groundwater resources, including nine currently active stream diversions, one groundwater spring, and eight active groundwater wells. These sources are derived solely from rainfall within the San Lorenzo River watershed. **Table 72** summarizes the District's services and **Table 73** provides an overview of the District's infrastructure.

Table 72: List of Service Provisions

Services	Checkmark (Yes)
Agricultural Water	
Drainage	
Groundwater Replenishment	
Retail Potable Water	✓
Recycled Water	
Wastewater (Sewer)	✓
Water Treatment	✓
Water Conservation	✓

Table 73: List of Infrastructure / Facilities

Infrastructure	Checkmark (Yes)	Quantity
Distribution / Storage Tanks	✓	39 tank sites
Pressure Zones	✓	36 pressure zones
Production Wells	✓	8 active groundwater wells
Pump Stations	✓	30 booster pump stations
Recycled Water System	-	-
Treatment Plants	✓	1 wastewater system (Bear Creek Estates)
Water Diversions	✓	9 active stream diversions
Water Pipeline	✓	170 miles
Total Connections	✓	8,000

Water Rates

SLVWD has a policy ensuring that all revenues from user charges and surcharges generated from District customers must support all District operations including capital project funding. Accordingly, water and sewer rates are reviewed periodically. Water rates are user charges imposed on customers for services and are the primary component of the District's revenue. Water rates are composed of a commodity (usage) charge and a fixed (readiness-to-serve) charge. **Table 74** highlights the past and upcoming water rates for SLVWD customers.

Table 74: Water Rates

	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22
Fixed Service Charge by Meter Size						
5/8"	\$34.00	\$28.27	\$30.24	\$32.06	\$33.66	\$35.34
3/4"	\$34.00	\$28.27	\$30.24	\$32.06	\$33.66	\$35.34
1"	\$56.50	\$42.36	\$45.33	\$48.05	\$50.45	\$52.97
1.5"	\$114.00	\$77.61	\$83.04	\$88.03	\$92.43	\$97.05
2"	\$181.50	\$119.91	\$128.30	\$136.00	\$142.80	\$149.94
3"	\$341.00	\$232.70	\$248.98	\$263.92	\$277.12	\$290.97
4"	\$567.00	\$359.58	\$384.75	\$407.84	\$428.23	\$449.64
Rate of Change following each FY		-32%	7%	6%	5%	5%
Volumetric Charges for All Water Consumed						
Flat Rate (Uniform Rate)	\$10.00	\$10.12	\$10.83	\$11.48	\$12.06	\$12.66
Rate of Change following each FY		1%	7%	6%	5%	5%

Figure 58: SLVWD's Vicinity Map

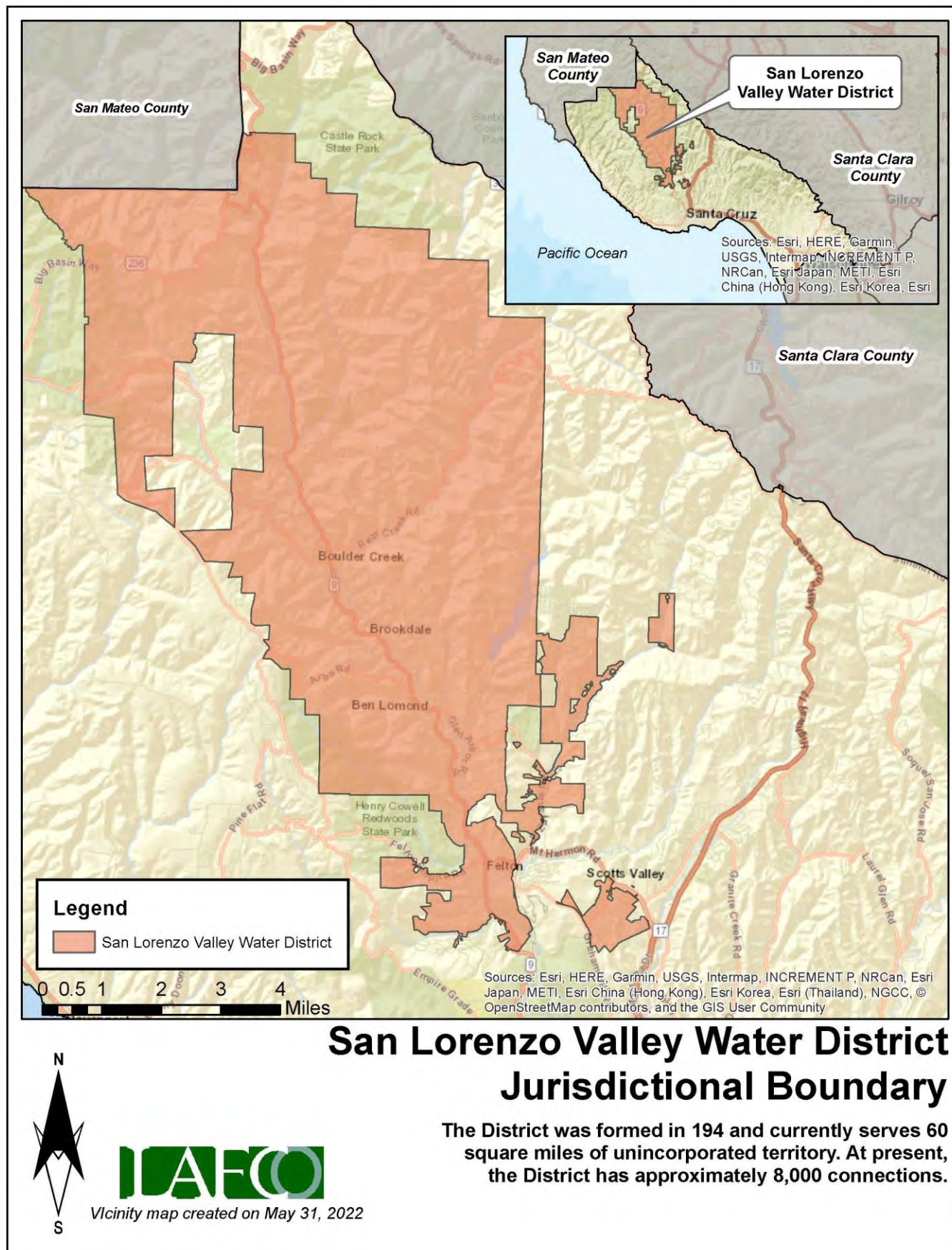
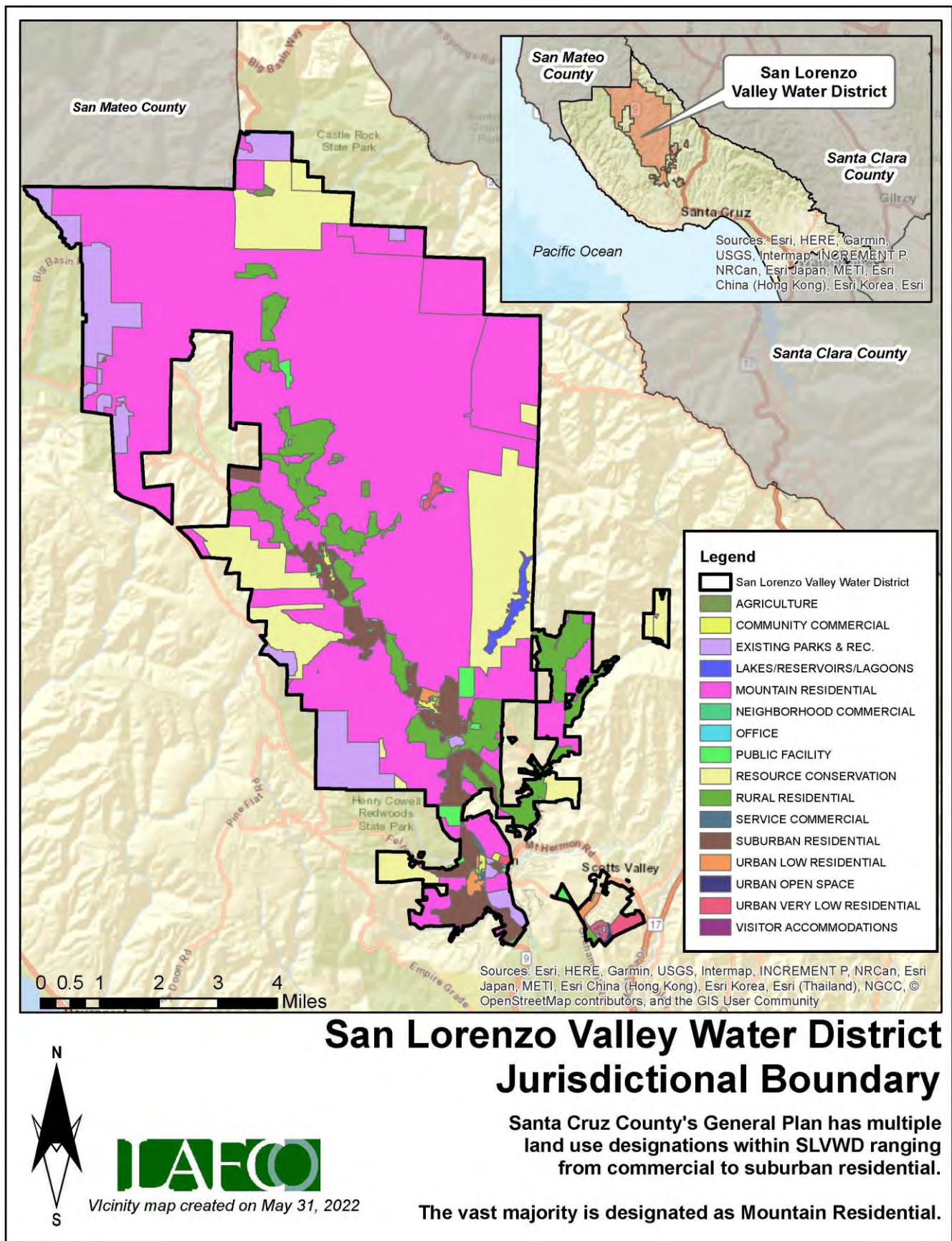


Figure 59: SLVWD's Land Use Map



Population and Growth

Based on staff's analysis, the population of SLVWD in 2020 was estimated to be 20,000. The Association of Bay Area Governments (ABAG) and the Association of Monterey Bay Area Governments (AMBAG) provide population projections for cities and counties in the Coastal Region. Official growth projections are not available for special districts. In general, the Coastal Region is anticipated to have a slow growth over the next twenty years. **Table 75** shows the anticipated population within SLVWD. The average rate of change is 0.86%.

Population Projection

Based on the projections for Santa Cruz County, LAFCO was able to develop a population forecast for SLVWD. LAFCO staff increased the District's 2020 population amount by 0.86% each year. Under this assumption, our projections indicate that the entire population of SLVWD will be approximately 21,000 by 2040.

Table 75: Projected Population

	2020	2025	2030	2035	2040	Average Rate of Change
Santa Cruz County (unincorporated area)	136,891	137,896	139,105	140,356	141,645	0.86%
San Lorenzo Valley Water District	19,882	20,052	20,224	20,398	20,572	0.86%

Source: AMBAG 2018 Regional Growth Forecast and FY 2020-21 SLVWD Audited Financial Statement

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FINANCES

This section will highlight the District's financial performance during the most recent fiscal years. Fiscal Year 2020-21 is the latest audited financial statement available. LAFCO evaluated SLVWD's financial health from 2015 to 2021. A comprehensive analysis of the District's financial performance during the past six years is shown in **Tables 79 and 80** on pages 167-168.

At the end of Fiscal Year 2020-21, total revenue collected was approximately \$17 million, representing a 28% increase from the previous year (\$13 million in FY 19-20). Total expenses for FY 2020-21 were approximately \$12 million, which increased by 16% from the previous year (\$11 million in FY 19-20). Since 2015, the District ended each fiscal year with a surplus, as shown in **Figure 60**. LAFCO staff believes that this positive trend will continue based upon the District's ongoing conservative budgetary practices reflected in their audited financial statements.

**Figure 60: Statement of Revenues & Expenditures
(FY 2015-16 to FY 2020-21)**



Revenues

Operating Revenue

The District's primary source of revenue is from operating revenues, specifically water consumption sales. In FY 2020-21, Water Consumption Sales totaled over \$110 million which represents approximately 69% of SLVWD's entire revenue stream. Other operating revenue sources include wastewater service, meter sales, charges & penalties, and other charges & services. These additional operating revenues represent around 2% of total revenue. During FY 2020-21, total operating revenue represents approximately 69% of the District's entire revenue stream.

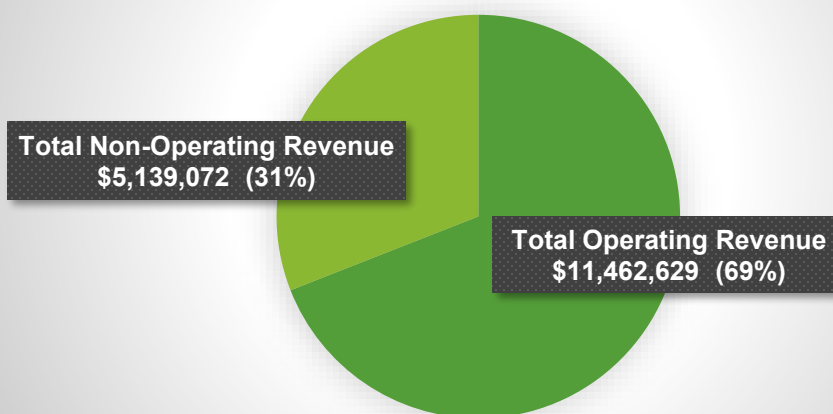
Non-operating Revenue

The remaining 31% of total revenue derive from non-operating revenue sources. These funds include Property Taxes, Operating Grants, Interest Income, and Other Revenue. **Table 76 and Figure 61** provide a breakdown of the District's revenue by category and source.

Table 76: Revenue Breakdown (FY 2020-21)

Revenue	Amount	Percentage
Operating Revenue		
Water Consumption Sales	\$11,139,017	97.18%
Wastewater Service	\$61,007	<u>1.40%</u>
Meter Sales, Charges, & Penalties	\$157,486	<u>1.37%</u>
Other Charges & Services	<u>\$5,119</u>	<u>0.04%</u>
Total Operating Revenue	\$11,462,629	100.00%
Non-Operating Revenue		
Capital Grants	\$3,031,227	58.98%
Property Taxes	\$847,676	16.49%
Assessment Revenue	\$343,086	6.68%
Other Revenue	<u>\$917,083</u>	<u>17.85%</u>
Total Non-Operating Revenue	\$5,139,072	100.00%
Total Revenue	<u>\$16,601,701</u>	

**Figure 61: Operating v Non-Operating Revenue
(FY 2020-21)**



Expenditures

Operating Expense

The District's operating expenses represented approximately 78% of total expenditure during FY 2020-21. Operating expenses include: Salaries & Benefits, Professional Services, Operational, Maintenance, Facilities, and General & Administrative.

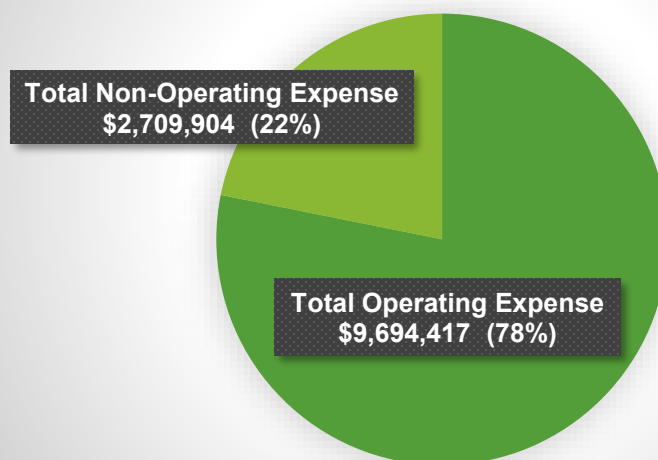
Non-operating Expense

The remaining 22% of total expenses derive from non-operating expenses. These costs include Interest Expense, Bond Issuance, Depreciation Expense, and Change in Investment in SMGA. **Table 77 and Figure 62** provide a breakdown of the District's costs by category and source.

Table 77: Expense Breakdown (FY 2020-21)

Expenditure	Amount	Percentage
Operating Expense		
Salaries & Benefits	\$6,036,430	62%
Professional Services	\$1,823,155	19%
Facilities	\$698,229	7%
Operational	\$509,163	5%
General & Administrative	\$426,594	4%
Maintenance	<u>\$200,846</u>	<u>2%</u>
Total Operating Expense	\$9,694,417	100%
Non-Operating Expense		
Depreciation Expense	\$1,728,054	64%
Interest Expense	\$772,887	29%
Change in Investment in SMGA	\$153,963	6%
Bond Issuance Expense	<u>\$55,000</u>	<u>2%</u>
Total Non-Operating Expense	\$2,709,904	100%
Total Expenditure	<u>\$12,404,321</u>	

**Figure 62: Operating v Non-Operating Expense
(FY 2020-21)**



Fund Balance / Net Position

As of June 30, 2021, the total net position balance ended with approximately \$38 million. The following table highlights the net position balance from 2015 to 2021. As shown in **Table 78** and **Figure 63**, the District's fund balance has increased over the years and has maintained an annual balance above \$28 million. Based on this historical trend, LAFCO staff believes the positive balance will continue. This healthy amount will be critical in the event that the District faces any unintended expenses, major capital improvements projects, or emergency repairs.

Table 78: Net Position (2015 to 2021)

	FY 2015-16 (Audited)	FY 2016-17 (Audited)	FY 2017-18 (Audited)	FY 2018-19 (Audited)	FY 2019-20 (Audited)	FY 2020-21 (Audited)
Beginning Balance	\$25,578,166	\$28,214,517	\$27,551,325	\$29,118,974	\$31,227,512	\$33,448,938
Ending Balance	\$28,214,517	\$28,255,435	\$29,088,944	\$31,227,512	\$33,448,938	\$37,646,318
Change (\$)		\$40,918	\$833,509	\$2,138,568	\$2,221,426	\$4,197,380

Figure 63: Net Position from 2015 to 2021 (Ending Balance)

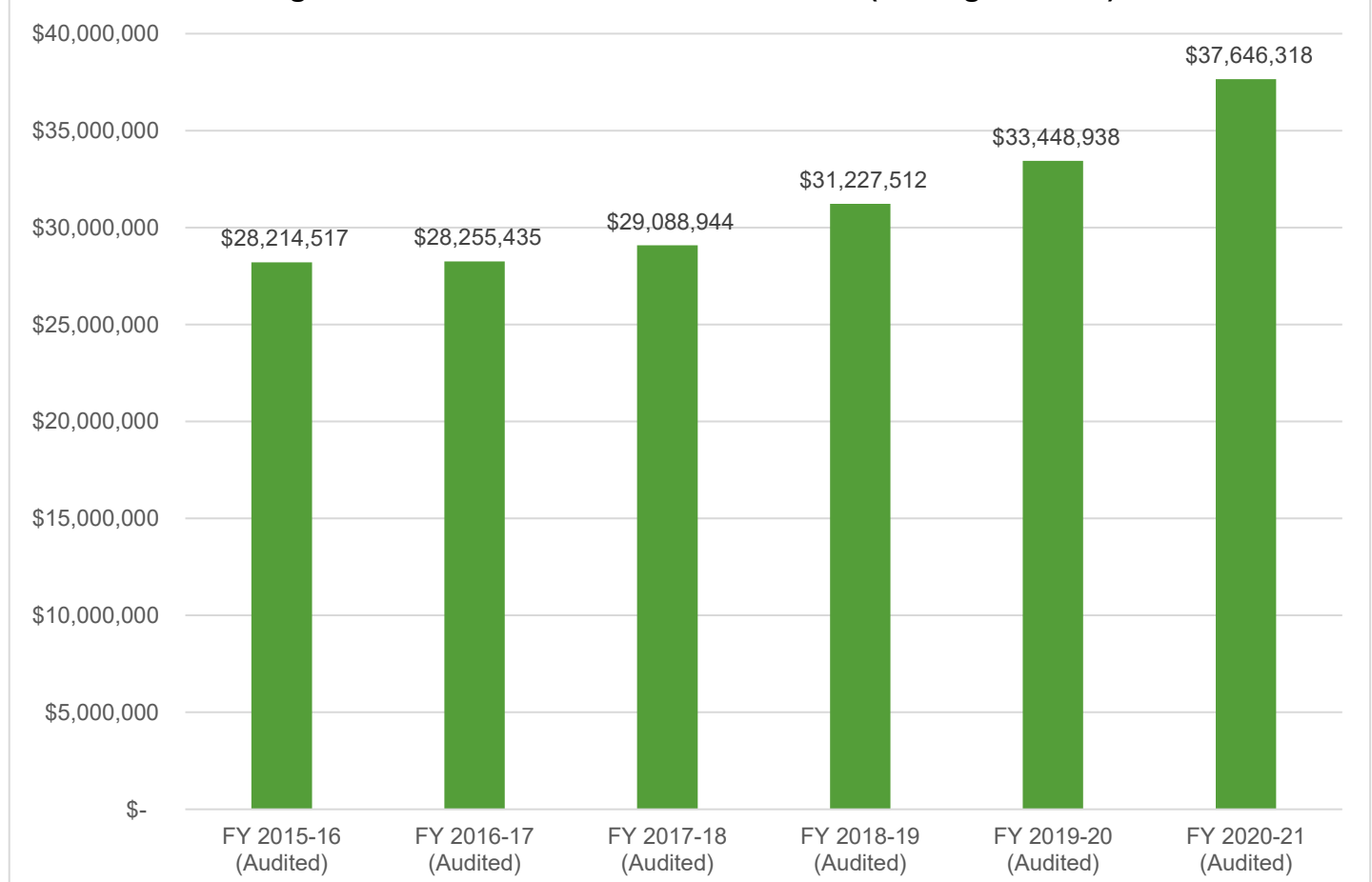


Table 79: Total Revenues & Expenditures

	FY 2015-16 (Audited)	FY 2016-17 (Audited)	FY 2017-18 (Audited)	FY 2018-19 (Audited)	FY 2019-20 (Audited)	FY 2020-21 (Audited)
REVENUE						
<u>Operating Revenue</u>						
Water Consumption Sales	\$ 6,145,076	\$ 7,157,650	\$ 8,983,340	\$ 9,917,657	\$ 10,865,193	\$ 11,139,017
Wastewater Service	\$ 98,262	\$ 102,107	\$ 100,138	\$ 111,820	\$ 134,148	\$ 161,007
Meter Sales, Charges & Penalties	\$ 194,444	\$ 178,632	\$ 128,305	\$ 99,464	\$ 135,129	\$ 157,486
Other Charges & Services	\$ 18,399	\$ 7,741	\$ 3,581	\$ 1,858	\$ 1,434	\$ 5,119
Total Operating Revenue	\$ 6,456,181	\$ 7,446,130	\$ 9,215,364	\$10,130,799	\$11,135,904	\$11,462,629
<u>Non-Operating Revenue</u>						
Property Tax Revenue	\$ 610,634	\$ 1,129,838	\$ 747,404	\$ 780,378	\$ 813,051	\$ 847,676
Assessment Revenues	\$ -	\$ -	\$ 349,130	\$ 350,694	\$ 349,254	\$ 343,086
Investment Earnings	\$ 11,502	\$ 13,858	\$ 23,040	\$ 86,733	\$ 333,478	\$ 131,657
Rental Revenue	\$ 43,922	\$ 59,548	\$ 56,647	\$ 44,042	\$ 44,047	\$ 50,558
Operating Grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 334,681
Gain on Disposition of Capital Assets	\$ -	\$ -	\$ -	\$ -	\$ 1,786	\$ 13,706
Settlement & Purchase Agreements	\$ -	\$ 10,000	\$ -	\$ -	\$ 4,426	\$ 6,942
Capital Grants - Other Governments	\$ 1,557,589	\$ -	\$ 434,908	\$ 71,625	\$ 44,240	\$ 3,031,227
Overhead Absorption	\$ -	\$ -	\$ -	\$ -	\$ 231,862	\$ 379,539
Transfer in Due to Merger	\$ 1,009,192	\$ -	\$ -	\$ -	\$ -	\$ -
Total Non-Operating Revenue	\$ 3,232,839	\$ 1,213,244	\$ 1,611,129	\$ 1,333,472	\$ 1,822,144	\$ 5,139,072
TOTAL REVENUE	\$ 9,689,020	\$ 8,659,374	\$10,826,493	\$11,464,271	\$12,958,048	\$16,601,701
EXPENDITURE						
<u>Operating Expense</u>						
Salaries & Benefits	\$ 3,304,540	\$ 4,498,595	\$ 4,840,518	\$ 4,865,859	\$ 5,594,324	\$ 6,036,430
Professional Services	\$ 868,218	\$ 1,202,004	\$ 1,419,279	\$ 1,037,612	\$ 777,556	\$ 1,823,155
Operational	\$ 410,342	\$ 464,236	\$ 320,876	\$ 375,948	\$ 415,672	\$ 509,163
Maintenance	\$ 183,215	\$ 130,244	\$ 143,714	\$ 153,892	\$ 200,153	\$ 200,846
Facilities	\$ 442,014	\$ 499,400	\$ 554,547	\$ 568,165	\$ 569,129	\$ 698,229
General & Administrative	\$ 352,510	\$ 314,979	\$ 382,857	\$ 339,555	\$ 367,720	\$ 426,594
Total Operating Expense	\$ 5,560,839	\$ 7,109,458	\$ 7,661,791	\$ 7,341,031	\$ 7,924,554	\$ 9,694,417
<u>Non-Operating Expense</u>						
Interest Expense	\$ 185,411	\$ 166,204	\$ 150,507	\$ 153,662	\$ 638,604	\$ 772,887
Bond Issuance Expense	\$ -	\$ -	\$ -	\$ -	\$ 412,354	\$ 55,000
Depreciation Expense	\$ -	\$ -	\$ -		\$ 1,582,370	\$ 1,728,054
Change in Investment in SMGA	\$ -	\$ -	\$ 39,970	\$ 123,148	\$ 178,740	\$ 153,963
Loss on Disposition of Capital Assets	\$ -	\$ -	\$ -	\$ 320,408		
Total Non-Operating Expense	\$ 185,411	\$ 166,204	\$ 190,477	\$ 597,218	\$ 2,812,068	\$ 2,709,904
TOTAL EXPENDITURE	\$ 5,746,250	\$ 7,275,662	\$ 7,852,268	\$ 7,938,249	\$10,736,622	\$12,404,321
Surplus/(Deficit)	\$ 3,942,770	\$ 1,383,712	\$ 2,974,225	\$ 3,526,022	\$ 2,221,426	\$ 4,197,380
NET POSITION						
Beginning Balance (as restated)	\$ 25,578,166	\$ 28,214,517	\$ 27,551,325	\$ 29,118,974	\$ 31,227,512	\$ 33,448,938
Ending Balance	\$28,214,517	\$28,255,435	\$29,088,944	\$31,227,512	\$33,448,938	\$37,646,318

Table 80: Total Assets & Liabilities

	FY 2015-16 (Audited)	FY 2016-17 (Audited)	FY 2017-18 (Audited)	FY 2018-19 (Audited)	FY 2019-20 (Audited)	FY 2020-21 (Audited)
ASSETS						
<u>Current Assets</u>						
Cash & Cash Equivalents	\$ 1,676,923	\$ 417,323	\$ 694,844	\$ 1,043,351	\$ 1,488,104	\$ 848,935
Cash & Cash Equivalents - Restricted	\$ 403,624	\$ 686,020	\$ 637,205	\$ 2,231,220	\$ 14,304,537	\$ 24,278,757
Accrued Interest Receivable	\$ 155	\$ -	\$ -	\$ 5,487	\$ 3,206	\$ 69
Investments	\$ 930,412	\$ 1,503,115	\$ 2,062,184	\$ 2,276,600	\$ 3,969,393	\$ 4,085,651
Accounts Receivable						
Water Sales & Services	\$ 993,952	\$ 1,025,901	\$ 1,411,630	\$ 1,452,006	\$ 1,737,057	\$ 1,896,188
Property Taxes	\$ 1,296	\$ 2,398	\$ 2,477	\$ 1,715	\$ 1,324	\$ 67
Settlement Agreement	\$ 36,392	\$ 46,392	\$ -	\$ -	\$ -	\$ -
Grant & Loan Receivable	\$ 31,530	\$ -	\$ -	\$ -	\$ -	\$ -
Other	\$ 29,986	\$ 13,508	\$ 13,754	\$ 35,448	\$ 635	\$ 13,416
Prepaid Expenses	\$ 41,526	\$ 160	\$ 54,052	\$ 242,749	\$ 14,105	\$ 76,952
Materials & Supplies Inventory	\$ 225,327	\$ 233,395	\$ 253,996	\$ 267,057	\$ 283,136	\$ 296,125
Total Current Assets	\$ 4,371,123	\$ 3,928,212	\$ 5,130,142	\$ 7,555,633	\$21,801,497	\$31,496,160
<u>Non-Current Assets</u>						
Investments	\$ -	\$ -	\$ -	\$ 52,510	\$ 21,681	\$ 52,189
Capital Assets - Not Being Depreciated	\$ 14,972,454	\$ 7,024,237	\$ 8,010,150	\$ 9,200,401	\$ 9,129,138	\$ 12,361,800
Capital Assets - Being Depreciated	\$ 20,233,772	\$ 27,748,859	\$ 26,518,581	\$ 26,205,472	\$ 29,439,764	\$ 32,041,083
Total Non-Current Assets	\$35,206,226	\$34,773,096	\$34,528,731	\$35,458,383	\$38,590,583	\$44,455,072
TOTAL ASSETS	\$39,577,349	\$38,701,308	\$39,658,873	\$43,014,016	\$60,392,080	\$75,951,232
<u>Deferred Outflows of Resources</u>						
Deferred OPEB Outflows	\$ -	\$ -	\$ -	\$ 5,432	\$ 736,559	\$ 687,353
Deferred Pension Outflows	\$ 378,695	\$ 1,007,189	\$ 1,253,820	\$ 929,466	\$ 939,246	\$ 1,019,694
Total Deferred Outflows of Resources	\$ 378,695	\$ 1,007,189	\$ 1,253,820	\$ 934,898	\$ 1,675,805	\$ 1,707,047
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$39,956,044	\$39,708,497	\$40,912,693	\$43,948,914	\$62,067,885	\$77,658,279
LIABILITIES						
<u>Current Liabilities</u>						
Accounts Payable & Accrued Expense	\$ 941,375	\$ 329,603	\$ 384,347	\$ 363,590	\$ 947,456	\$ 920,780
Accrued Wages & Related Payables	\$ 175,956	\$ 216,305	\$ 233,296	\$ 243,215	\$ 149,315	\$ 114,408
Unearned Revenues - Customer Deposits	\$ 83,306	\$ 54,992	\$ 102,445	\$ 141,871	\$ 109,048	\$ 105,952
Unearned Revenues - Construction Deposits	\$ 121,360	\$ 95,622	\$ 15,478	\$ 13,945	\$ 17,000	\$ 8,579
Accrued Interest Payable	\$ 28,940	\$ 21,624	\$ 15,999	\$ 38,209	\$ 206,656	\$ 324,155
Long-Term Liabilities - Due in One Year						
Compensated Absences	\$ 164,577	\$ 170,750	\$ 185,103	\$ 194,131	\$ 205,304	\$ 228,279
Loans Payable	\$ 175,775	\$ 239,629	\$ 245,920	\$ 303,135	\$ 330,959	\$ 933,031
Bonds Payable	\$ 697,479	\$ 710,030	\$ 666,015	\$ 582,031	\$ 494,531	\$ 103,247
Certificate of Participation					\$ 230,000	\$ 245,000
Capital Lease Payable	\$ -	\$ 21,778	\$ 22,505	\$ 23,256	\$ 24,031	\$ 22,828
Total Current Liabilities	\$ 2,388,768	\$ 1,860,333	\$ 1,871,108	\$ 1,903,383	\$ 2,714,300	\$ 3,006,259
<u>Non-Current Liabilities</u>						
Long-Term Liabilities - Due in More Than One Year						
Compensated Absences	\$ 292,582	\$ 303,555	\$ 329,071	\$ 345,122	\$ 364,985	\$ 405,830
Other Post-Employment Benefits Payable	\$ 238,911	\$ 262,939	\$ 1,029,266	\$ 4,760,158	\$ 1,990,505	\$ 2,128,882
Net Pension Liability	\$ 2,522,518	\$ 3,511,169	\$ 3,969,598	\$ 597,778	\$ 4,158,344	\$ 4,530,116
Loans Payable	\$ 3,241,218	\$ 3,311,614	\$ 3,065,715	\$ 46,763	\$ 4,429,199	\$ 18,496,599
Bonds Payable	\$ 2,555,853	\$ 1,845,824	\$ 1,179,808	\$ 1,138,893	\$ 103,247	\$ -
Certificate of Participation	\$ -	\$ -	\$ -	\$ -	\$ 14,657,705	\$ 14,383,127
Capital Lease Payable	\$ -	\$ 92,524	\$ 70,019	\$ 3,805,659	\$ 22,828	\$ 105
Total Non-Current Liabilities	\$ 8,851,082	\$ 9,327,625	\$ 9,643,477	\$10,694,373	\$25,726,813	\$39,944,659
TOTAL LIABILITIES	\$11,239,850	\$11,187,958	\$11,514,585	\$12,597,756	\$28,441,113	\$42,950,918
<u>Deferred Inflows of Resources</u>						
Deferred Pension Inflows	\$ 501,677	\$ 265,104	\$ 276,001	\$ 123,646	\$ 154,013	\$ 45,330
Deferred OPEB Inflows	\$ -	\$ -	\$ 33,163	\$ -	\$ 23,821	\$ 21,988
Total Deferred Inflows of Resources	\$ 501,677	\$ 265,104	\$ 309,164	\$ 123,646	\$ 177,834	\$ 67,318
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	\$11,741,527	\$11,453,062	\$11,823,749	\$12,721,402	\$28,618,947	\$43,018,236
NET POSITION						
Net Investment in Capital Assets	\$ 28,535,901	\$ 28,551,697	\$ 29,278,749	\$ 29,092,752	\$ 31,913,552	\$ 33,871,628
Restricted for Debt Service	\$ 403,624	\$ 686,020	\$ 637,205	\$ 2,231,220	\$ 667,387	\$ 626,075
Unrestricted (Deficit)	\$ (725,008)	\$ (982,282)	\$ (827,010)	\$ (96,460)	\$ 867,999	\$ 3,148,615
Total Net Position	\$28,214,517	\$28,255,435	\$29,088,944	\$31,227,512	\$33,448,938	\$37,646,318
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, & NET POSITION	\$39,956,044	\$39,708,497	\$40,912,693	\$43,948,914	\$62,067,885	\$80,664,554

GOVERNANCE

Local Accountability & Structure

SLVWD is governed by a five-member Board of Directors, which are elected to four-year terms by the registered voters within the District's boundaries. The Board of Directors are responsible for the establishment of policy relative to the District's mission, goals, and operations. The current Board is as follows:

Table 81: Board of Directors

Board Member	Term of Office
Gail Mahood, President	Elected: December 1, 2020 Term Limit Ends: December 1, 2024
Mark Smolley	Appointed: December 16, 2020 Term Limit Ends: December 1, 2022
Bob Fultz, Director	Elected: December 1, 2018 Term Limit Ends: December 1, 2022
Jayne Ackemann, Director	Appointed: May 6, 2021 Term Limit Ends: December 1, 2022
Jeff Hill, Director	Appointed: April 21, 2022 Term Limit Ends: December 1, 2022

Board Meetings

The District Manager administers the day-to-day operations of the District in accordance with policies and procedures established by the Board of Directors. The San Lorenzo Valley Water District employs a full-time staff of 34 employees. The District's Board of Directors meets regularly, meetings are publicly noticed, and citizens are encouraged to attend. Board meetings are typically held on the first and third Thursday of each month at 6:30 p.m. The District's administrative offices are located in the Town of Boulder Creek in Santa Cruz County.

Capital Improvement Plans

SLVWD adopted a long-range capital improvement plan on November 16, 2017. The purpose of this plan is to identify and prioritize needs and project costs for planned improvements to the infrastructure that will serve the affected ratepayers in an efficient and cost-effective manner throughout the next 10-years of growth and change. A total of 21 capital improvement projects are planned to be completed by 2022.

Urban Water Management Plan

The California Department of Water Resources indicates that Urban Water Management Plans ("UWMPs") are prepared by urban water suppliers every five years (California Water Code Sections 10610-10656; 10608). These plans support the suppliers' long-term resource planning to ensure that adequate water supplies are available to meet existing and future water needs. SLVWD adopted its UWMP in 2020,¹³ which provides an in-depth overview of the District's current and future water demand and infrastructure.

¹³ 2020 SLVWD UWMP: <https://www.slvwd.com/conservation/pages/urban-water-management-plan>

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. SB 929 identifies a number of components that must be found within an agency's website. Additionally, the Special District Leadership Foundation (SDLF), an independent, non-profit organization formed to promote good governance and best practices among California's special districts, has also outlined recommended website elements as part of its District Transparency Certificate of Excellence. This program was created in an effort to promote transparency in the operations and governance of special districts to the public and to provide special districts with an opportunity to showcase their efforts in transparency. Based on SB 929's criteria and the recommendations by SDLF, LAFCO thoroughly reviewed the District's website. **Table 82** on page 171 summarizes staff's findings on whether the District's website is meeting the statutory requirements.

At present, the District almost meets all the statutory requirements under SB 929 and SDLF's website transparency criteria. There are certain items that should be added to its website, specifically their board limits, election process, additional compensation/transaction information, and links to LAFCO's adopted service reviews related to the District. Overall, SLVWD has a transparent website filled with useful information and resources that are easily accessible.



Table 82: Website Transparency

Website Components	Checkmark (Yes)
Required Items (SB 949 Criteria and SDLF Benchmarks)	
1. Names and Contact Information of Board Members*	✓
2. Board Member Term Limits	
3. Names of Key Staff, including General Manager	✓
4. Contact Information for Staff	✓
5. Election/Appointment Procedure & Deadlines	
6. Board Meeting Schedule*	✓
7. Mission Statement	✓
8. Description of District's Services/Functions and Service Area	✓
9. Authorizing Statute/Enabling Act	✓
10. Adopted District Budgets*	✓
11. Financial Audits*	✓
12. Archive of Board Meeting Agendas & Minutes*	✓
13. Link to State Controller's Webpages for District's reported Board Member and Staff Compensation	
14. Link to State Controller's Webpages for District's reported Financial Transaction Report	
15. Reimbursement & Compensation Policy / Annual Policies	✓
16. Home Page Link to Agendas/Board Packets	✓
17. SB 272 - Compliance-Enterprise Catalogs	✓
18. Machine Readable/Searchable Agendas	✓
19. Recipients of Grant Funding or Assistance	✓
20. Link or Copies of LAFCO's Service & Sphere Reviews	
Total Score (out of a possible 20)	15 (75%)
Additional Items (SDLF's Recommended Elements)	
1. Board Member Ethics Training Certificates	
2. Picture, Bio, and Email Addresses of Board Members	✓
3. Last Three Years of Audits	✓
4. Financial Reserves Policy	✓
5. Online/Downloadable Public Records Act Request Form	✓
6. Audio or Video Recordings of Board Meetings	
7. Map of District Boundaries/Service Area	✓
8. Link to CSDA Mapping Program	
9. General Description of Special Districts or Link to www.districtmakethedifference.org	
10. Link to Most Recently Filed to FPPC Forms	✓
Total Score (out of a possible 10)	6 (60%)

*Footnote: Senate Bill 929 Statutory Requirements

Opportunities and Challenges

Water agencies are significantly affected by various factors, including aging infrastructure, escalating operational costs, drought impacts, increase in customer demand, and changes to state laws and regulations that may introduce new requirements without additional funding. These issues are common not only in Santa Cruz County but throughout the State. The following section discusses these challenges and identifies possible opportunities to ensure that residents receive the best level of water services.

Strategic Partnerships

Several water agencies have expressed interest in exploring ways to further collaborate. Many water agencies have interties in the event of emergencies and all water agencies (including the two Cities) are members of groundwater-related joint powers authorities. This means that the public water providers are already working together in overseeing how water is delivered countywide. It may be beneficial for the water agencies to consider further strategic partnerships, including but not limited to sharing resources and staff, establishing a countywide memorandum of understanding for emergency-related interties, and joint procurements or professional service agreements (i.e. Audits). Such partnerships may also lay the foundation for future changes of organization, including but not limited to annexations, reorganizations, or consolidations.

LAFCO Staff Recommendation: *SLVWD should explore additional ways to share services and resources with neighboring agencies, including but not limited to nearby water districts.*

Small Water Systems

One area that LAFCO can provide assistance now is addressing the failing mutual water companies (MWCs) near SLVWD. MWCs are regulated by California's Water Code, Health and Safety Code and must abide by open meeting and records disclosure laws similar to many public water utilities. In operating a public water system, mutual water companies are also subject to regulation by the California Department of Public Health and must comply with requirements imposed by the State Water Resources Control Board and our local Regional Water Quality Control Board. However, over the years, many MWCs have operated without much oversight from the State. That is why the Legislature enacted Assembly Bill 54 in 2012. This law imposes new requirements on mutual water companies that own and operate public water systems and requires greater coordination between them and LAFCO in each county. Corporations Code 14301.1 requires mutual water companies to submit a map depicting its service area to LAFCO.

A total of 41 private water systems are located within or adjacent to the water district. **Figure 64** on page 174 identifies the location of each private water system in relation to SLVWD. **Table 83** on page 175 also provide more information about the private water systems. While LAFCOs do not have full authority over mutual water companies when compared to with cities and special districts, AB 54 does allow LAFCO to analyze these water systems as part of a service review. Identifying these MWCs may lead to coordination with SLVWD and possible annexation, if desired. It is LAFCO's understanding that two MWCs within the District's jurisdictional boundary have expressed interest transferring water responsibilities to SLVWD. As a result of the recent fires, Forest

Springs and Bracken Brae Country Club MWCs have been greatly impacted. These two MWCs are medium size water systems with approximately 15 to 199 connections. Big Basin Water, the privately-owned water company that operates these two water systems, has also expressed interest in transferring water responsibilities to SLVWD through a purchase agreement. If the two medium size systems are sold to SLVWD, the District will be able to provide water service to the community without LAFCO action since Forest Springs and Bracken Brae Country Club MWCs are already within the District's jurisdictional boundary. If Big Basin Water is sold to SLVWD, that would require LAFCO action since the large size system is currently outside the District's jurisdictional boundary.

LAFCO Staff Recommendation: *SLVWD should coordinate with LAFCO to analyze possible annexations and/or sphere amendments to include any mutual water companies or other nearby water systems affected by the recent fires or can no longer provide adequate level of service.*

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Figure 64: Map of Private Water Systems Within & Outside SLVWD

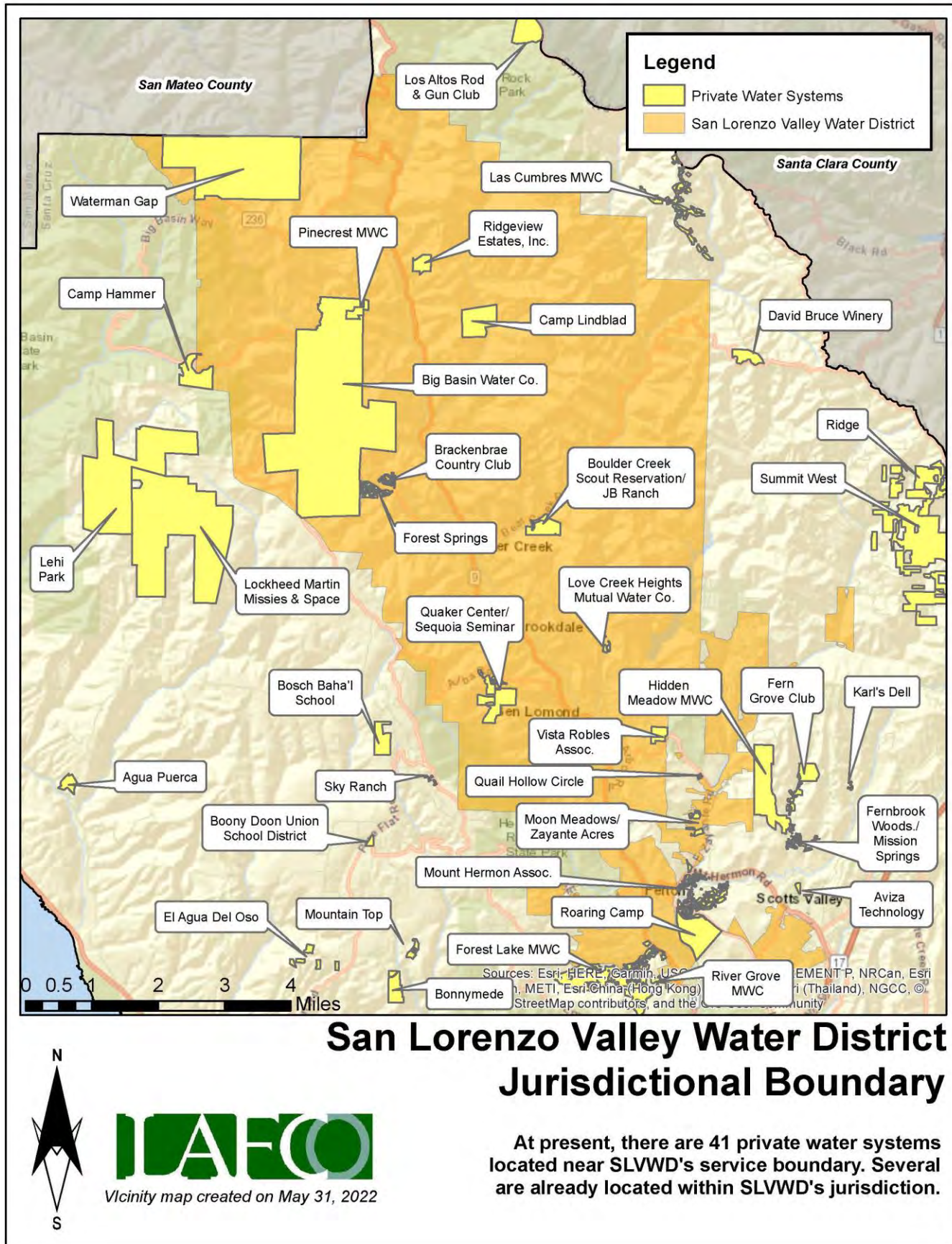


Table 83: List of Private Water Systems Within SLVWD

#	Water System Name	Type of Water System	Size (Square Miles)	Population
Private Water Systems WITHIN and OUTSIDE SLVWD's Jurisdictional Boundary				
1	David Bruce Winery	Small Water System (1 connection)	0.07	25
2	Agua Puerca	Small Water System (5 connections)	0.04	17
3	El Agua Del Oso	Small Water System (5 connections)	0.04	14
4	Los Altos Rod and Gun Club	Small Water System (5 connections)	0.15	40
5	Moon Meadows	Small Water System (5 connections)	0.01	10
6	Love Creek Heights MWC	Small Water System (6 connections)	0.01	14
7	Bonnymede	Small Water System (7 connections)	0.09	20
8	Mountain Top	Small Water System (7 connections)	0.02	18
9	Quail Hollow Circle	Small Water System (7 connections)		15
10	Sky Ranch	Small Water System (7 connections)	0.01	20
11	Karl's Dell	Small Water System (8 connections)		16
12	Zayante Acres	Small Water System (8 connections)	0.01	25
13	Fernbrook Woods Water Co.	Small Water System (10 connections)	0.01	25
14	Waterman Gap	Small Water System (10 connections)	1.74	18
15	JB Ranch	Small Water System (14 connections)	0.02	35
16	Hidden Meadow MWC	Medium Water System (18 connections)	0.37	45
17	Ridgeview Estates, Inc.	Medium Water System (18 connections)	0.06	45
18	Vista Robles Assoc.	Medium Water System (19 connections)	0.05	50
19	Roaring Camp	Medium Water System (22 connections)	0.26	193
20	Fern Grove Club	Medium Water System (67 connections)	0.11	182
21	Mission Springs	Medium Water System (141 connections)	0.02	1,310
22	Summit West	Medium Water System (142 connections)	1.24	468
23	Aviza Technology	Medium Water System (15 to 199 connections)	0.01	Not Available
24	Bonny Doon Union School District	Medium Water System (15 to 199 connections)	0.01	Not Available
25	Bosch Baha'I School	Medium Water System (15 to 199 connections)	0.10	Not Available
26	Boulder Creek Scout Reservation	Medium Water System (15 to 199 connections)	0.10	Not Available
27	Brackenbrae Country Club	Medium Water System (15 to 199 connections)	0.02	Not Available
28	Camp Hammer	Medium Water System (15 to 199 connections)	0.16	Not Available
29	Camp Lindblad	Medium Water System (15 to 199 connections)	0.21	Not Available
30	Forest Springs	Medium Water System (15 to 199 connections)	0.05	Not Available
31	Las Cumbres MWC	Medium Water System (15 to 199 connections)	0.17	Not Available
32	Lehi Park	Medium Water System (15 to 199 connections)	1.46	Not Available
33	Lockheed Martin M&S	Medium Water System (15 to 199 connections)	2.07	120
34	Pinecrest MWC	Medium Water System (15 to 199 connections)	0.05	Not Available
35	Quaker Center	Medium Water System (15 to 199 connections)	0.13	28
36	Ridge	Medium Water System (15 to 199 connections)	0.25	Not Available
37	River Grove Mutual Water Assoc.	Medium Water System (15 to 199 connections)	0.02	54
38	Sequoia Seminar	Medium Water System (15 to 199 connections)	0.08	Not Available
39	Big Basin Water Company	Large Water System (200+ connections)	20.00	1,120
40	Forest Lake MWC	Large Water System (200+ connections)	0.50	1,067
41	Mount Hermon Association	Large Water System (200+ connections)	0.16	Not Available

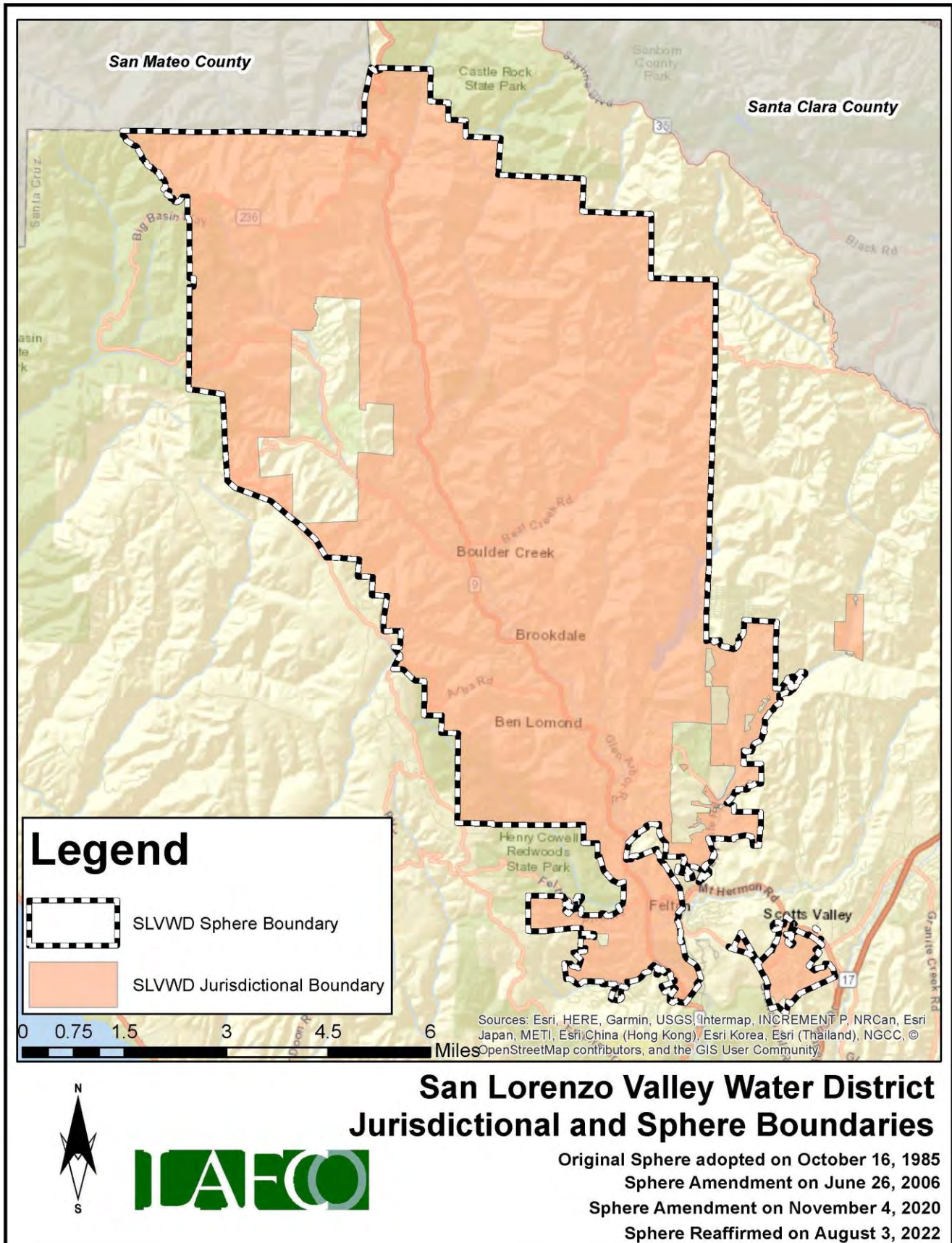
SPHERE OF INFLUENCE

Current Sphere Boundary

Santa Cruz LAFCO adopted SLVWD's first sphere of influence on October 16, 1985. The sphere was updated on November 4, 2020 as part of the District's last service review cycle. The update was based on LAFCO's analysis, which determined that a total of 24 unserved islands are substantially surrounded by the water district and should be annexed in the foreseeable future. The size of these areas range from 0.18 to 2,390 acres. LAFCO expanded the District's sphere to include approximately 3,300 acres. **Figure 65** on page 177 shows the latest sphere boundary. Staff is recommending that the current sphere be reaffirmed.

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Figure 65: SLVWD's Current Sphere Map



DISTRICT SUMMARY

San Lorenzo Valley Water District	
Formation	California Water Code, section 30,000 et seq.
Board of Directors	Five members, elected at-large to four-year terms
Contact Person	Rick Rogers, General Manager
Employees	34 Full-Time Employees
Facilities	170 miles of pipeline, 39 tank sites, and 30 booster pump stations serving 36 pressure zones. The District also owns, operates, and maintains a wastewater system in Boulder Creek's Bear Creek Estates (approximately 56 homes).
District Area	60 square miles
Sphere of Influence	Larger than the District (i.e. sphere boundary goes beyond the existing District's jurisdiction)
FY 2020-21 Audit	<p>Total Revenue = \$16,601,701</p> <p>Total Expenditure = \$12,404,321</p> <p>Net Position (Beginning Balance) = \$37,646,318</p>
Contact Information	<p>Mailing Address: 13060 Highway 9 Boulder Creek CA 95006</p> <p>Phone Number: (831) 430-4636</p> <p>Email Address: RRogers@slvwd.com</p> <p>Website: www.slvwd.com</p>
Public Meetings	Meetings are typically held on the first and third Thursday of each month at 6:30 p.m.
Mission Statement	"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

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

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 boundary. Written statements of determination must be prepared with respect to each of the following:

1. Growth and population projections for the affected area.

The population of SLVWD in 2020 was estimated to be 19,900. Based on LAFCO's analysis, the population within SLVWD will be approximately 21,000 by 2040.

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

In 2020, the California statewide median household income was \$78,672, and 80% of that was \$62,938. Based on LAFCO's analysis, there are no disadvantaged unincorporated communities within or contiguous to the District's sphere boundary.

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.

SLVWD currently has a capital improvement plan and an urban water management plan in place.

4. Financial ability of agencies to provide services.

SLVWD is financially sound. The District ended with a surplus in all of the last six fiscal years during 2015 to 2021. As of June 30, 2021, the total net position balance ended with approximately \$38 million. LAFCO believes that this positive trend will continue based upon the District's ongoing conservative budgetary practices reflected in their audited financial statements.

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

LAFCO encourages SLVWD to explore additional methods to collaborate with neighboring water agencies, including the privately-owned water companies surrounding the District. At present, there are 41 private water systems near SLVWD.

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

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. SB 929 identifies a number of components that must be found within an agency's website. At present, the District almost meets all the statutory requirements under SB 929 and SDLF's website transparency criteria.

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

LAFCO recommends that SLVWD consider annexing the areas located outside its jurisdictional boundary but within its current sphere of influence.

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.

At present, the majority of land within the District is designated as Mountain Residential. The District's customer base is predominantly single-family residential with some multi-family and agricultural customers as well.

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

SLVWD currently has a 10-year capital improvement plan in place. A total of 21 capital improvement projects are underway. The District also has an Urban Water Management Plan, which was adopted in 2020.

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

SLVWD owns, operates, and maintains two water systems that supply separate service areas from separate water sources. The District currently provides service to approximately 8,000 residential, commercial, and institutional connections. The District relies on both surface water and groundwater resources, including nine currently active stream diversions, one groundwater spring, and eight active groundwater wells. The District also owns, operates, and maintains a wastewater system in Boulder Creek's Bear Creek Estates, which serves approximately 56 homes.

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.

At present, there are 41 private water systems near SLVWD. LAFCO recommends that the District consider annexing the areas located outside its jurisdictional boundary but within its current sphere of influence.

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.

In 2020, the California statewide median household income was \$78,672, and 80% of that was \$62,938. Based on LAFCO's analysis, there are no disadvantaged unincorporated communities within or contiguous to the District's sphere boundary.

SCOTTS VALLEY WATER DISTRICT

OVERVIEW

The Scotts Valley Water District was formed in 1961 and operates under the County Water District Law (Sections 30000 et seq. of the California Water Code) for the purpose of developing and providing water for domestic use, fire protection, commercial/industrial use, and recreation in the Scotts Valley area. Today, the District serves six square miles of unincorporated territory. There is a total of 4,259 parcels within the District (totaling approximately 59,006 acres). **Figure 66**, on page 184, is a vicinity map depicting SVWD's current jurisdictional boundary. At present, the majority of land within the District is located in the City of Scotts Valley¹⁴ and is primarily identified as Residential (Medium to Rural).

A total of 42 boundary changes have been approved by LAFCO, with a 73-acre annexation being last recorded in July 2019. **Appendix I** provides an overview of all the approved boundary changes since 1965.

Services and Infrastructure

The District operates and maintains a potable water distribution system that includes groundwater wells, treatment facilities, storage tanks, pump stations, pressure regulating stations and distribution mains and services to meet the potable water demands of its customers. The District operates its system facilities primarily through a radio based Supervisory Control and Data Acquisition (SCADA) system. District operators continually assess system supply and demand conditions throughout each day using the SCADA system and make adjustments to system operations as needed. A primary operational objective is ensuring uninterrupted and safe water supply to its customers at all times. The District relies on its local groundwater basin for its entire potable water supply. As a result, water systems operations are driven by groundwater well and treatment plant production. **Table 84** summarizes the District's services and **Table 85** provides an overview of the District's infrastructure.

Table 84: List of Service Provisions

Services	Checkmark (Yes)
Agricultural Water	
Drainage	
Groundwater Replenishment	
Retail Potable Water	✓
Recycled Water	✓
Wastewater (Sewer)	
Water Treatment	✓
Water Conservation	✓

¹⁴ City of Scotts Valley Land Use - <https://www.scottsvally.org/DocumentCenter/View/712/Zoning-Map-PDF>

Table 85: List of Infrastructure / Facilities

Infrastructure	Checkmark (Yes)	Quantity
Distribution / Storage Tanks	✓	8 potable water storage tanks
Pressure Zones	✓	13 pressure zones
Production Wells	✓	6 active groundwater wells
Pump Stations	✓	10 booster pump stations
Recycled Water System	✓	1 Water Reclamation Facility
Treatment Plants	✓	4 groundwater treatment plants
Water Diversions	-	-
Water Pipeline	✓	60 miles
Total Connections	✓	4,330

Water Rates

SVWD has established a goal of ensuring that the revenues generated from District customers are sufficient to support all District operations including capital project funding. Accordingly, water rates are reviewed periodically. Water rates are user charges imposed on customers for services and are the primary component of the District's revenue. Water rates are composed of a commodity (usage) charge and a fixed (readiness-to-serve) charge. **Tables 86a-b** highlight the past and upcoming water rates for SVWD customers. SVWD also set appropriate charges for new connections. Based on staff's analysis, water rates may increase by an average of 10% in the coming years.

Table 86a: Recycled Water Rates (Monthly Rates)

	2017 (Adopted)	2018 (Adopted)	2019 (Adopted)	2020 (Adopted)	2021* (Adopted)
Basic Meter Charge (By Size)					
5/8"	\$6.00	\$13.79	\$22.75	\$33.37	\$44.07
3/4"	\$9.43	\$21.69	\$35.79	\$52.49	\$61.61
1"	\$10.15	\$23.33	\$38.50	\$56.47	\$96.81
1 1/2"	\$23.84	\$54.83	\$90.48	\$132.70	\$192.74
2"	\$32.37	\$74.45	\$122.85	\$180.17	\$310.24
3"	\$57.71	\$132.73	\$219.01	\$321.22	\$643.91
4"	\$100.91	\$232.08	\$382.93	\$561.64	\$1,138.55
6"	\$215.55	\$495.76	\$818.00	\$1,199.73	\$2,269.80
Uniform Rates (Per 1,000 Gal)					
Landscape Recycled	\$11.77	\$12.64	\$13.19	\$13.37	\$1.41

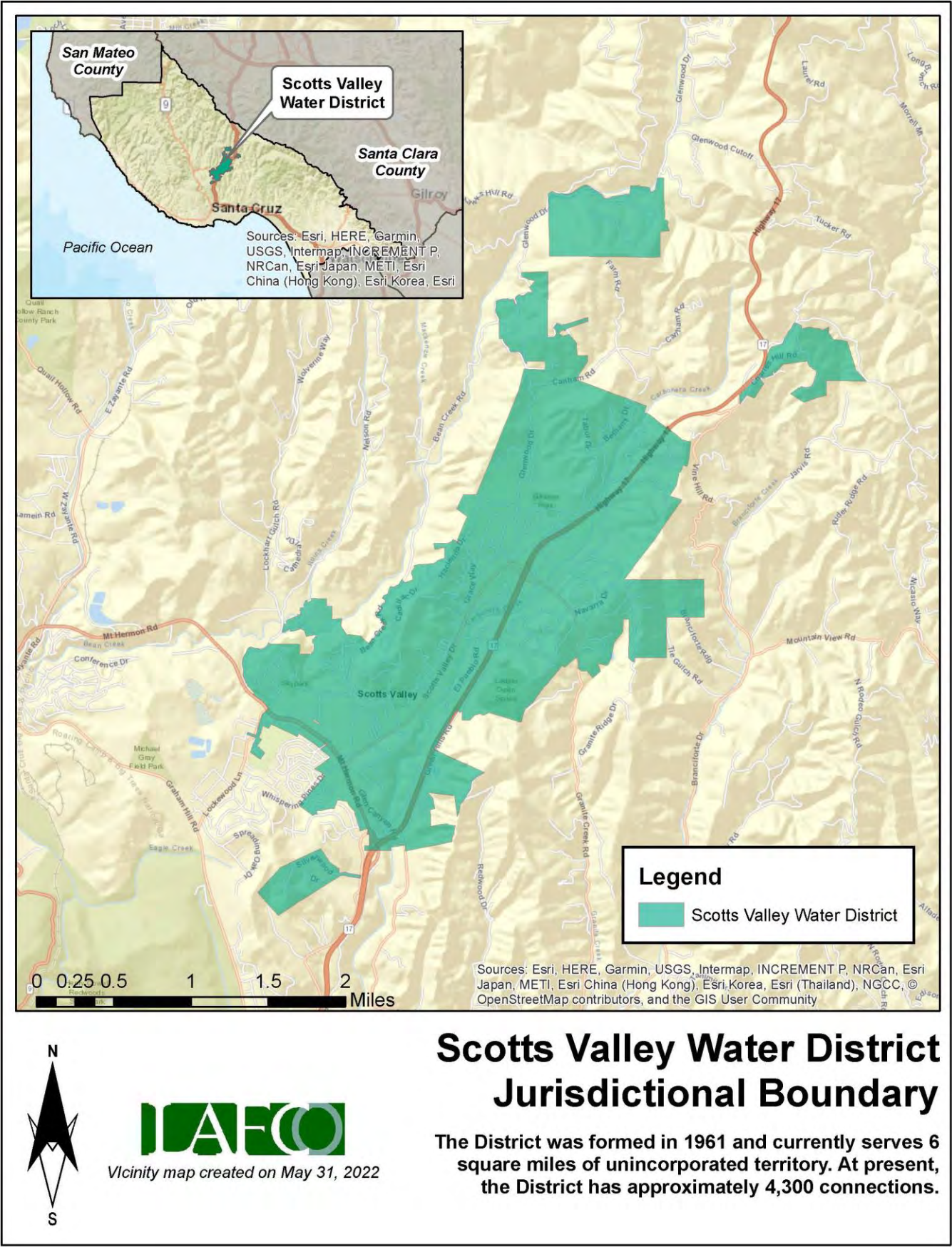
*Footnote: SVWD has changed its billing from 1,000 gallons per unit to 100 gallon per unit in 2021.

Table 86b: Water Rates (Monthly Rates)

	2017 (Adopted)	2018 (Adopted)	2019 (Adopted)	2020 (Adopted)	2021* (Adopted)
Basic Meter Charge (By Size)					
5/8"	\$59.93	\$68.92	\$75.82	\$78.09	\$44.07
5/8" Rate Assistance (Residential)	n/a	n/a	\$53.07	\$54.67	-
5/8" Fire Service (Residential/Commercial)	\$16.30	\$18.75	\$20.63	\$21.25	\$11.66
3/4" (Multi-Residential, including Fire Service)	\$76.23	\$87.67	\$96.45	\$99.34	\$55.73
3/4"	\$94.29	\$108.44	\$119.29	\$122.87	\$61.61
1"	\$101.43	\$116.65	\$128.32	\$132.17	\$96.81
1 1/2"	\$238.39	\$274.15	\$301.57	\$310.62	\$192.74
2"	\$323.68	\$372.24	\$409.47	\$421.75	\$310.24
3"	\$577.08	\$663.65	\$730.02	\$751.92	\$643.91
4"	\$1,009.03	\$1,160.39	\$1,276.43	\$1,314.72	\$1,138.55
6"	\$2,155.44	\$2,478.76	\$2,726.64	\$2,808.44	-
Residential Tiered Rates (Per 1,000 Gal)					
Tiers for Residential Units with Individual Meters					
0 to 6,000	\$4.89	\$5.63	\$6.20	\$6.39	-
6,001 to 12,000	\$8.59	\$9.82	\$10.77	\$11.09	-
12,001 to 16,000	\$13.72	\$15.72	\$17.26	\$17.78	-
Over 16,000	\$16.56	\$18.99	\$20.86	\$21.49	-
0 to 3,000	-	-	-	-	\$0.83
3,001 to 6,000	-	-	-	-	\$1.33
6,001 to 7,000	-	-	-	-	\$2.40
Over 7, 000	-	-	-	-	\$2.88
Tiers for Multi-Residential Units with Master Meters					
0 to 6,000	\$4.89	\$5.63	\$6.20	\$6.39	-
6,001 to 12,000	\$8.59	\$9.82	\$10.77	\$11.09	-
12,001 to 16,000	\$13.72	\$15.72	\$17.26	\$17.78	-
Over 16,000	\$16.56	\$18.99	\$20.86	\$21.49	-
0 to 3,000	-	-	-	-	\$0.83
3,001 to 3,200	-	-	-	-	\$1.33
3,201 to 7,000	-	-	-	-	\$2.40
Over 7, 000	-	-	-	-	\$2.88
Uniform Rates (Per 1,000 Gal)					
Commercial, Industrial, Institutional	\$11.45	\$13.14	\$14.44	\$14.87	\$1.35
Landscape Potable	\$14.31	\$16.43	\$18.06	\$18.60	\$2.22
Other	\$12.75	\$14.64	\$16.09	\$16.57	-
Qualifying Medical Needs Residential	\$8.59	\$9.82	\$10.77	\$11.09	\$1.33
Rate Assistance (Residential)	n/a	n/a	\$6.20	\$6.39	\$0.83

*Footnote: SVWD has changed its billing from 1,000 gallons per unit to 100 gallon per unit in 2021.
The District also changed its billing from bi-monthly to monthly billing in 2021.

Figure 66: SVWD's Vicinity Map



Population and Growth

Based on staff's analysis, the population of SVWD in 2020 was approximately 11,800. The Association of Bay Area Governments (ABAG) and the Association of Monterey Bay Area Governments (AMBAG) provide population projections for cities and counties in the Coastal Region. Official growth projections are not available for special districts. In general, the Coastal Region is anticipated to have a slow growth over the next twenty years. Based on this slow growth trend, the population for unincorporated lands and the City of Scotts Valley is expected to increase by 0.86% and 0.56%, respectively. **Table 87** shows the anticipated population within SVWD. The average rate of change for SVWD is 0.71% based on the combined average rate of change for the County and City.

Population Projection

Based on the projections for Santa Cruz County, LAFCO was able to develop a population forecast for SVWD. LAFCO staff increased the District's 2020 population amount by 0.71% each year. Under this assumption, our projections indicate that the entire population of SVWD will be approximately 12,100 by 2040.

Table 87: Projected Population

	2020	2025	2030	2035	2040	Average Rate of Change
Santa Cruz County (unincorporated area)	136,891	137,896	139,105	140,356	141,645	0.86%
City of Scotts Valley	12,145	12,214	12,282	12,348	12,418	0.56%
Scotts Valley Water District	11,776	11,859	11,943	12,027	12,112	0.71%

Source: AMBAG 2018 Regional Growth Forecast

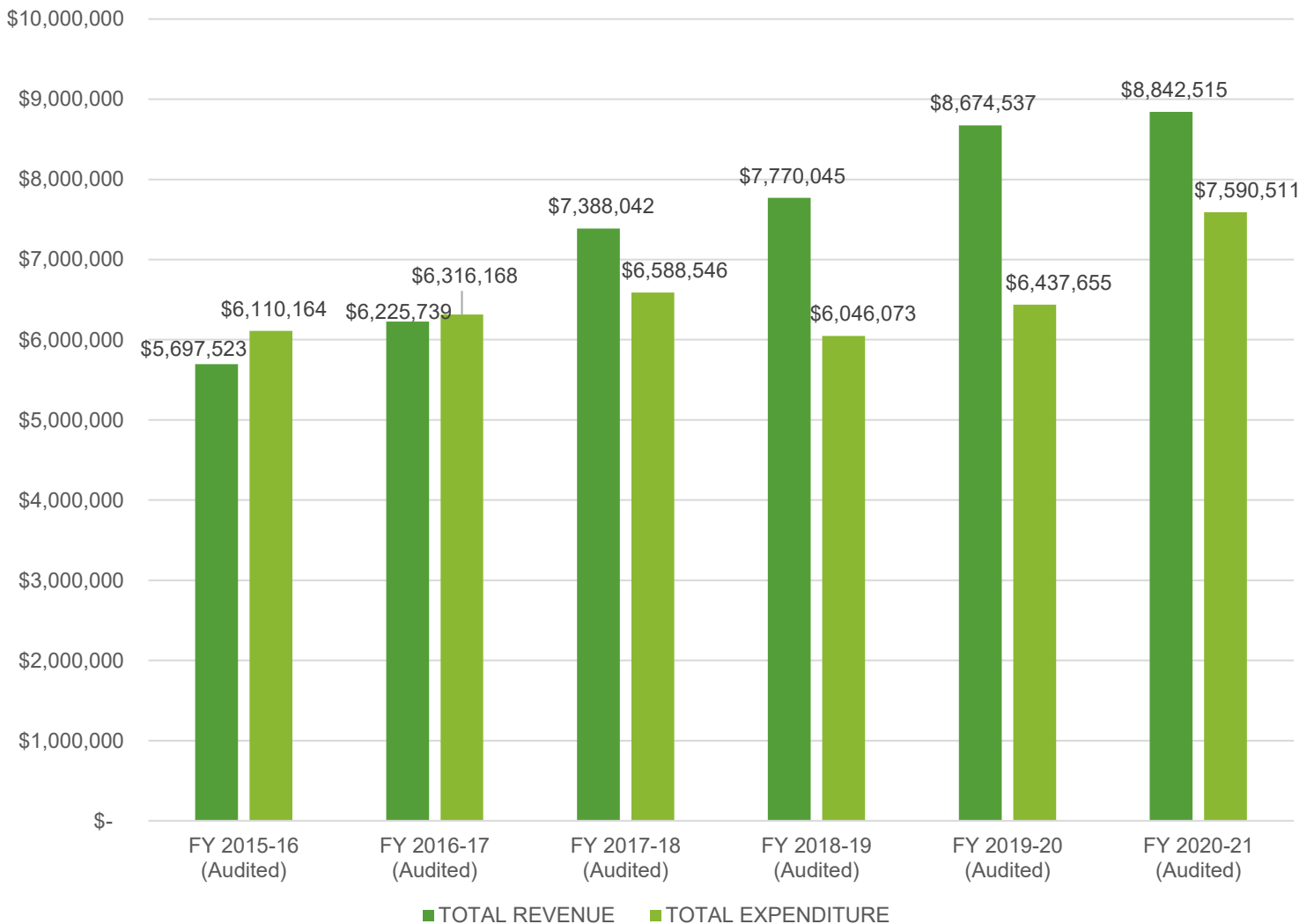


FINANCES

This section will highlight the District's financial performance during the most recent fiscal years. Fiscal Year 2020-21 is the latest audited financial statement available. LAFCO evaluated SVWD's financial health from 2015 to 2021. A comprehensive analysis of the District's financial performance during the past six years is shown in **Tables 91 and 92** on pages 190-191.

At the end of Fiscal Year 2020-21, total revenue collected was approximately \$9 million, representing a 2% increase from the previous year (\$8.7 million in FY 19-20). Total expenses for FY 2020-21 were approximately \$7.6 million, which increased by 18% from the previous year (\$6.4 million in FY 19-20). Since 2015, the District ended each fiscal year with a surplus, excluding FYs 15-16 and 16-17, as shown in **Figure 67**. LAFCO staff believes that the current positive trend will continue based upon the District's ongoing conservative budgetary practices reflected in their audited financial statements.

**Figure 67: Statement of Revenues & Expenditures
(FY 2015-16 to FY 2020-21)**



Revenues

Operating Revenue

The District's primary source of revenue is from operating revenues, specifically water sales. In FY 2020-21, Water Consumption Sales totaled \$4.7million which represents approximately 53% of SVWD's entire revenue stream. Other operating revenue sources include service charges and other revenue. During FY 2020-21, total operating revenue represented approximately 79% of the District's entire revenue stream.

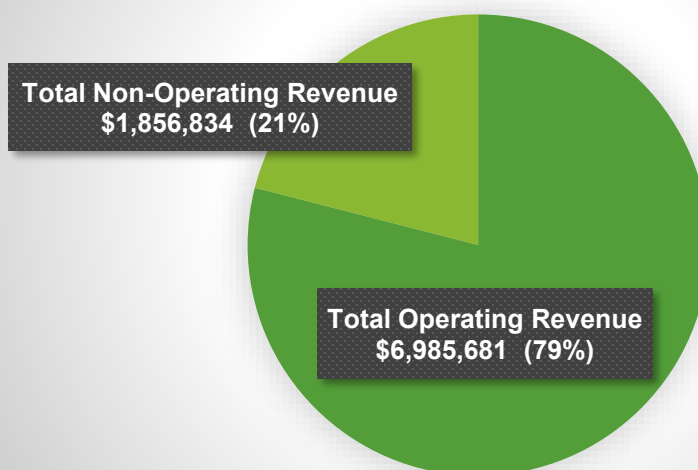
Non-operating Revenue

The remaining 21% of total revenue derive from non-operating revenue sources. These funds include Property Taxes, Capital Grants, Interest, and Other Revenue. **Table 88 and Figure 68** provide a breakdown of the District's revenue by category and source.

Table 88: Revenue Breakdown (FY 2020-21)

Revenue	Amount	Percentage
Operating Revenue		
Water Sales (Portable & Recycled)	\$4,727,234	67.67%
Water Service (Service Charges)	\$2,230,855	31.93%
Other Revenue (Fees & Charges)	<u>\$27,592</u>	<u>0.39%</u>
Total Operating Revenue	\$6,985,681	100.00%
Non-Operating Revenue		
Property Taxes	\$1,057,540	56.95%
Capacity Buy-in Fee (Capital Contribution)	\$703,635	37.89%
Other Non-Operating Revenue	\$78,213	4.21%
Capital Grants	\$10,510	0.57%
Investment Earnings	<u>\$6,936</u>	<u>0.37%</u>
Total Non-Operating Revenue	\$1,856,834	100.00%
Total Revenue	<u>\$8,842,515</u>	

Figure 68: Operating v Non-Operating Revenue (FY 2020-21)



Expenditures

Operating Expense

The District's operating expenses represented approximately 78% of total expenditure during FY 2020-21. Operating expenses include: Transmission & Distribution, Finance, Water Treatment, and General & Administrative.

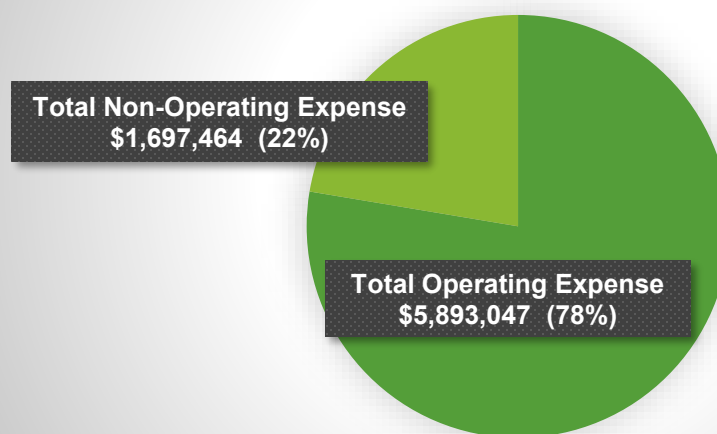
Non-operating Expense

The remaining 22% of total expenses derive from non-operating expenses. These costs include Interest Expense, Depreciation Expense, and Change in Investment in SMGA. **Table 89 and Figure 69** provide a breakdown of the District's costs by category and source.

Table 89: Expense Breakdown (FY 2020-21)

Expenditure	Amount	Percentage
Operating Expense		
Transmission & Distribution	\$2,213,808	38%
General & Administrative	\$1,163,905	20%
Finance, Customer Service, & Conservation	\$1,064,016	18%
Recycled Water	\$590,898	10%
Pumping	\$464,519	8%
Water Treatment	\$284,701	5%
Source of Supply	<u>\$111,200</u>	<u>2%</u>
Total Operating Expense	\$5,893,047	100%
Non-Operating Expense		
Depreciation Expense	\$1,119,609	66%
Change in Investment in SMGA-JPA	\$357,480	21%
Capacity Buy-Back (Capital Contribution)	\$144,541	9%
Interest Expense	<u>\$75,834</u>	<u>4%</u>
Total Non-Operating Expense	\$1,697,464	100%
Total Expenditure	<u>\$7,590,511</u>	

**Figure 69: Operating v Non-Operating Expense
(FY 2020-21)**



Fund Balance / Net Position

As of June 30, 2021, the total net position balance ended with approximately \$21 million. The following table highlights the net position balance from 2015 to 2021. As shown in **Table 90** and **Figure 70**, the District's fund balance has increased over the years and has maintained an annual balance above \$15 million. Based on this historical trend, LAFCO staff believes the positive balance will continue. This healthy amount will be critical in the event that the District faces any unintended expenses, major capital improvements projects, or emergency repairs.

Table 90: Net Position (2015 to 2021)

	FY 2015-16 (Audited)	FY 2016-17 (Audited)	FY 2017-18 (Audited)	FY 2018-19 (Audited)	FY 2019-20 (Audited)	FY 2020-21 (Audited)
Beginning Balance	\$16,626,644	\$16,214,003	\$14,562,508	\$15,366,587	\$17,090,559	\$19,327,441
Ending Balance	\$16,214,003	\$16,123,574	\$15,362,004	\$17,090,559	\$19,327,441	\$20,579,445
Change (\$)		\$(90,429)	\$(761,570)	\$1,728,555	\$2,236,882	\$1,252,004

Figure 70: Net Position from 2015 to 2021 (Ending Balance)



Table 91: Total Revenues & Expenditures

	FY 2015-16 (Audited)	FY 2016-17 (Audited)	FY 2017-18 (Audited)	FY 2018-19 (Audited)	FY 2019-20 (Audited)	FY 2020-21 (Audited)
REVENUE						
<u>Operating Revenue</u>						
Water Sales (Potable & Recycled)	\$ 2,625,008	\$ 2,998,786	\$ 3,959,771	\$ 4,052,051	\$ 4,566,923	\$ 4,727,234
Water Service (Service Charges)	\$ 1,348,590	\$ 1,497,782	\$ 2,293,336	\$ 1,927,303	\$ 2,076,643	\$ 2,230,855
New Connections	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Revenue (Fees and Charges)	\$ 75,366	\$ 53,170	\$ 17,514	\$ 46,311	\$ 31,273	\$ 27,592
Total Operating Revenue	\$ 4,048,964	\$ 4,549,738	\$ 6,270,621	\$ 6,025,665	\$ 6,674,839	\$ 6,985,681
<u>Non-Operating Revenue</u>						
Capital Grants	\$ 246,704	\$ 792,779	\$ 720	\$ 720	\$ -	\$ 10,510
Capacity Buy-in Fee (Capital Contribution)	\$ 89,000	\$ 10,500	\$ -	\$ 669,772	\$ 783,284	\$ 703,635
Gain on Disposal of Capital/Fixed Assets, Net	\$ 487,735	\$ -	\$ -	\$ -	\$ -	\$ -
Property Taxes	\$ 775,679	\$ 839,095	\$ 923,894	\$ 975,085	\$ 1,030,321	\$ 1,057,540
Investment Earnings	\$ 39,106	\$ 25,159	\$ 22,574	\$ 35,893	\$ 66,477	\$ 6,936
Other Non-Operating Revenue	\$ 10,335	\$ 8,468	\$ 170,233	\$ 62,910	\$ 119,616	\$ 78,213
Total Non-Operating Revenue	\$ 1,648,559	\$ 1,676,001	\$ 1,117,421	\$ 1,744,380	\$ 1,999,698	\$ 1,856,834
TOTAL REVENUE	\$ 5,697,523	\$ 6,225,739	\$ 7,388,042	\$ 7,770,045	\$ 8,674,537	\$ 8,842,515
EXPENDITURE						
<u>Operating Expense</u>						
Source of Supply	\$ 97,655	\$ 150,614	\$ 163,709	\$ 99,307	\$ 182,735	\$ 111,200
Pumping	\$ 524,177	\$ 536,653	\$ 584,787	\$ 466,512	\$ 480,655	\$ 464,519
Water Treatment	\$ 688,601	\$ 660,704	\$ 829,736	\$ 293,069	\$ 239,722	\$ 284,701
Recycled Water	\$ 546,568	\$ 472,105	\$ 486,683	\$ 434,404	\$ 472,247	\$ 590,898
Transmission and Distribution	\$ 776,096	\$ 797,494	\$ 835,658	\$ 1,849,596	\$ 1,990,814	\$ 2,213,808
Conservation	\$ 241,892	\$ 158,507	\$ 163,778	\$ -	\$ -	\$ -
Customer Accounts	\$ 207,833	\$ 192,925	\$ 198,613	\$ -	\$ -	\$ -
Finance, Customer Service, and Conservation	\$ -	\$ -	\$ -	\$ 649,335	\$ 659,450	\$ 1,064,016
General and Administrative Expenses	\$ 1,695,591	\$ 1,706,288	\$ 1,871,927	\$ 837,784	\$ 993,681	\$ 1,163,905
Total Operating Expense	\$ 4,778,413	\$ 4,675,290	\$ 5,134,891	\$ 4,630,007	\$ 5,019,304	\$ 5,893,047
<u>Non-Operating Expense</u>						
Depreciation Expense	\$ 913,955	\$ 937,847	\$ 998,094	\$ 1,085,254	\$ 1,069,751	\$ 1,119,609
Capacity Buy-Back (Capital Contribution)	\$ -	\$ -	\$ -	\$ 235,856	\$ 21,619	\$ 144,541
Interest Expense	\$ 417,796	\$ 703,031	\$ 107,603	\$ 94,956	\$ 86,262	\$ 75,834
Change in Investment in SMGA-JPA	\$ -	\$ -	\$ -	\$ -	\$ 240,719	\$ 357,480
Loss on Disposal of Capital Assets	\$ -	\$ -	\$ 347,958	\$ -	\$ -	\$ -
Total Non-Operating Expense	\$ 1,331,751	\$ 1,640,878	\$ 1,453,655	\$ 1,416,066	\$ 1,418,351	\$ 1,697,464
TOTAL EXPENDITURE	\$ 6,110,164	\$ 6,316,168	\$ 6,588,546	\$ 6,046,073	\$ 6,437,655	\$ 7,590,511
Surplus/(Deficit)	\$ (412,641)	\$ (90,429)	\$ 799,496	\$ 1,723,972	\$ 2,236,882	\$ 1,252,004
NET POSITION						
Beginning Balance (as restated)	\$ 16,626,644	\$ 16,214,003	\$ 14,562,508	\$ 15,366,587	\$ 17,090,559	\$ 19,327,441
Ending Balance	\$16,214,003	\$16,123,574	\$15,362,004	\$17,090,559	\$19,327,441	\$20,579,445

Table 92: Total Assets & Liabilities

	FY 2015-16 (Audited)	FY 2016-17 (Audited)	FY 2017-18 (Audited)	FY 2018-19 (Audited)	FY 2019-20 (Audited)	FY 2020-21 (Audited)
ASSETS						
<u>Current Assets</u>						
Cash & Cash Equivalents	\$ 2,924,816	\$ 2,331,365	\$ 1,494,191	\$ 2,519,128	\$ 3,791,756	\$ 3,511,535
Accrued Interest Receivable	\$ 6,467	\$ 6,649	\$ 7,509	\$ 7,098	\$ 14,245	\$ 4,548
Accounts Receivable, Net	\$ 848,798	\$ 1,105,970	\$ 1,314,663	\$ 1,404,967	\$ 1,645,176	\$ 1,805,650
Property Taxes Receivable	\$ 42,991	\$ 61,524	\$ 54,828	\$ 49,824	\$ 84,758	\$ 50,887
Other Receivables	\$ 53,734	\$ 183,620	\$ 59,259	\$ 52,053	\$ 15,291	\$ 15,060
Notes Receivable	\$ 160,339	\$ 161,784	\$ 161,639	\$ 173,019	\$ 169,412	\$ 15,000
Inventory - Materials & Supplies	\$ 201,758	\$ 160,614	\$ 211,827	\$ 232,601	\$ 271,380	\$ 229,228
Prepaid Expenses	\$ 92,278	\$ 93,345	\$ 94,535	\$ 68,430	\$ 66,781	\$ 68,243
Total Current Assets	\$ 4,331,181	\$ 4,104,871	\$ 3,398,451	\$ 4,507,120	\$ 6,058,799	\$ 5,700,151
<u>Non-Current Assets</u>						
Restricted - Cash & Cash Equivalents	\$ 749,404		\$ -	\$ 516,092	\$ 610,477	\$ -
Notes Receivable	\$ 715,853	\$ 554,070	\$ 392,431	\$ 267,745	\$ 98,333	\$ 83,333
Investment in SMGA - JPA	\$ -	\$ -	\$ -	\$ 40,754	\$ 91,291	\$ 29,632
Prepaid Contribution to SMGA - JPA	\$ -	\$ -	\$ -	\$ 291,256	\$ 295,821	\$ 368,940
Capital Assets - Not Being Depreciated	\$ 3,185,716	\$ 851,170	\$ 733,176	\$ 1,078,608	\$ 1,213,219	\$ 1,327,578
Capital Assets - Being Depreciated	\$ 16,842,017	\$ 19,948,767	\$ 21,067,532	\$ 20,563,817	\$ 20,571,981	\$ 23,164,658
Total Non-Current Assets	\$21,492,990	\$21,354,007	\$22,193,139	\$22,758,272	\$22,881,122	\$24,974,141
TOTAL ASSETS	\$25,824,171	\$25,458,878	\$25,591,590	\$27,265,392	\$28,939,921	\$30,674,292
<u>Deferred Outflows of Resources</u>						
Loss on Defeasance of Debt	\$ 460,564	\$ 40,190	\$ 36,171	\$ -	\$ -	\$ -
Net OPEB Obligation	\$ -	\$ -	\$ -	\$ 153,549	\$ 142,970	\$ 140,200
Net Pension Liability	\$ 209,294	\$ 456,821	\$ 656,179	\$ 680,989	\$ 694,399	\$ 691,330
Total Deferred Outflows of Resources	\$ 669,858	\$ 497,011	\$ 692,350	\$ 834,538	\$ 837,369	\$ 831,530
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$26,494,029	\$25,955,889	\$26,283,940	\$28,099,930	\$29,777,290	\$31,505,822
LIABILITIES						
<u>Current Liabilities</u>						
Accounts Payable & Accrued Expenses	\$ 325,292	\$ 265,933	\$ 342,344	\$ 494,579	\$ 683,344	\$ 1,296,516
Accrued Wages & Related Payables	\$ 53,896	\$ 64,500	\$ 80,885	\$ -	\$ -	\$ -
Customer Deposits for Services	\$ 33,893	\$ 110,346	\$ 112,436	\$ 166,905	\$ 126,332	\$ 141,219
Accrued Interest Payable	\$ 125,557	\$ 59,067	\$ -	\$ 47,513	\$ 43,179	\$ 37,932
Long-Term Liabilities - Due Within One Year						
Notes Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Compensated Absences	\$ 22,051	\$ 26,103	\$ 25,862	\$ 30,508	\$ 40,998	\$ 38,251
Certificates of Participation	\$ 165,000	\$ -	\$ -	\$ -	\$ -	\$ -
Bonds Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Loan Payable	\$ 215,000	\$ 452,927	\$ -	\$ 468,579	\$ 567,298	\$ 662,832
Total Current Liabilities	\$ 940,689	\$ 978,876	\$ 561,527	\$ 1,208,084	\$ 1,461,151	\$ 2,176,750
<u>Non-Current Liabilities</u>						
Unearned Revenue	\$ 1,770	\$ 10,178	\$ 8,142	\$ -	\$ -	\$ -
Long-Term Liabilities - Due in More Than 1 Yr						
Compensated Absences	\$ 66,154	\$ 78,305	\$ 77,585	\$ 91,522	\$ 122,992	\$ 114,752
Loan Payable	\$ 4,110,000	\$ 5,596,621	\$ 5,136,591	\$ 4,668,012	\$ 4,100,714	\$ 3,437,882
Net OPEB Obligation	\$ 1,184,517	\$ 1,173,326	\$ 2,848,438	\$ 2,758,814	\$ 2,245,495	\$ 2,539,285
Net Pension Liability	\$ 1,233,015	\$ 1,782,379	\$ 2,106,130	\$ 2,070,658	\$ 2,304,037	\$ 2,541,228
Notes Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Bonds Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Certificates of Participation	\$ 2,332,413	\$ -	\$ -	\$ -	\$ -	\$ -
Total Non-Current Liabilities	\$ 8,927,869	\$ 8,640,809	\$10,176,886	\$ 9,589,006	\$ 8,773,238	\$ 8,633,147
TOTAL LIABILITIES	\$ 9,868,558	\$ 9,619,685	\$10,738,413	\$10,797,090	\$10,234,389	\$10,809,897
<u>Deferred Inflows of Resources</u>						
Net Pension Liability	\$ 411,468	\$ 212,630	\$ 183,523	\$ 212,281	\$ 215,460	\$ 116,480
Total Deferred Inflows of Resources	\$ 411,468	\$ 212,630	\$ 183,523	\$ 212,281	\$ 215,460	\$ 116,480
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	\$10,280,026	\$ 9,832,315	\$10,921,936	\$11,009,371	\$10,449,849	\$10,926,377
NET POSITION						
Net Investment in Capital Assets	\$ 13,665,884	\$ 14,790,579	\$ 16,700,288	\$ 16,974,413	\$ 17,684,486	\$ 20,391,522
Restricted for Debt Service	\$ 749,404	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted (Deficit)	\$ 1,798,715	\$ 1,332,995	\$ (1,338,284)	\$ 116,146	\$ 1,642,955	\$ 187,923
Total Net Position	\$16,214,003	\$16,123,574	\$15,362,004	\$17,090,559	\$19,327,441	\$20,579,445
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, & NET POSITION	\$26,494,029	\$25,955,889	\$26,283,940	\$28,099,930	\$29,777,290	\$31,505,822

GOVERNANCE

Local Accountability & Structure

SVWD is governed by a five-member Board of Directors, which are elected to four-year terms by the registered voters within the District's boundaries. The Board of Directors are responsible for the establishment of policy relative to the District's mission, goals, and operations. The current Board is as follows:

Table 93: Board of Directors

Board Member	Term of Office
William Ekwall, Director	Elected: November 2018 Term Ends: December 1, 2022
Ruth Stiles, President	Appointed: January 2015 Term Ends: December 1, 2022
Wade Leishman, Director	Appointed: July 17, 2017 Term Ends: December 1, 2022
Chris Perri, Vice-President	Appointed: January 2007 Term Ends: December 1, 2024
Danny Reber, Director	Appointed: November 2012 Term Limit Ends: December 1, 2024

Board Meetings

The General Manager administers the day-to-day operations of the District in accordance with policies and procedures established by the Board of Directors. The Scotts Valley Water District employs a full-time staff of 19 employees. The District's Board of Directors meet regularly, meetings are publicly noticed, and citizens are encouraged to attend. Board meetings are typically held on the second Thursday of each month at 6:00 p.m. The District's administrative offices are located in the City of Scotts Valley.

Capital Improvement Plans

SVWD adopts a capital improvement plan every year as part of its annual budget. The District has also conducted a complete system condition assessment and developed a 10-year capital improvement plan. The purpose of this long-range plan is to identify and prioritize needs and project costs for planned repair and replacement to the infrastructure that will serve the affected ratepayers in an efficient and cost-effective manner throughout the next 10-years of growth and change. A total of 15 capital improvement projects are budgeted for FY 2020-21.

Urban Water Management Plan

The California Department of Water Resources indicates that Urban Water Management Plans ("UWMPs") are prepared by urban water suppliers every five years (California Water Code Sections 10610-10656; 10608). These plans support the suppliers' long-term resource planning to ensure that adequate water supplies are available to meet existing and future water needs. SVWD adopted a joint UWMP with SVLWD in 2020,¹⁵ which provides an in-depth overview of the District's current and future water demand and infrastructure.

¹⁵ 2020 SVWD UWMP: <https://www.svwd.org/media/Reports/Water%20and%20Planning/GWYWY20.pdf>

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. SB 929 identifies a number of components that must be found within an agency's website. Additionally, the Special District Leadership Foundation (SDLF), an independent, non-profit organization formed to promote good governance and best practices among California's special districts, has also outlined recommended website elements as part of its District Transparency Certificate of Excellence. This program was created in an effort to promote transparency in the operations and governance of special districts to the public and to provide special districts with an opportunity to showcase their efforts in transparency. Based on SB 929's criteria and the recommendations by SDLF, LAFCO thoroughly reviewed the District's website. **Table 94** on page 194 summarizes staff's findings on whether the District's website is meeting the statutory requirements.

At present, the District almost meets all the statutory requirements under SB 929 and SDLF's website transparency criteria. There are certain items that should be added to its website, specifically more information about the District Board Members such as compensation and ethics training. Overall, SVWD has a transparent website filled with useful information and resources that are easily accessible.



Table 94: Website Transparency

Website Components	Checkmark (Yes)
Required Items (SB 949 Criteria and SDLF Benchmarks)	
1. Names and Contact Information of Board Members*	✓
2. Board Member Term Limits	✓
3. Names of Key Staff, including General Manager	✓
4. Contact Information for Staff	✓
5. Election/Appointment Procedure & Deadlines	✓
6. Board Meeting Schedule*	✓
7. Mission Statement	✓
8. Description of District's Services/Functions and Service Area	✓
9. Authorizing Statute/Enabling Act	✓
10. Adopted District Budgets*	✓
11. Financial Audits*	✓
12. Archive of Board Meeting Agendas & Minutes*	✓
13. Link to State Controller's Webpages for District's reported Board Member and Staff Compensation	
14. Link to State Controller's Webpages for District's reported Financial Transaction Report	
15. Reimbursement & Compensation Policy / Annual Policies	✓
16. Home Page Link to Agendas/Board Packets	✓
17. SB 272 - Compliance-Enterprise Catalogs	✓
18. Machine Readable/Searchable Agendas	✓
19. Recipients of Grant Funding or Assistance	✓
20. Link or Copies of LAFCO's Service & Sphere Reviews	✓
Total Score (out of a possible 20)	18 (90%)
Additional Items (SDLF's Recommended Elements)	
1. Board Member Ethics Training Certificates	
2. Picture, Bio, and Email Addresses of Board Members	✓
3. Last Three Years of Audits	✓
4. Financial Reserves Policy	✓
5. Online/Downloadable Public Records Act Request Form	✓
6. Audio or Video Recordings of Board Meetings	
7. Map of District Boundaries/Service Area	✓
8. Link to CSDA Mapping Program	
9. General Description of Special Districts or Link to www.districtmakethedifference.org	
10. Link to Most Recently Filed to FPPC Forms	✓
Total Score (out of a possible 10)	6 (60%)

*Footnote: Senate Bill 929 Statutory Requirements

Opportunities and Challenges

Water agencies are significantly affected by various factors, including aging infrastructure, escalating operational costs, drought impacts, increase in customer demand, and changes to state laws and regulations that may introduce new requirements without additional funding. These issues are common not only in Santa Cruz County but throughout the State. The following section discusses these challenges and identifies possible opportunities to ensure that residents receive the best level of water services.

Strategic Partnerships

Several water agencies have expressed interest in exploring ways to further collaborate. Many water agencies have interties in the event of emergencies and all water agencies (including the two Cities) are members of groundwater-related joint powers authorities. This means that the public water providers are already working together in overseeing how water is delivered countywide. It may be beneficial for the water agencies to consider further strategic partnerships, including but not limited to sharing resources and staff, establishing a countywide memorandum of understanding for emergency-related interties, and joint procurements or professional service agreements (i.e. Audits). Such partnerships may also lay the foundation for future changes of organization, including but not limited to annexations, reorganizations, or consolidations.

LAFCO Staff Recommendation: *SVWD should explore additional ways to share services and resources with neighboring agencies, including but not limited to nearby water districts.*

Small Water Systems

One area that LAFCO can provide assistance now is addressing the failing mutual water companies (MWCs) near SVWD. MWCs are regulated by California's Water Code, Health and Safety Code and must abide by open meeting and records disclosure laws similar to many public water utilities. In operating a public water system, mutual water companies are also subject to regulation by the California Department of Public Health and must comply with requirements imposed by the State Water Resources Control Board and our local Regional Water Quality Control Board. However, over the years, many MWCs have operated without much oversight from the State. That is why the Legislature enacted Assembly Bill 54 in 2012. This law imposes new requirements on mutual water companies that own and operate public water systems and requires greater coordination between them and LAFCO in each county. Corporations Code 14301.1 requires MWCs to submit a map depicting its service area to LAFCO. A total of 10 private water systems are located within or adjacent to the water district. **Figure 71** on page 196 identifies the location of each private system in relation to SVWD. **Table 95** on page 197 also provide more information about the private water systems. While LAFCOs do not have full authority over private systems when compared to with cities and special districts, AB 54 does allow LAFCO to analyze these water systems as part of a service review. Identifying these MWCs may lead to coordination with SVWD and possible annexation, if desired.

LAFCO Staff Recommendation: *SVWD should coordinate with LAFCO and the subject private water systems to analyze possible annexations and/or sphere amendments to include any mutual water company or other nearby water system that can no longer provide adequate level of service.*

Figure 71: Map of Private Water Systems Within & Outside SVWD

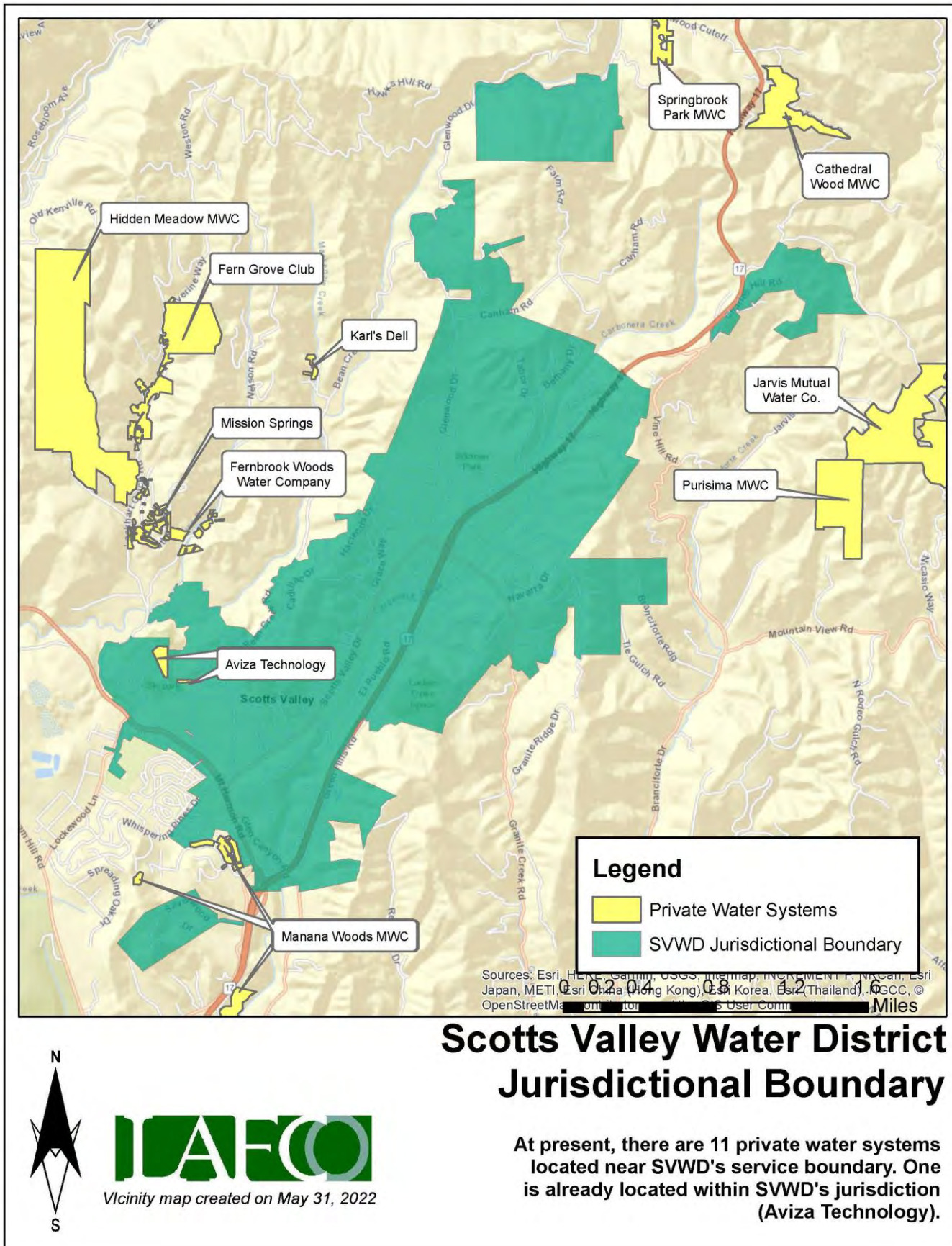


Table 95: List of Private Water Systems Within & Outside SVWD

#	Water System Name	Type of Water System	Size (Square Miles)	Population
Private Water Systems WITHIN AND OUTSIDE SVWD's Jurisdictional Boundary				
1	Karl's Dell	Small Water System (8 connections)	0.004	16
2	Fernbrook Woods Water Co.	Small Water System (10 connections)	0.013	25
3	Purísima MWC	Small Water System (13 connections)	0.103	34
4	Springbrook Park MWC	Small Water System (13 connections)	0.021	26
5	Hidden Meadow MWC	Medium Water System (18 connections)	0.369	45
6	Jarvis Mutual Water Co.	Medium Water System (38 connections)	0.209	125
7	Fern Grove Club	Medium Water System (67 connections)	0.107	182
8	Mission Springs	Medium Water System (141 connections)	0.022	1,310
9	Cathedral Wood MWC	Medium Water System (15 to 199 connections)	0.065	60
10	Aviza Technology	Medium Water System (15 to 199 connections)	0.009	Not Available

SPHERE OF INFLUENCE

Current Sphere Boundary

Santa Cruz LAFCO adopted SVWD's first sphere of influence on October 16, 1985. The sphere was updated on March 3, 2021 as part of the District's last service review cycle. The update was based on LAFCO's analysis, which determined that a total of 8 unserved islands are substantially surrounded by the water district and should be annexed in the foreseeable future. The size of these areas range from 0.24 to 96 acres. LAFCO expanded the District's sphere to include approximately 300 acres. **Figure 72** on page 199 shows the latest sphere boundary. Staff is recommending that the current sphere be reaffirmed.

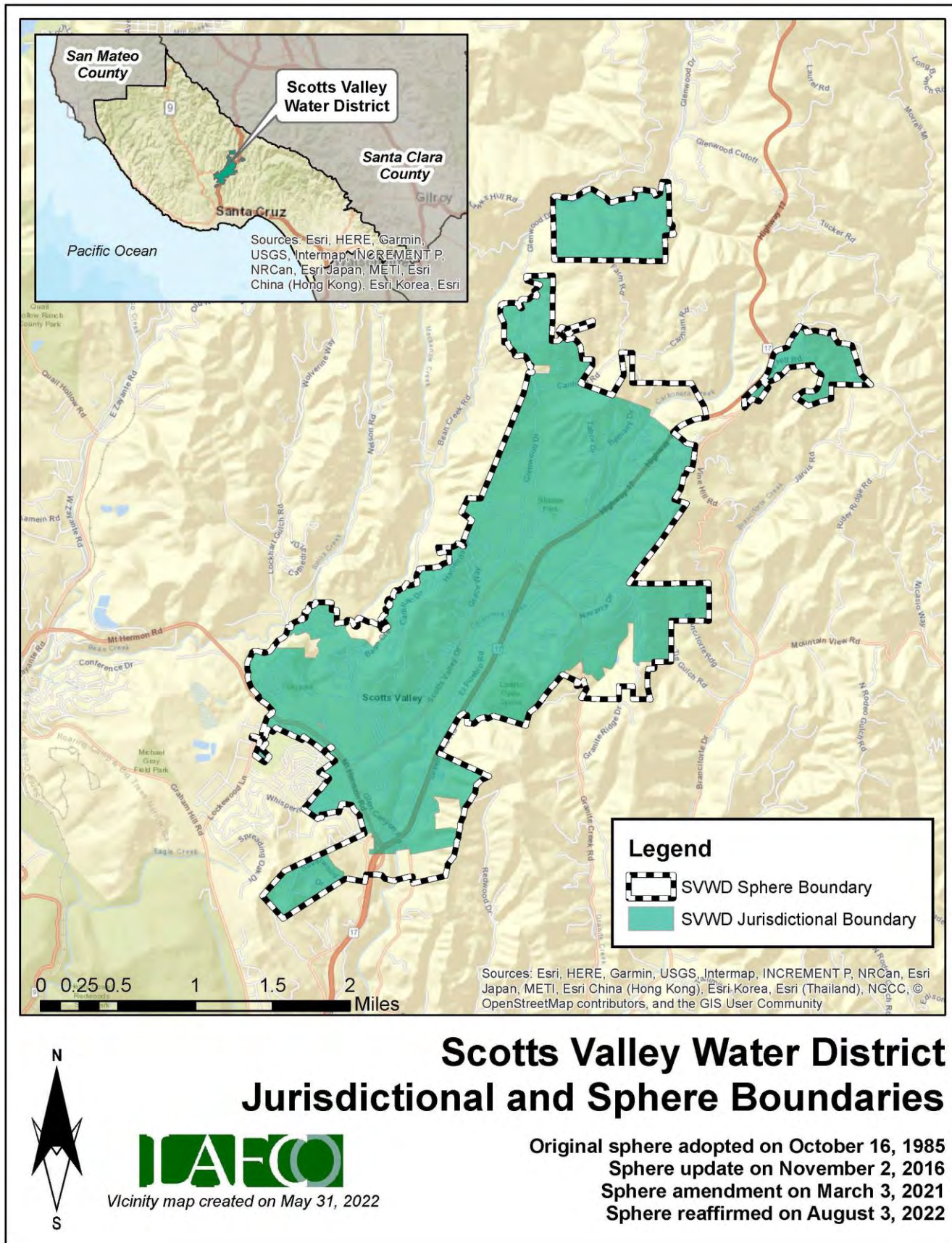
Upcoming Annexation Application

On May 12, 2022, the District Board of Directors unanimously adopted a resolution to initiate annexation of all the territory within its current sphere boundary. The annexation encompasses 177 parcels totaling approximately 1,400 acres. If approved, the residents would not be required to automatically connect into the District's water system, however, they will no longer be subject to LAFCO's approval if and when they decide to receive water from SVWD. This proactive approach stems directly from LAFCO's recommendations in the District's last service review, which was adopted by the Commission in May 2021. LAFCO staff anticipates that the proposed annexation will be presented to the Commission for consideration and approval in early-2023.



SVWD Water Tank

Figure 72: SVWD's Current Sphere Map



DISTRICT SUMMARY

Scotts Valley Water District	
Formation	California Water Code, section 30,000 et seq.
Board of Directors	Five members, elected at-large to four-year terms
Contact Person	Piret Harmon, General Manager
Employees	19 Full-Time Employees
Facilities	60 miles of pipeline, 4 groundwater treatment plants, 6 groundwater wells, 8 storage tanks, 10 pump stations, and 13 pressure zones.
District Area	6 square miles (appx. 4,000 acres)
Sphere of Influence	Larger than the District (i.e. sphere boundary goes beyond the existing District's jurisdiction)
FY 2020-21 Audit	Total Revenue = \$8,842,515 Total Expenditure = \$7,590,511 Net Position (Ending Balance) = \$20,579,445
Contact Information	Mailing Address: 2 Civic Center Drive, Scotts Valley, CA 95066 Phone Number: (831) 438-2363 Email Address: PHarmon@svwd.org Website: https://www.svwd.org/
Public Meetings	Meetings are held on the second Thursday of each month at 6:00 p.m.
Mission Statement	"Scotts Valley Water District delivers a sustainable high quality water service in an environmentally responsible and financially sound manner."

SERVICE AND SPHERE REVIEW DETERMINATIONS

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

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 boundary. Written statements of determination must be prepared with respect to each of the following:

1. Growth and population projections for the affected area.

The population of SVWD in 2020 was estimated to be 11,800. Based on LAFCO's analysis, the population within SVWD will be approximately 12,100 by 2040.

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

In 2020, the California statewide median household income was \$78,672, and 80% of that was \$62,938. Based on LAFCO's analysis, there are no disadvantaged unincorporated communities within or contiguous to the District's sphere boundary.

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.

SVWD currently has a capital improvement plan and an urban water management plan in place.

4. Financial ability of agencies to provide services.

SVWD is financially sound. The District ended with a surplus in four of the last six fiscal years during 2015 to 2021. As of June 30, 2021, the total net position balance ended with approximately \$21 million. LAFCO believes that this positive trend will continue based upon the District's ongoing conservative budgetary practices reflected in their audited financial statements.

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

LAFCO encourages SVWD to explore additional methods to collaborate with neighboring water agencies, including the privately-owned water companies surrounding the District. At present, there are 10 private water systems near SVWD.

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

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. SB 929 identifies a number of components that must be found within an agency's website. At present, the District almost meets all the statutory requirements under SB 929 and SDLF's website transparency criteria.

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

LAFCO recommends that SVWD consider annexing the areas located outside its jurisdictional boundary but within its current sphere of influence.

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.

At present, the majority of land within the District is designated as Residential. The District's customer base is predominantly single-family residential with some multi-family and agricultural customers as well.

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

SVWD currently has a 10-year capital improvement plan in place. A total of 15 capital improvement projects are underway. The District also has an Urban Water Management Plan, which was adopted in 2020.

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

SVWD currently provides water service to a population of 11,800 through approximately 4,300 residential, commercial, and institutional connections. The District operates and maintains a potable water distribution system that includes groundwater wells, treatment facilities, storage tanks, pumping stations, pressure reducing stations and distribution mains and services to meet the potable water demands of its customers.

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.

At present, there are 10 private water systems near SVWD. LAFCO recommends that the District consider annexing the areas located outside its jurisdictional boundary but within its current sphere of influence.

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.

In 2020, the California statewide median household income was \$78,672, and 80% of that was \$62,938. Based on LAFCO's analysis, there are no disadvantaged unincorporated communities within or contiguous to the District' sphere boundary.

SOQUEL CREEK WATER DISTRICT

OVERVIEW

The Soquel Creek Water District was formed in 1961 as the “Soquel Creek County Water District” under the County Water District Act with the purpose of providing water for domestic and commercial use. The District acquired the Monterey Bay Water Company in 1964 and discontinued flood control services. In 1983, “County” was dropped from the name, and the District became known as Soquel Creek Water District. Today, the District serves 17 square miles of unincorporated territory and a portion of the City of Capitola. There is a total of 18,514 parcels within the District (totaling approximately 50,000 acres). **Figure 73**, on page 206, is a vicinity map depicting SqCWD’s current jurisdictional boundary. **Figure 74**, on page 207, also shows the current land use designation under the County’s General Plan. At present, the majority of land within the District is designated as Urban Low Residential. A map showing the land use designations within the City of Capitola was not produced since the City already has a map available on its website¹⁶.

A total of 41 boundary changes have been approved by LAFCO, with an extraterritorial service agreement involving a single parcel being the last recorded action on April 2, 2008. **Appendix J** provides an overview of all the approved boundary changes since 1966.

Services and Infrastructure

SqCWD manages and operates a complex and integrated water supply infrastructure, including storage tanks, groundwater wells, and booster pumps. The District currently has approximately 16,000 connections – 80% is used for residential and 20% for non-residential (commercial, industrial, schools, governmental, and landscape irrigation). The District’s customer base is predominantly single-family residential. At present, there is approximately 21,000 housing units within SqCWD. **Table 96** summarizes the District’s services and **Table 97** provides an overview of the District’s infrastructure.

Table 96: List of Service Provisions

Services	Checkmark (Yes)
Agricultural Water	✓
Drainage	
Groundwater Replenishment	✓ (in construction)
Retail Potable Water	✓
Recycled Water	✓ (in construction)
Wastewater (Sewer)	
Water Treatment	✓
Water Conservation	✓

¹⁶ City of Capitola Land Use Map -

https://www.cityofcapitola.org/sites/default/files/fileattachments/community_development/page/1460/zoning_map.5x11_certified_06.09.2021_0.pdf

Table 97: List of Infrastructure / Facilities

Infrastructure	Checkmark (Yes)	Quantity
Distribution / Storage Tanks	-	18 storage tanks
Pressure Zones	-	31 pressure zones
Production Wells	✓	16 active groundwater wells (2 standby groundwater wells)
Pump Stations	-	1 pump station
Recycled Water System	-	In Construction
Treatment Plants	-	9 treatment plants
Water Diversions	-	-
Water Pipeline	✓	167 miles
Total Connections	✓	16,047

Water Rates

The rate structure for the District's water service charges has two components: a fixed monthly service charge component and a variable water quantity (commodity) charge component. The monthly service charge is determined based on customer class and the meter size serving a property; the charge increases with meter size. The volumetric component of a customer's water bill is calculated based on the number of units of water delivered to a property, measured in one hundred cubic feet, multiplied by rates that vary by customer class and tier. The volumetric component is distributed as an inclining tier rate structure to incentivize conservation and water use efficiency for its customers. **Table 98** on page 205 shows the adopted water rates from 2017 to 2021.



Table 98: Water Rates

	2017 (Adopted)	2018 (Adopted)	2019 (Adopted)	2020 (Adopted)	2021 (Adopted)
SERVICE CHARGES					
Single Family / Multi-Family Residential / Commercial (Meter Size)					
5/8 in restricted <640 sq ft.	\$9.94	\$11.14	\$21.54	\$23.48	\$25.60
5/8"	\$19.89	\$22.27	\$37.06	\$40.40	\$44.04
3/4"	\$29.83	\$33.41	\$37.06	\$40.40	\$44.04
1"	\$49.72	\$55.68	\$83.60	\$91.13	\$99.34
1.5"	\$89.49	\$100.23	\$161.17	\$175.68	\$191.50
2"	\$174.01	\$194.89	\$393.88	\$429.33	\$467.97
3"	\$328.13	\$367.51	\$781.72	852.08	\$928.77
4"	\$437.51	\$490.01	\$1,557.42	\$1,697.59	\$1,850.38
6"	\$1,193.20	\$1,336.39	\$2,488.25	\$2,712.20	\$2,956.30
8"	\$1,590.94	\$1,781.85	\$4,349.92	\$4,741.42	\$5,168.15
Irrigation / Outdoor Use (Meter Size)					
5/8 in restricted <640 sq ft.	\$26.87	\$18.97	\$27.87	\$30.38	\$33.12
5/8"	\$53.75	\$37.94	\$49.72	\$54.20	\$59.08
3/4"	\$80.62	\$56.91	\$49.72	\$54.20	\$59.08
1"	\$134.37	\$94.85	\$115.25	\$125.63	\$136.94
1.5"	\$241.86	\$170.73	\$224.48	\$244.69	\$266.72
2"	\$470.29	\$331.98	\$552.16	\$601.86	\$656.03
3"	\$886.83	\$626.01	\$1,098.28	\$1,197.13	\$1,304.88
4"	\$1,182.44	\$834.68	\$2,190.53	\$2,387.68	\$2,602.58
6"	\$3,224.85	\$2,276.41	\$3,501.23	\$3,816.35	\$4,159.83
8"	\$4,299.80	\$3,035.22	\$6,122.64	\$6,673.68	\$7,274.32
Private Fire Protection (Meter Size)					
1"	\$9.51	\$10.65	\$1.20	\$1.31	\$1.43
1.5"	-	-	\$3.46	\$3.78	\$4.13
2"	\$16.91	\$18.93	\$7.37	\$8.04	\$8.77
2.5"	-	-	\$13.25	\$14.45	\$15.76
3"	\$36.98	\$41.42	\$21.40	\$23.33	\$25.43
4"	\$66.57	\$74.55	\$45.61	\$49.72	\$54.20
6"	\$147.92	\$165.67	\$132.47	\$144.40	\$157.40
8"	\$253.38	\$284.01	\$282.29	\$307.70	\$335.40
VOLUMETRIC CHARGES					
Residential					
1 - 5.99 units	-	-	\$6.43	\$7.01	\$7.65
6+ units	-	-	\$29.19	\$31.82	\$34.69
Commercial					
Any unit(s)	\$9.28	\$10.40	\$10.79	\$11.77	\$12.83
Irrigation / Outdoor Use					
Any unit(s)	\$9.28	\$10.40	\$10.79	\$11.77	\$12.83

Figure 73: SqCWD's Vicinity Map

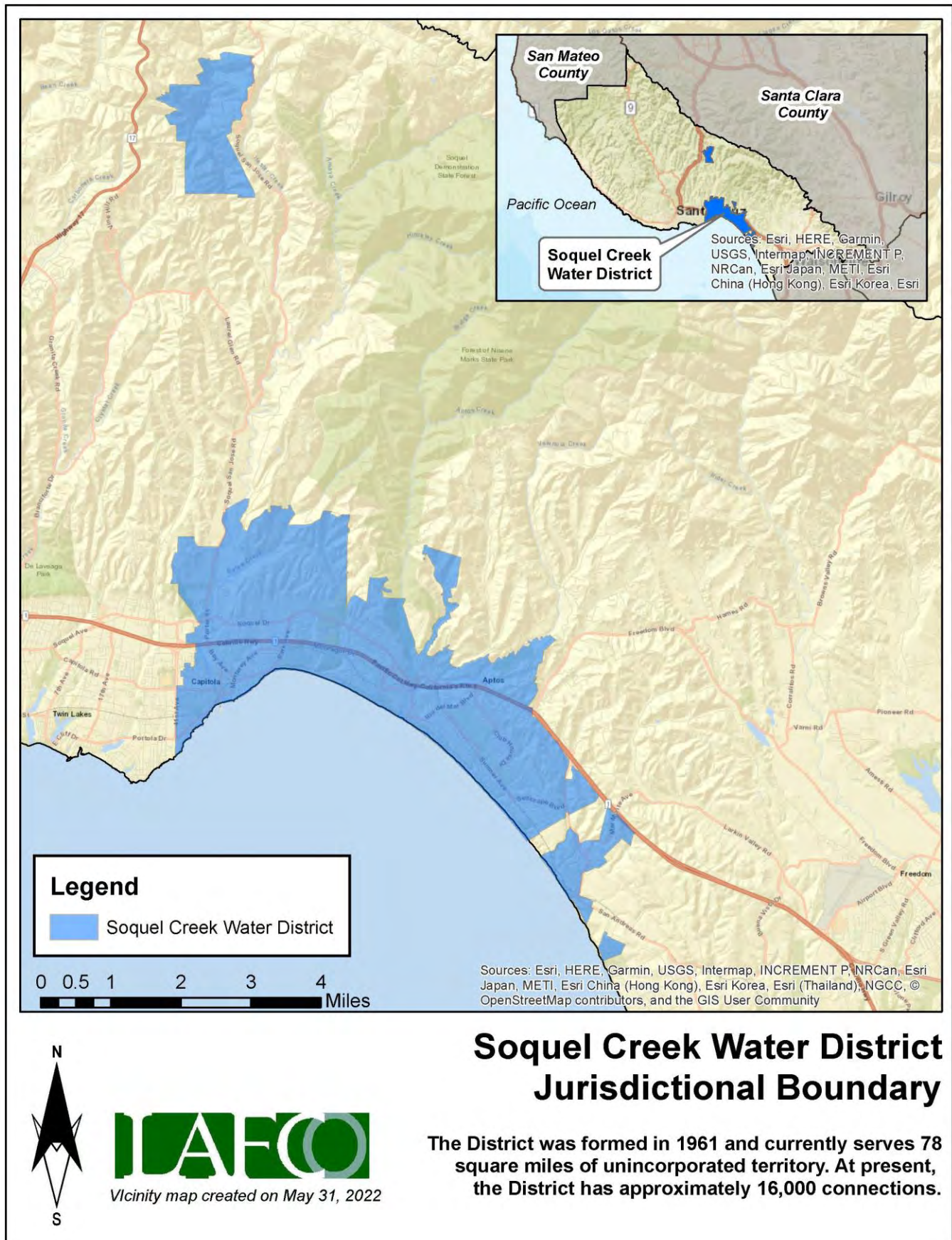
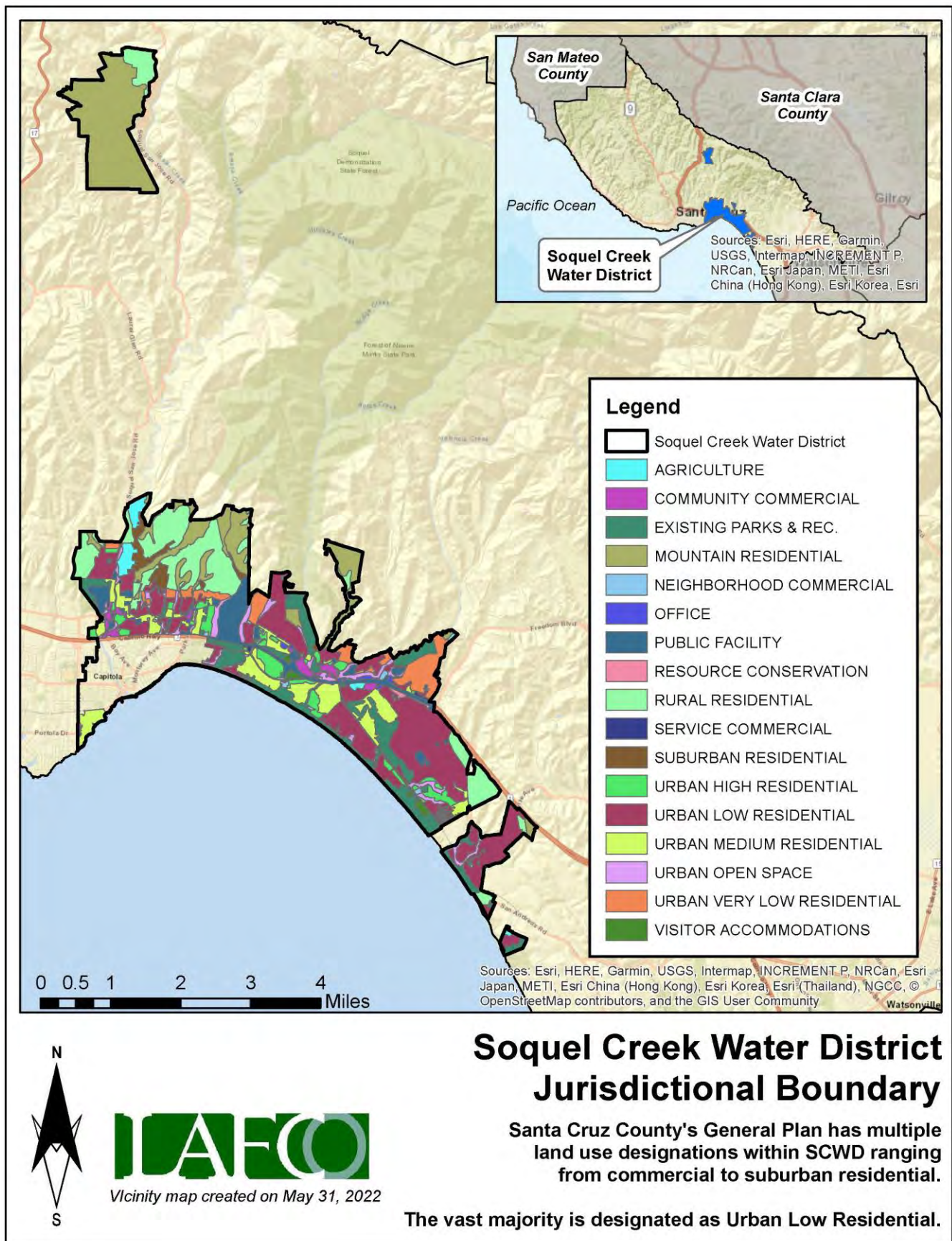


Figure 74: SqCWD's Land Use Map



Population and Growth

Based on staff's analysis, the population of SqCWD in 2020 was estimated to be 39,000. The Association of Bay Area Governments (ABAG) and the Association of Monterey Bay Area Governments (AMBAG) provide population projections for cities and counties in the Coastal Region. Official growth projections are not available for special districts. However, SqCWD develops detailed service area population and housing estimates every 5 years for its' Urban Water Management Plan (UWMP). For the 2020 UWMP, SqCWD worked with AMBAG and the County of Santa Cruz (County) to determine the best available data for use in the UWMP. The projections shown below in **Table 99** utilize data from AMBAG's 2018 Regional Growth Forecast (RGF) for 2020 population projections and data from the County's Travel Model for 2040 population projections, with a straight-line interpolation applied between 2020 and 2040. It is estimated that SqCWD will serve an approximate population of 47,200 people in 2040.

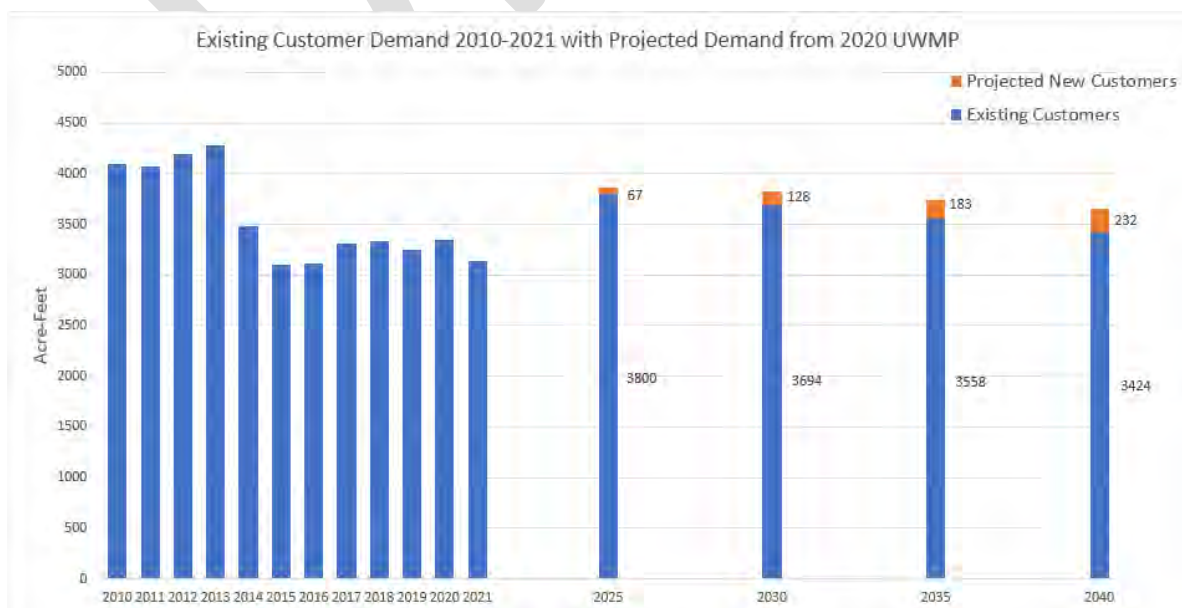
Table 99: Projected Population

	2020	2025	2030	2035	2040	Average Rate of Change
Santa Cruz County (unincorporated area)	136,891	137,896	139,105	140,356	141,645	0.86%
Soquel Creek Water District	38,706	40,666	42,726	44,890	47,163	5.06%

Source: 2020 SqCWD Urban Water Management Plan

Water Demand Projections

The District's water demand projections for 2020 through 2040, with demand attributed to existing versus new customers, is shown in the image below. It should be noted that the next AMBAG RGF currently under development for 2024 through 2031 is expected to show a significant increase in housing units over the 2018 RGF. Thus, the housing unit, population and demand projections in the District's 2020 UWMP may be underestimated.

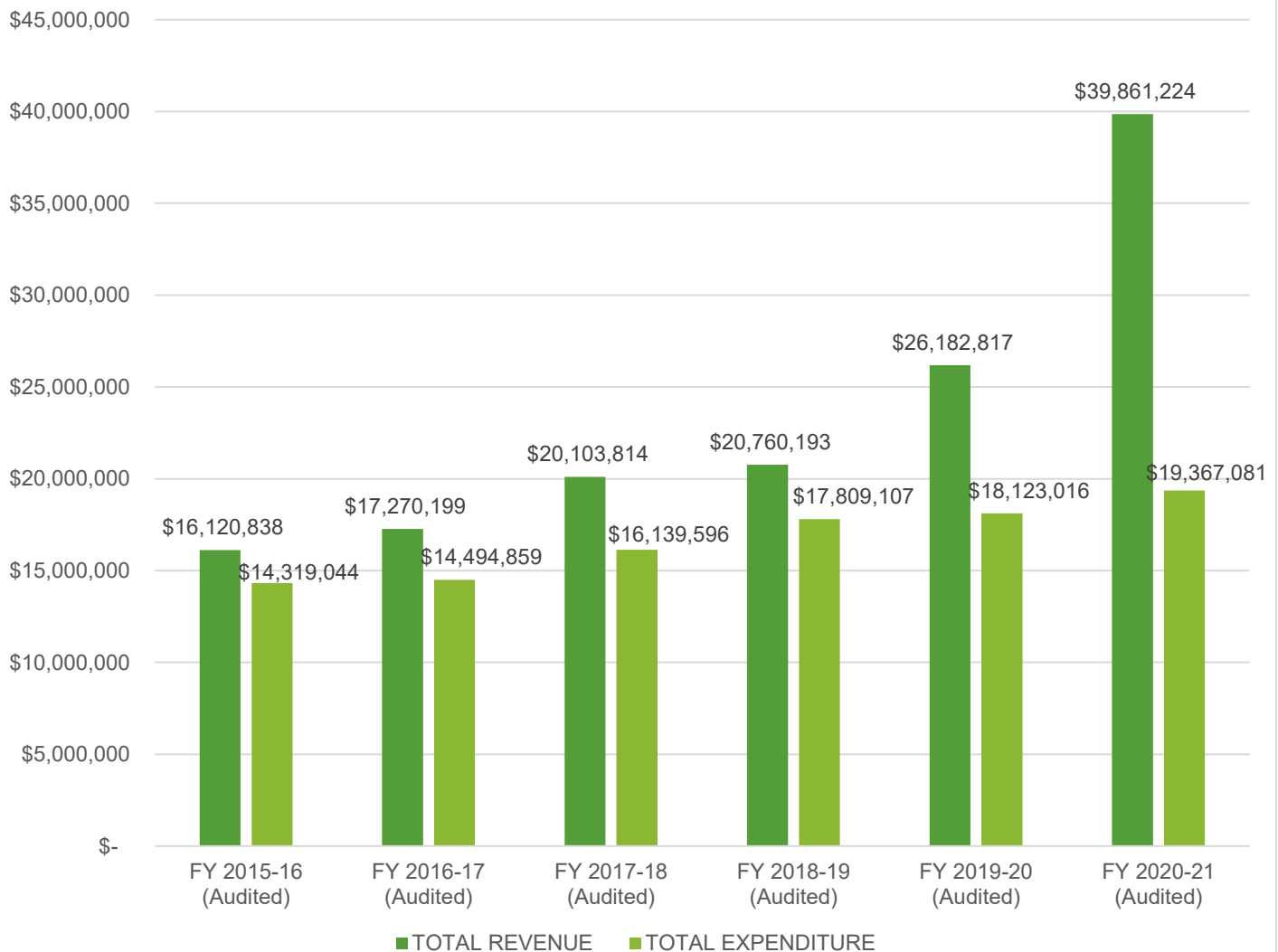


FINANCES

This section will highlight the District's financial performance during the most recent fiscal years. Fiscal Year 2020-21 is the latest audited financial statement available. LAFCO evaluated SqCWD's financial health from 2015 to 2021. A comprehensive analysis of the District's financial performance during the past six years is shown in **Tables 103 and 104** on pages 213-214.

At the end of Fiscal Year 2020-21, total revenue collected was approximately \$40 million, representing a 52% increase from the previous year (\$26 million in FY 19-20). Total expenses for FY 2020-21 were approximately \$19 million, which increased by 7% from the previous year (\$18 million in FY 19-20). Since 2015, the District ended each fiscal year with a surplus, as shown in **Figure 75**. LAFCO staff believes that this positive trend will continue based upon the District's ongoing conservative budgetary practices reflected in their audited financial statements.

**Figure 75: Statement of Revenues & Expenditures
(FY 2015-16 to FY 2020-21)**



Revenues

Operating Revenue

The District's primary source of revenue is from operating revenues, specifically water consumption sales. In FY 2020-21, Water Consumption Sales, Water Service Charges, and Other Charges for Services represented approximately 66% of SqCWD's entire revenue stream.

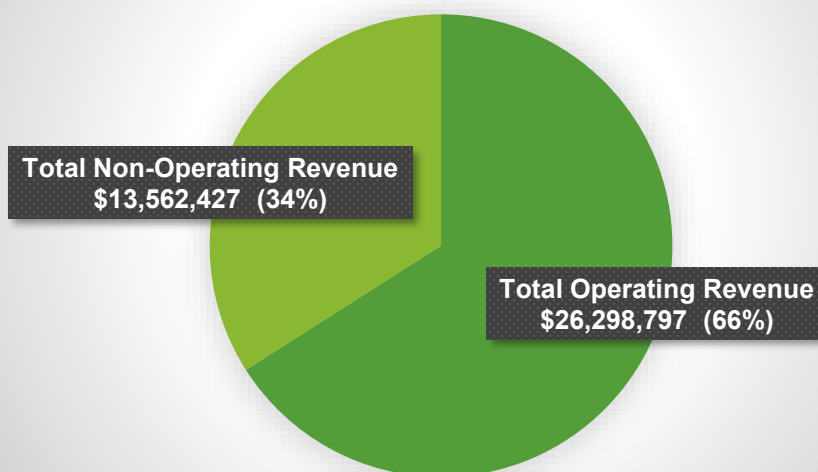
Non-operating Revenue

The remaining 34% of total revenue derive from non-operating revenue sources. These funds include State Capital Grants, Capacity Charges, and Other Revenue. **Table 100 and Figure 76** provide a breakdown of the District's revenue by category and source.

Table 100: Revenue Breakdown (FY 2020-21)

Revenue	Amount	Percentage
Operating Revenue		
Water Consumption Sales	\$15,915,679	61%
Water Service Charges	\$9,117,448	35%
Other Charges for Services	<u>\$1,265,670</u>	<u>5%</u>
Total Operating Revenue	\$26,298,797	100%
Non-Operating Revenue		
State Capital Grants	\$9,735,395	72%
Other Revenue	\$2,959,788	22%
Capacity Charges	\$419,173	3%
Capital Contributions	\$231,195	2%
Interest Earnings	<u>\$216,876</u>	<u>2%</u>
Total Non-Operating Revenue	\$13,562,427	100%
Total Revenue	<u>\$39,861,224</u>	

**Figure 76: Operating v Non-Operating Revenue
(FY 2020-21)**



Expenditures

Operating Expense

The District's operating expenses represented approximately 76% of total expenditure during FY 2020-21. Operating expenses include: General & Administrative, Source of Supply, and Customer Service & Meter Read.

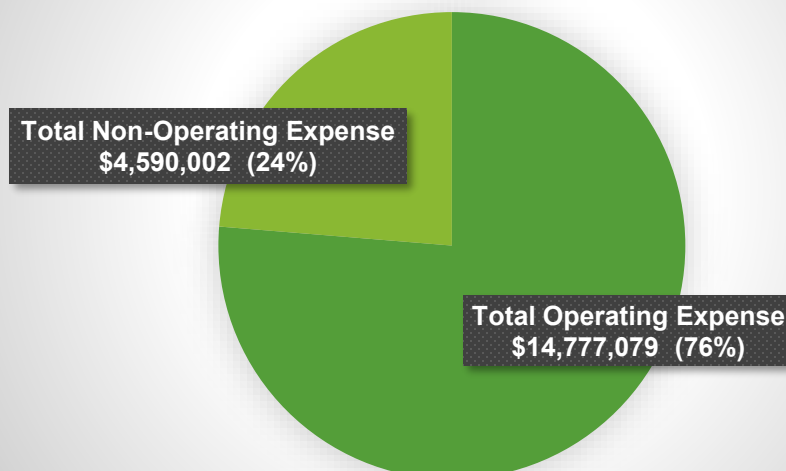
Non-operating Expense

The remaining 24% of total expenses derive from non-operating expenses. These costs include Depreciation and Investment in Joint-Powers Authority. **Table 101 and Figure 77** provide a breakdown of the District's costs by category and source.

Table 101: Expense Breakdown (FY 2020-21)

Expenditure	Amount	Percentage
Operating Expense		
General & Administrative	\$7,598,623	51%
Source of Supply	\$2,845,560	19%
Transmission & Distribution	\$1,331,237	9%
Customer Service & Meter Read	\$1,294,653	9%
Pumping	\$1,130,336	8%
Water Treatment	<u>\$576,670</u>	<u>4%</u>
Total Operating Expense	\$14,777,079	100%
Non-Operating Expense		
Depreciation	\$2,949,625	64%
Interest Expense	\$1,454,110	32%
Change in Investment JPA	<u>\$186,267</u>	<u>4%</u>
Total Non-Operating Expense	\$4,590,002	100%
Total Expenditure	<u>\$19,367,081</u>	

**Figure 77: Operating v Non-Operating Expense
(FY 2020-21)**



Fund Balance / Net Position

As of June 30, 2021, the total net position balance ended with approximately \$83 million. The following table highlights the net position balance from 2015 to 2021. As shown in **Table 102** and **Figure 78**, the District's fund balance has increased over the years and has maintained an annual balance above \$47 million. Based on this historical trend, LAFCO staff believes the positive balance will continue. This healthy amount will be critical in the event that the District faces any unintended expenses, major capital improvements projects, or emergency repairs.

Table 102: Net Position (2015 to 2021)

	FY 2015-16 (Audited)	FY 2016-17 (Audited)	FY 2017-18 (Audited)	FY 2018-19 (Audited)	FY 2019-20 (Audited)	FY 2020-21 (Audited)
Beginning Balance	\$49,244,126	\$44,766,313	\$47,893,724	\$51,857,942	\$54,809,028	\$62,868,829
Ending Balance	\$51,045,920	\$47,541,653	\$51,857,942	\$54,809,028	\$62,868,829	\$83,362,972
Change (\$)		\$(3,504,267)	\$4,316,289	\$2,951,086	\$8,059,801	\$20,494,143

Figure 78: Net Position from 2015 to 2021 (Ending Balance)

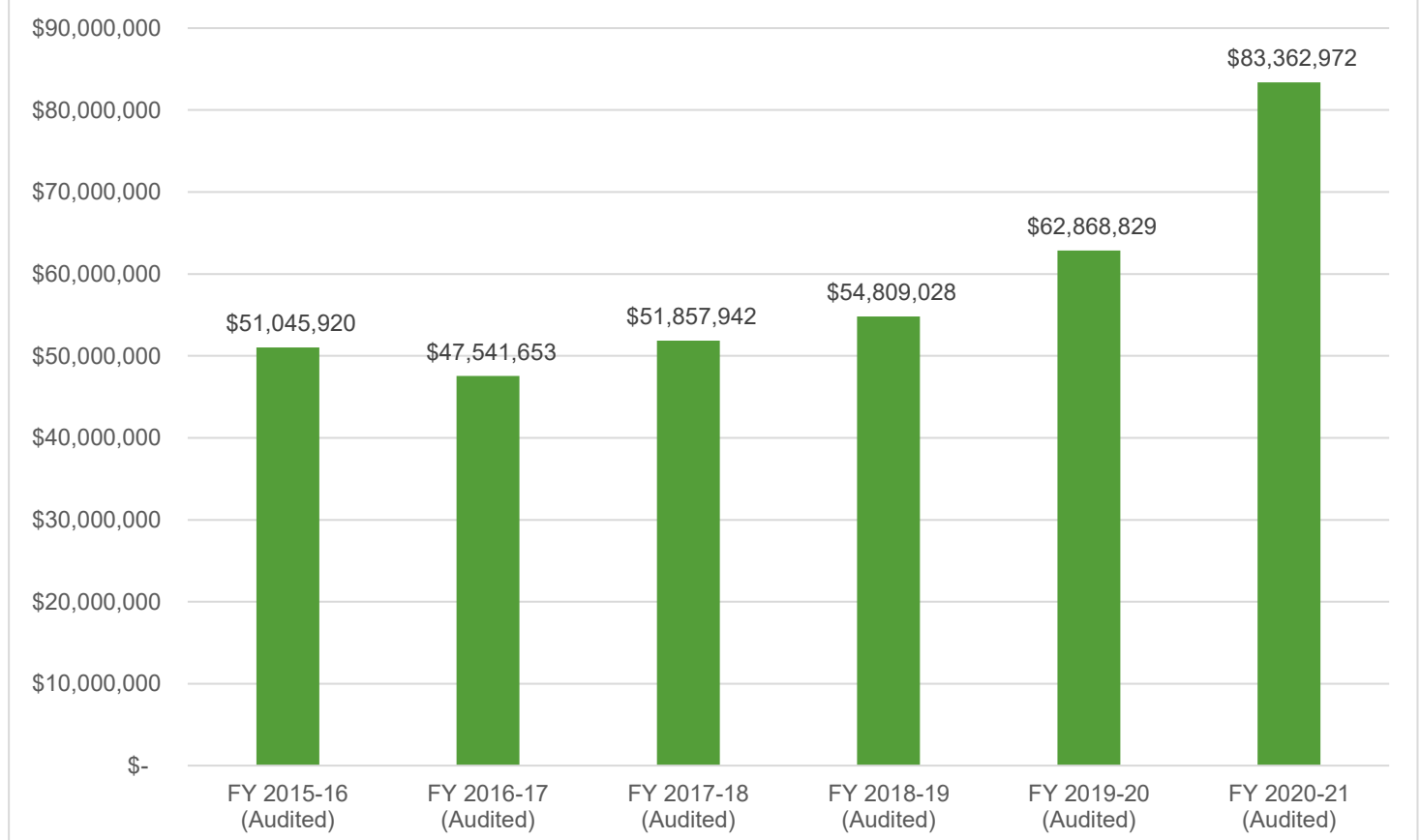


Table 103: Total Revenues & Expenditures

	FY 2015-16 (Audited)	FY 2016-17 (Audited)	FY 2017-18 (Audited)	FY 2018-19 (Audited)	FY 2019-20 (Audited)	FY 2020-21 (Audited)
REVENUE						
<u>Operating Revenue</u>						
Water Consumption Sales	\$ 10,059,054	\$ 9,953,612	\$ 11,916,294	\$ 11,366,972	\$ 14,565,944	\$ 15,915,679
Water Service Charges	\$ 5,182,724	\$ 6,035,938	\$ 6,693,811	\$ 7,081,809	\$ 8,530,082	\$ 9,117,448
Water Conversation - Wtr Demand Offset Credit	\$ 369,691	\$ -	\$ -	\$ -	\$ -	\$ -
Other Charges For Services	\$ 66,945	\$ 89,293	\$ 81,759	\$ 115,131	\$ 124,638	\$ 1,265,670
Total Operating Revenue	\$15,678,414	\$16,078,843	\$18,691,864	\$18,563,912	\$23,220,664	\$26,298,797
<u>Non-Operating Revenue</u>						
Interest Earnings	\$ 121,374	\$ 191,074	\$ 370,577	\$ 620,252	\$ 541,525	\$ 216,876
Rental Revenue	\$ -	\$ 11,200	\$ 1,455	\$ -	\$ -	\$ -
State Capital Grants	\$ 1,455	\$ 787,896	\$ 38,113	\$ 1,024,244	\$ 1,204,256	\$ 9,735,395
Capacity Charges	\$ 225,900	\$ 84,320	\$ 764,862	\$ 360,352	\$ 293,883	\$ 419,173
Capital Contributions	\$ 93,695	\$ 116,866	\$ 236,943	\$ 187,984	\$ 401,772	\$ 231,195
Change in Investment in JPA	\$ -	\$ -	\$ -	\$ -	\$ 520,717	\$ -
Other Non-Operating Revenue	\$ -	\$ -	\$ -	\$ 3,449	\$ -	\$ 2,959,788
Total Non-Operating Revenue	\$ 442,424	\$ 1,191,356	\$ 1,411,950	\$ 2,196,281	\$ 2,962,153	\$13,562,427
TOTAL REVENUE	\$16,120,838	\$17,270,199	\$20,103,814	\$20,760,193	\$26,182,817	\$39,861,224
EXPENDITURE						
<u>Operating Expense</u>						
Source of Supply	\$ 1,616,988	\$ 2,155,353	\$ 2,344,975	\$ 4,293,876	\$ 2,798,714	\$ 2,845,560
Pumping	\$ 842,926	\$ 900,209	\$ 944,174	\$ 1,099,645	\$ 1,051,350	\$ 1,130,336
Water Treatment	\$ 554,640	\$ 915,758	\$ 770,566	\$ 627,657	\$ 633,003	\$ 576,670
Transmission and Distribution	\$ 1,298,131	\$ 1,328,707	\$ 1,608,590	\$ 1,441,931	\$ 1,985,965	\$ 1,331,237
Customer Service & Meter Reading	\$ 803,829	\$ 810,623	\$ 906,794	\$ 1,053,216	\$ 1,181,862	\$ 1,294,653
General and Administrative	\$ 6,161,534	\$ 5,002,163	\$ 5,590,041	\$ 5,421,217	\$ 6,113,749	\$ 7,598,623
Total Operating Expense	\$11,278,048	\$11,112,813	\$12,165,140	\$13,937,542	\$13,764,643	\$14,777,079
<u>Non-Operating Expense</u>						
Interest Expense	\$ 666,906	\$ 782,308	\$ 759,151	\$ 740,732	\$ 1,384,938	\$ 1,454,110
Rental Property Expense	\$ -	\$ 5,270	\$ -	\$ -	\$ -	\$ -
Change in Investment in JPA	\$ 31,190	\$ -	\$ 529,134	\$ 660,317	\$ -	\$ 186,267
Depreciation	\$ 2,342,900	\$ 2,592,842	\$ 2,679,579	\$ 2,470,516	\$ 2,949,887	\$ 2,949,625
Other Non-Operating Expense	\$ -	\$ 1,626	\$ 6,592	\$ -	\$ 23,548	\$ -
Total Non-Operating Expense	\$ 3,040,996	\$ 3,382,046	\$ 3,974,456	\$ 3,871,565	\$ 4,358,373	\$ 4,590,002
TOTAL EXPENDITURE	\$14,319,044	\$14,494,859	\$16,139,596	\$17,809,107	\$18,123,016	\$19,367,081
Surplus/(Deficit)	\$ 1,801,794	\$ 2,775,340	\$ 3,964,218	\$ 2,951,086	\$ 8,059,801	\$20,494,143
NET POSITION						
Beginning Balance (as restated)	\$ 49,244,126	\$ 44,766,313	\$ 47,893,724	\$ 51,857,942	\$ 54,809,028	\$ 62,868,829
Ending Balance	\$51,045,920	\$47,541,653	\$51,857,942	\$54,809,028	\$62,868,829	\$83,362,972

Table 104: Total Assets & Liabilities

	FY 2015-16 (Audited)	FY 2016-17 (Audited)	FY 2017-18 (Audited)	FY 2018-19 (Audited)	FY 2019-20 (Audited)	FY 2020-21 (Audited)
ASSETS						
<u>Current Assets</u>						
Cash & Cash Equivalents	\$ 12,791,103	\$ 10,380,975	\$ 12,075,016	\$ 11,417,729	\$ 9,993,564	\$ 14,931,143
Cash & Cash Equivalents - Restricted	\$ 12,648,516	\$ 10,213,819	\$ 9,511,348	\$ 9,239,582	\$ 8,588,673	\$ 4,106,774
Investments	\$ 1,742,000	\$ 497,000	\$ 992,000	\$ 1,192,000	\$ 2,225,000	\$ 1,023,230
Accrued Interest Receivable	\$ 17,714	\$ 32,139	\$ 83,644	\$ 25,042	\$ 22,113	\$ 13,637
Accrued Interest Receivable - Restricted	\$ 15,711	\$ 15,977	\$ 21,897	\$ 90,545	\$ 44,933	\$ 11,317
Accounts Receivable - Water Sales & Services, Net	\$ 1,819,550	\$ 1,939,677	\$ 2,311,626	\$ 2,169,028	\$ 3,100,968	\$ 3,448,794
Other Receivables	\$ 217,427	\$ 514,254	\$ 205,474	\$ 937,230	\$ 496,947	\$ 12,648,587
Materials & Supplies Inventory	\$ 270,341	\$ 323,880	\$ 377,286	\$ 626,040	\$ 549,308	\$ 321,917
Prepaid Expenses & Other Deposits	\$ 143,033	\$ 166,188	\$ 173,755	\$ 155,948	\$ 185,240	\$ 247,527
Total Current Assets	\$29,665,395	\$24,083,909	\$ 25,752,046	\$ 25,853,144	\$ 25,206,746	\$ 36,752,926
<u>Non-Current Assets</u>						
Investments	\$ 248,000	\$ 5,157,000	\$ 5,884,000	\$ 5,428,000	\$ 3,203,000	\$ 1,471,000
Investments - Restricted	\$ 1,554,560	\$ 1,544,304	\$ 1,548,032	\$ 1,588,048	\$ 1,629,614	\$ 496,000
Other Post-Employment Benefits Asset	\$ 242,725	\$ -	\$ -	\$ -	\$ -	\$ -
Investments in Joint-Powers Authority	\$ -	\$ -	\$ 227,947	\$ 400,924	\$ 1,376,931	\$ 1,190,663
Capital Assets - Not Being Depreciated	\$ 11,597,901	\$ 12,265,496	\$ 13,886,843	\$ 10,969,105	\$ 22,192,871	\$ 39,942,941
Capital Assets - Being Depreciated	\$ 50,505,723	\$ 50,667,548	\$ 50,435,059	\$ 55,526,084	\$ 55,645,235	\$ 58,050,892
Total Non-Current Assets	\$64,148,909	\$69,634,348	\$ 71,981,881	\$ 73,912,161	\$ 84,047,651	\$101,151,496
TOTAL ASSETS	\$93,814,304	\$93,718,257	\$ 97,733,927	\$ 99,765,305	\$109,254,397	\$137,904,422
<u>Deferred Outflows of Resources</u>						
Deferred Refunding Charges	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,269,920
Deferred OPEB Outflows	\$ -	\$ -	\$ 703,806	\$ 781,944	\$ 1,452,244	\$ 890,345
Deferred Pension Outflows	\$ 1,290,513	\$ 2,318,110	\$ 2,702,119	\$ 2,181,919	\$ 2,679,607	\$ 2,539,596
Total Deferred Outflows of Resources	\$ 1,290,513	\$ 2,318,110	\$ 3,405,925	\$ 2,963,863	\$ 4,131,851	\$ 4,699,861
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$95,104,817	\$96,036,367	\$101,139,852	\$102,729,168	\$113,386,248	\$142,604,283
LIABILITIES						
<u>Current Liabilities</u>						
Accounts Payable & Accrued Expenses	\$ 984,079	\$ 980,220	\$ 1,495,502	\$ 1,930,548	\$ 4,774,444	\$ 7,493,428
Accrued Wages & Related Payables	\$ 150,106	\$ 189,670	\$ 194,327	\$ 239,181	\$ 283,194	\$ 321,745
Unearned Revenue & Other Deposits	\$ 465,560	\$ 699,253	\$ 1,035,104	\$ 1,400,342	\$ 1,642,272	\$ 380,556
Accrued Interest Payable	\$ 502,121	\$ 495,799	\$ 488,077	\$ 475,011	\$ 460,811	\$ 301,747
Long-Term Liabilities - Due Within One Year						
Compensated Absences	\$ 99,309	\$ 116,041	\$ 135,912	\$ 152,977	\$ 161,133	\$ 205,525
Certificates of Participation	\$ 370,000	\$ 380,000	\$ 980,000	\$ 1,065,000	\$ 1,130,893	\$ -
Revenue Bonds	\$ 615,566	\$ 621,028	\$ -	\$ -	\$ -	\$ 1,875,000
Total Current Liabilities	\$ 3,186,741	\$ 3,482,011	\$ 4,328,922	\$ 5,263,059	\$ 8,452,747	\$ 10,578,001
<u>Non-Current Liabilities</u>						
Long-Term Liabilities - Due in More Than One Year						
Compensated Absences	\$ 297,925	\$ 348,121	\$ 407,737	\$ 458,929	\$ 483,396	\$ 616,574
Certificates of Participation	\$ 33,552,482	\$ 33,146,589	\$ 32,140,696	\$ 31,049,803	\$ 29,893,017	\$ -
Revenue Bonds	\$ 617,875	\$ -	\$ -	\$ -	\$ -	\$ 21,730,000
Other Long-Term Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,000,000
Net Pension Liability	\$ 5,956,316	\$ 6,758,135	\$ 7,831,149	\$ 7,135,537	\$ 7,309,987	\$ 7,449,660
Net OPEB Obligation	\$ -	\$ 4,380,194	\$ 4,022,184	\$ 3,635,287	\$ 3,675,003	\$ 3,283,607
Total Non-Current Liabilities	\$40,424,598	\$44,633,039	\$ 44,401,766	\$ 42,279,556	\$ 41,361,403	\$ 48,079,841
TOTAL LIABILITIES	\$43,611,339	\$48,115,050	\$ 48,730,688	\$ 47,542,615	\$ 49,814,150	\$ 58,657,842
<u>Deferred Inflows of Resources</u>						
Deferred OPEB Inflows	\$ -	\$ -	\$ 78,555	\$ 66,320	\$ 27,710	\$ 184,831
Deferred Pension Inflows	\$ 447,558	\$ 379,664	\$ 472,667	\$ 311,205	\$ 675,559	\$ 398,638
Total Deferred Inflows of Resources	\$ 447,558	\$ 379,664	\$ 551,222	\$ 377,525	\$ 703,269	\$ 583,469
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	\$44,058,897	\$48,494,714	\$ 49,281,910	\$ 47,920,140	\$ 50,517,419	\$ 59,241,311
NET POSITION						
Net Investment in Capital Assets	\$ 26,977,479	\$ 28,798,189	\$ 31,201,206	\$ 34,380,386	\$ 54,346,033	\$ 60,725,577
Restricted - Capital Assets	\$ 11,413,035	\$ 8,901,493	\$ 6,927,653	\$ 6,489,633	\$ 1,101,769	\$ 4,051,267
Restricted - Debt Service	\$ 2,805,752	\$ 2,872,607	\$ 4,153,624	\$ 4,396,223	\$ -	\$ -
Unrestricted	\$ 9,849,654	\$ 6,969,364	\$ 9,575,459	\$ 9,542,786	\$ 7,421,027	\$ 18,586,128
Total Net Position	\$51,045,920	\$47,541,653	\$ 51,857,942	\$ 54,809,028	\$ 62,868,829	\$ 83,362,972
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, & NET POSITION	\$95,104,817	\$96,036,367	\$101,139,852	\$102,729,168	\$113,386,248	\$142,604,283

GOVERNANCE

Local Accountability & Structure

SqCWD is governed by a five-member Board of Directors, which are elected to four-year terms by the registered voters within the District's boundaries. The General Manager administers the day-to-day operations of the District in accordance with policies and procedures established by the Board of Directors. SqCWD employs a full-time staff of 48 employees. The Board of Directors are responsible for the establishment of policy relative to the District's mission, goals, and operations. The current Board is as follows:

Table 105: Board of Directors

Board Member	Term of Office
Tom LaHue, President	Appointed: February 2003 Term Limit Ends: December 1, 2024
Carla Christensen, Vice-President	Elected: November 2014 Term Limit Ends: December 1, 2022
Rachél Lather, Director	Appointed: January 2016 Term Limit Ends: December 1, 2022
Bruce Daniels, Director	Elected: November 2000 Term Limit Ends: December 1, 2024
Bruce Jaffe, Director	Elected: November 2002 Term Limit Ends: December 1, 2022

Board Meetings

The District's Board of Directors meet regularly and citizens are encouraged to attend. Board meetings are typically held on the third Tuesday of each month at 6:00 p.m. Meetings are held at the Capitola City Council Chambers, unless otherwise noticed.

Urban Water Management Plan

The California Department of Water Resources indicates that Urban Water Management Plans ("UWMPs") are prepared by urban water suppliers every five years (California Water Code Sections 10610-10656; 10608). These plans support the suppliers' long-term resource planning to ensure that adequate water supplies are available to meet existing and future water needs. SqCWD adopted its UWMP in 2020,¹⁷ which provides an in-depth overview of the District's current and future water demand and infrastructure.

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. SB 929 identifies a number of components that must be found within an agency's website. Additionally, the Special District Leadership Foundation (SDLF), an independent, non-profit organization formed to promote good governance and best practices among California's special districts, has also outlined recommended website elements as part of its District Transparency Certificate of Excellence. This program was created in an effort to promote transparency in the operations and governance of special districts to the public and to provide special districts with an opportunity to showcase their efforts in transparency. Based on SB 929's criteria and the recommendations by SDLF, LAFCO thoroughly

¹⁷ 2020 SqCWD UWMP: <https://www.soquelcreekwater.org/DocumentCenter/View/1665/2020-Urban-Water-Management-Report-PDF?bidId=>

reviewed the District's website. **Table 106** summarizes staff's findings on whether the District's website is meeting the statutory requirements. At present, the District almost meets all the statutory requirements under SB 929 and SDLF's website transparency criteria. There are certain items that should be added to its website, specifically access to LAFCO's service reviews and more information about the District Board Members such as compensation and ethics training. Overall, SqCWD has a transparent website filled with useful information and resources that are easily accessible.

Table 106: Website Transparency

Website Components	Checkmark (Yes)
Required Items (SB 949 Criteria and SDLF Benchmarks)	
1. Names and Contact Information of Board Members*	✓
2. Board Member Term Limits	✓
3. Names of Key Staff, including General Manager	✓
4. Contact Information for Staff	✓
5. Election/Appointment Procedure & Deadlines	✓
6. Board Meeting Schedule*	✓
7. Mission Statement	✓
8. Description of District's Services/Functions and Service Area	✓
9. Authorizing Statute/Enabling Act	✓
10. Adopted District Budgets*	✓
11. Financial Audits*	✓
12. Archive of Board Meeting Agendas & Minutes*	✓
13. Link to State Controller's Webpages for District's reported Board Member and Staff Compensation	✓
14. Link to State Controller's Webpages for District's reported Financial Transaction Report	✓
15. Reimbursement & Compensation Policy / Annual Policies	✓
16. Home Page Link to Agendas/Board Packets	✓
17. SB 272 - Compliance-Enterprise Catalogs	✓
18. Machine Readable/Searchable Agendas	✓
19. Recipients of Grant Funding or Assistance	✓
20. Link or Copies of LAFCO's Service & Sphere Reviews	
Total Score (out of a possible 20)	19 (95%)
Additional Items (SDLF's Recommended Elements)	
1. Board Member Ethics Training Certificates	✓
2. Picture, Bio, and Email Addresses of Board Members	✓
3. Last Three Years of Audits	✓
4. Financial Reserves Policy	✓
5. Online/Downloadable Public Records Act Request Form	✓
6. Audio or Video Recordings of Board Meetings	✓
7. Map of District Boundaries/Service Area	✓
8. Link to CSDA Mapping Program	✓
9. General Description of Special Districts or Link to www.districtmakethedifference.org	
10. Link to Most Recently Filed to FPPC Forms	✓
Total Score (out of a possible 10)	9 (90%)

*Footnote: Senate Bill 929 Statutory Requirements

Opportunities and Challenges

Water agencies are significantly affected by various factors, including aging infrastructure, escalating operational costs, drought impacts, increase in customer demand, and changes to state laws and regulations that may introduce new requirements without additional funding. These issues are common not only in Santa Cruz County but throughout the State. The following section discusses these challenges and identifies possible opportunities to ensure that residents receive the best level of water services.

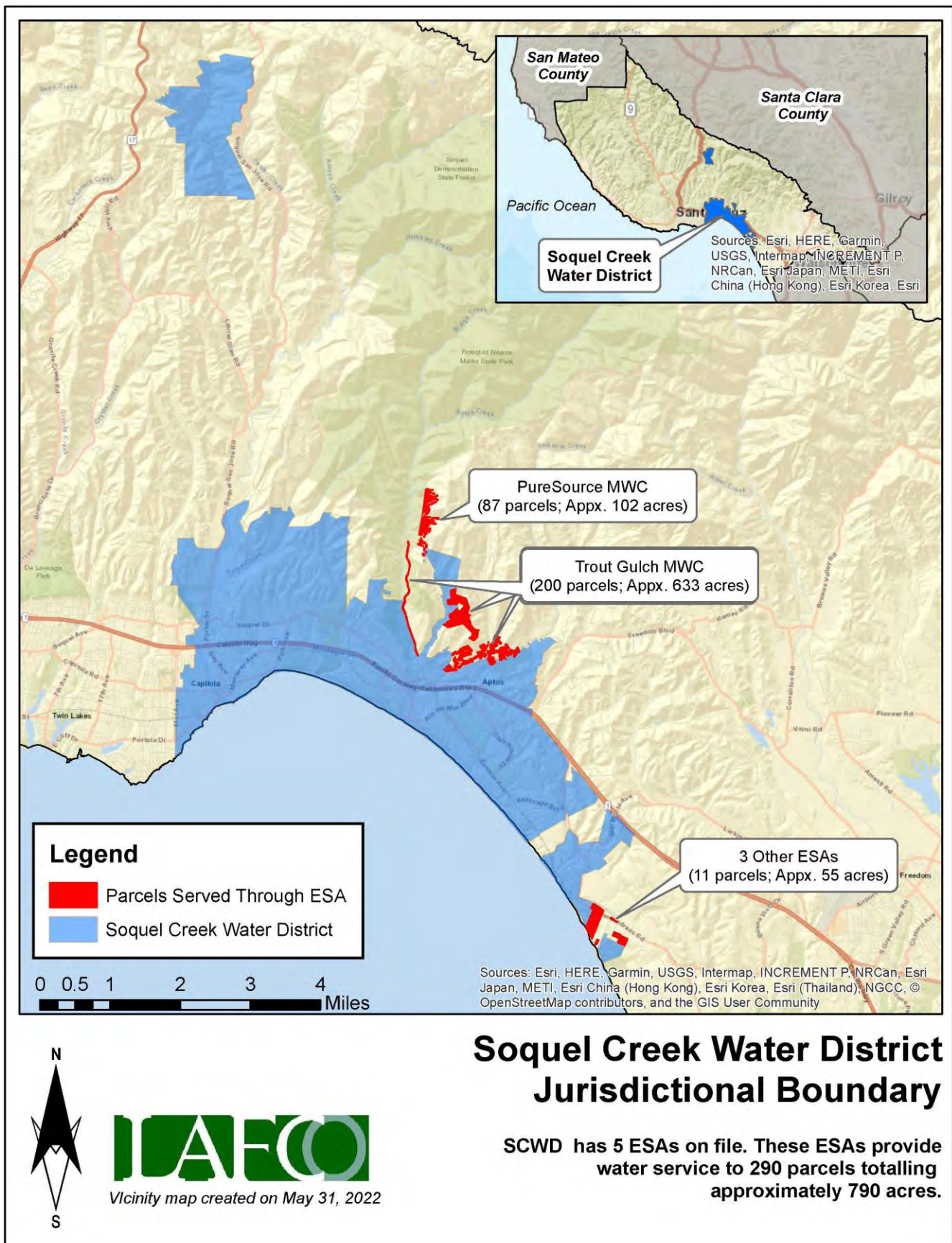
Areas Served Outside Jurisdictional Boundary

Pursuant to Government Code Section 56133, a city or district may provide new or extended services by contract or agreement outside its jurisdictional boundaries only if it first requests and receives written approval from the Commission in the affected county. LAFCO may also authorize a city or district to provide new or extended services outside its jurisdictional boundaries but within its sphere of influence in anticipation of a later change of organization. In other words, except for the specific situations exempted by Government Code Section 56133, a city or district shall not provide new or extended services to any party outside its jurisdictional boundaries unless it has obtained written approval from LAFCO. Based on staff's analysis, SqCWD is providing services outside its jurisdiction to 290 parcels through five separate extraterritorial service agreements approved by LAFCO. **Figure 79** on page 218 shows the subject parcels receiving services outside SqCWD's jurisdiction.

LAFCO Staff Recommendation: SqCWD should consider annexing these parcels if the District and the affected landowners determine it would improve the level of service and increase local representation.



Figure 79: Areas Served Outside SqCWD's Jurisdiction



Small Water Systems

One area that LAFCO can provide assistance now is addressing any failing mutual water companies (MWCs) or private water systems near CWD. MWCs are regulated by California's Water Code, Health and Safety Code and must abide by open meeting and records disclosure laws similar to many public water utilities. In operating a public water system, mutual water companies are also subject to regulation by the California Department of Public Health and must comply with requirements imposed by the State Water Resources Control Board and our local Regional Water Quality Control Board. However, over the years, many MWCs have operated without much oversight from the State. That is why the Legislature enacted Assembly Bill 54 in 2012. This law imposes new requirements on mutual water companies that own and operate public water systems and requires greater coordination between them and LAFCO in each county. Corporations Code 14301.1 requires mutual water companies to submit a map depicting its service area to LAFCO.

A total of 33 private water systems are located near the water district. **Figure 80** on page 220 identifies the location of each water system in relation to SqCWD. **Table 107** on page 221 also provide more information about the private water systems. While LAFCOs do not have full authority over mutual water companies when compared to with cities and special districts, AB 54 does allow LAFCO to analyze these water systems as part of a service review. Identifying these private water systems may lead to coordination with SqCWD and possible annexation, if desired.

LAFCO Staff Recommendation: *SqCWD should coordinate with LAFCO and the subject private water systems to analyze possible annexations and/or sphere amendments to include any mutual water company or other nearby water system that can no longer provide adequate level of service.*

Strategic Partnerships

Several water agencies have expressed interest in exploring ways to further collaborate. Many water agencies have interties in the event of emergencies and all water agencies (including the two Cities) are members of groundwater-related joint powers authorities. This means that the public water providers are already working together in overseeing how water is delivered countywide. It may be beneficial for the water agencies to consider further strategic partnerships, including but not limited to sharing resources and staff, establishing a countywide memorandum of understanding for emergency-related interties, and joint procurements or professional service agreements (i.e. Audits). Such partnerships may also lay the foundation for future changes of organization, including but not limited to annexations, reorganizations, or consolidations.

LAFCO Staff Recommendation: *SqCWD should explore additional ways to share services and resources with neighboring agencies, including but not limited to nearby water districts.*

Figure 80: Map of Private Water Systems Within and Outside SqCWD

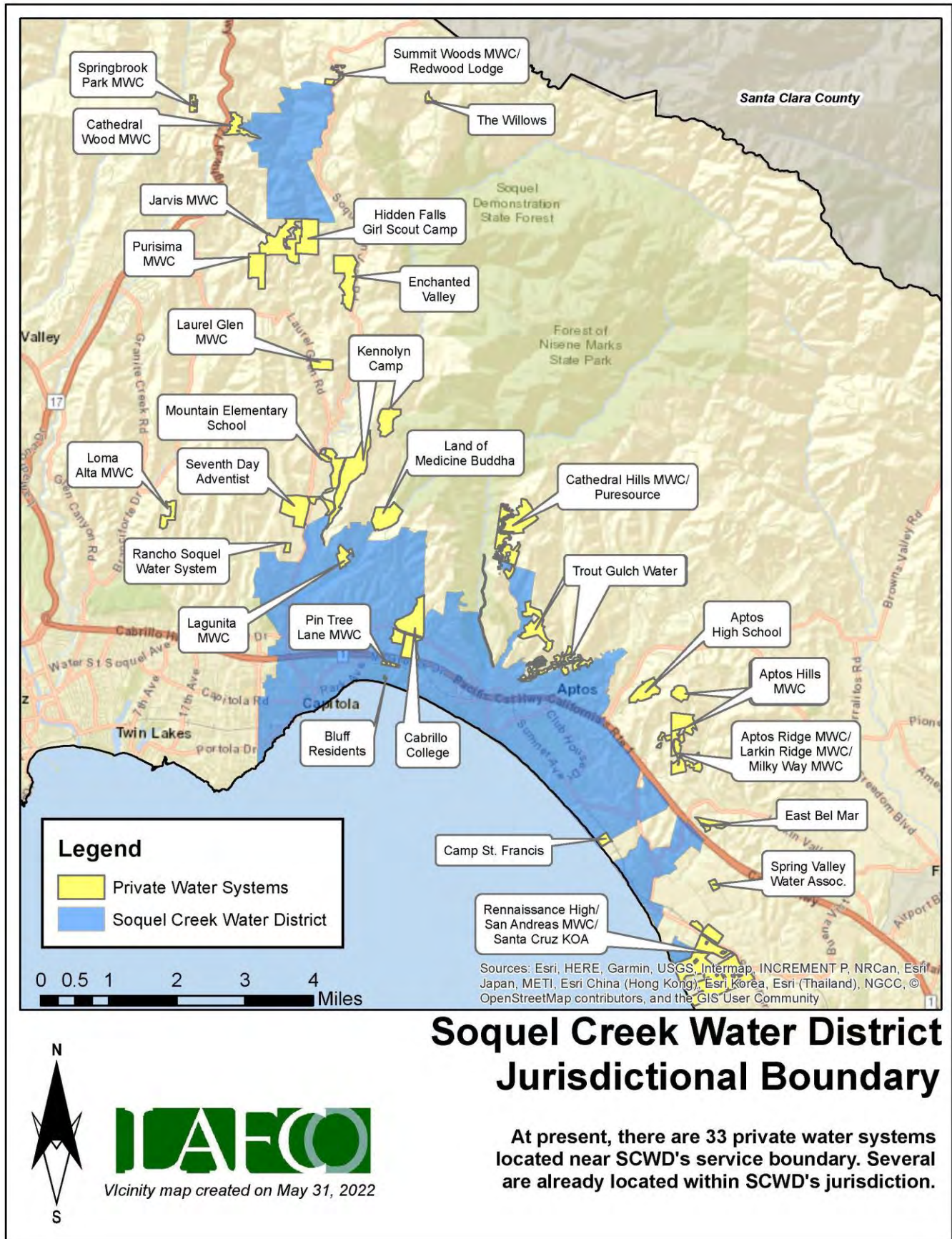


Table 107: List of Private Water Systems Within and Outside SqCWD

#	Water System Name	Type of Water System	Size (Square Miles)	Population
Private Water Systems WITHIN AND OUTSIDE SqCWD's Jurisdictional Boundary				
1	Mountain Elementary School	Small Water System (1 connection)	0.01	250
2	Cabrillo College	Small Water System (1 connection)	0.25	5,500
3	Larkin Ridge MWC	Small Water System (5 connections)	0.02	10
4	East Bel Mar	Small Water System (5 connections)	0.04	12
5	Aptos High School	Small Water System (6 connections)	0.09	1,925
6	Bluff Residents	Small Water System (6 connections)	0.00	40
7	Lagunita MWC	Small Water System (7 connections)	0.04	25
8	Rancho Soquel Water System	Small Water System (7 connections)	0.01	10
9	Spring Valley Water Assoc.	Small Water System (7 connections)	0.01	16
10	Laurel Glen MWC	Small Water System (8 connections)	0.05	32
11	Milky Way MWC	Small Water System (9 connections)	0.03	20
12	Aptos Hills MWC	Small Water System (12 connections)	0.13	32
13	Loma Alta MWC	Small Water System (12 connections)	0.05	33
14	Springbrook Park MWC	Small Water System (13 connections)	0.02	26
15	Purisima MWC	Small Water System (13 connections)	0.10	34
16	Redwood Lodge	Small Water System (13 connections)	0.03	35
17	Renaissance High	Medium Water System (2 connections)	0.02	250
18	Aptos Ridge MWC	Medium Water System (16 connections)	0.09	52
19	Land Of Medicine Buddha	Medium Water System (16 connections)	0.12	89
20	Camp St. Francis	Medium Water System (16 connections)	0.02	57
21	Kennolyn Camp	Medium Water System (25 connections)	0.42	213
22	Cathedral Hills MWC	Medium Water System (25 connections)	0.20	60
23	Pine Tree Lane MWC	Medium Water System (36 connections)	0.01	80
24	Jarvis Mutual Water Co.	Medium Water System (38 connections)	0.21	125
25	Enchanted Valley	Medium Water System (64 connections)	0.17	51
26	The Willows	Medium Water System (69 connections)	0.01	54
27	PureSource	Medium Water System (77 connections)	0.07	200
28	San Andreas MWC	Medium Water System (135 connections)	0.54	350
29	Trout Gulch Water	Medium Water System (186 connections)	0.28	614
30	Cathedral Wood MWC	Medium Water System (15 to 199 connections)	0.07	60
31	Hidden Falls Girl Scout Camp	Medium Water System (15 to 199 connections)	0.14	150
32	Seventh Day Adventist	Large Water System (202 connections)	0.15	1,000
33	Santa Cruz KOA	Large Water System (235 connections)	0.04	110

SPHERE OF INFLUENCE

Current Sphere Boundary

Santa Cruz LAFCO adopted SqCWD's first sphere of influence on November 12, 1986. The current sphere excludes areas within the District's jurisdictional boundary. The last sphere update occurred in June 2017 following the last service review cycle. **Figure 81** on page 223 shows the current sphere of influence boundary.

Proposed Sphere Boundary

Based on staff's analysis, the current sphere boundary is not consistent with the District's current service area. SqCWD is currently providing services outside its jurisdiction to 290 parcels through five separate extraterritorial service agreements approved by LAFCO. Staff is recommending that the sphere boundary be expanded to include the 290 served parcels as a precursor to annexation in the near future. Further analysis will be required to address any restricted lands or other service provision issues if annexation is explored by the District. **Figure 82** on page 224 shows the proposed sphere boundary.

Parcels Subject to Annexation

As stated earlier in this report, except for the specific situations exempted by Government Code Section 56133, a city or district shall not provide new or extended services to any party outside its jurisdictional boundaries unless it has obtained written approval from LAFCO. Based on staff's analysis, SqCWD is providing services outside its jurisdiction through five separate extraterritorial service agreements.

LAFCO Staff Recommendation: *SqCWD should consider annexing these parcels if the District and the affected landowners determine it would improve the level of service and increase local representation. If an application is submitted within a year (August 2023), LAFCO will consider waiving the annexation filing fee and provide assistance on completing the statutorily-required steps in the annexation process.*



Figure 81: SqCWD's Current Sphere Map

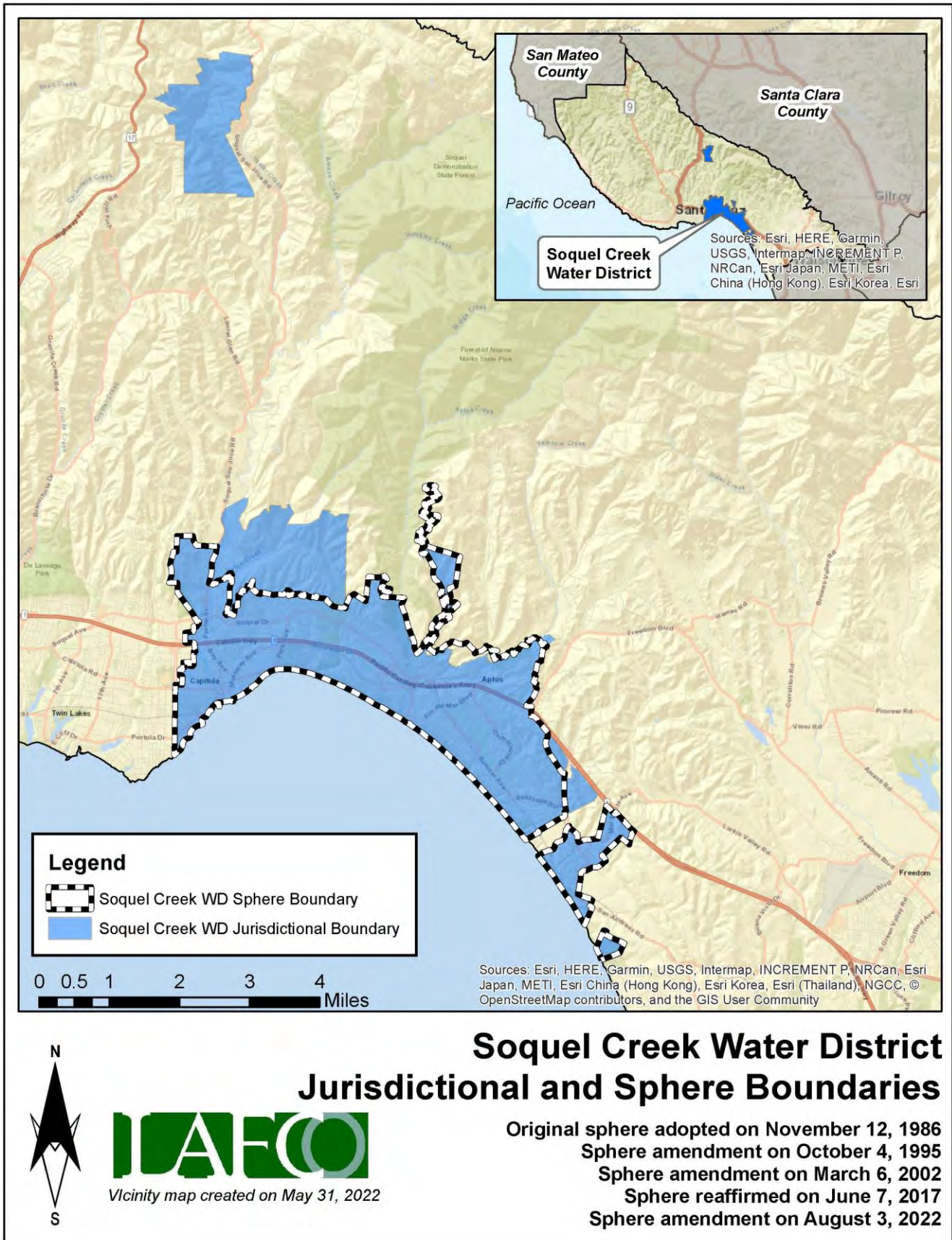
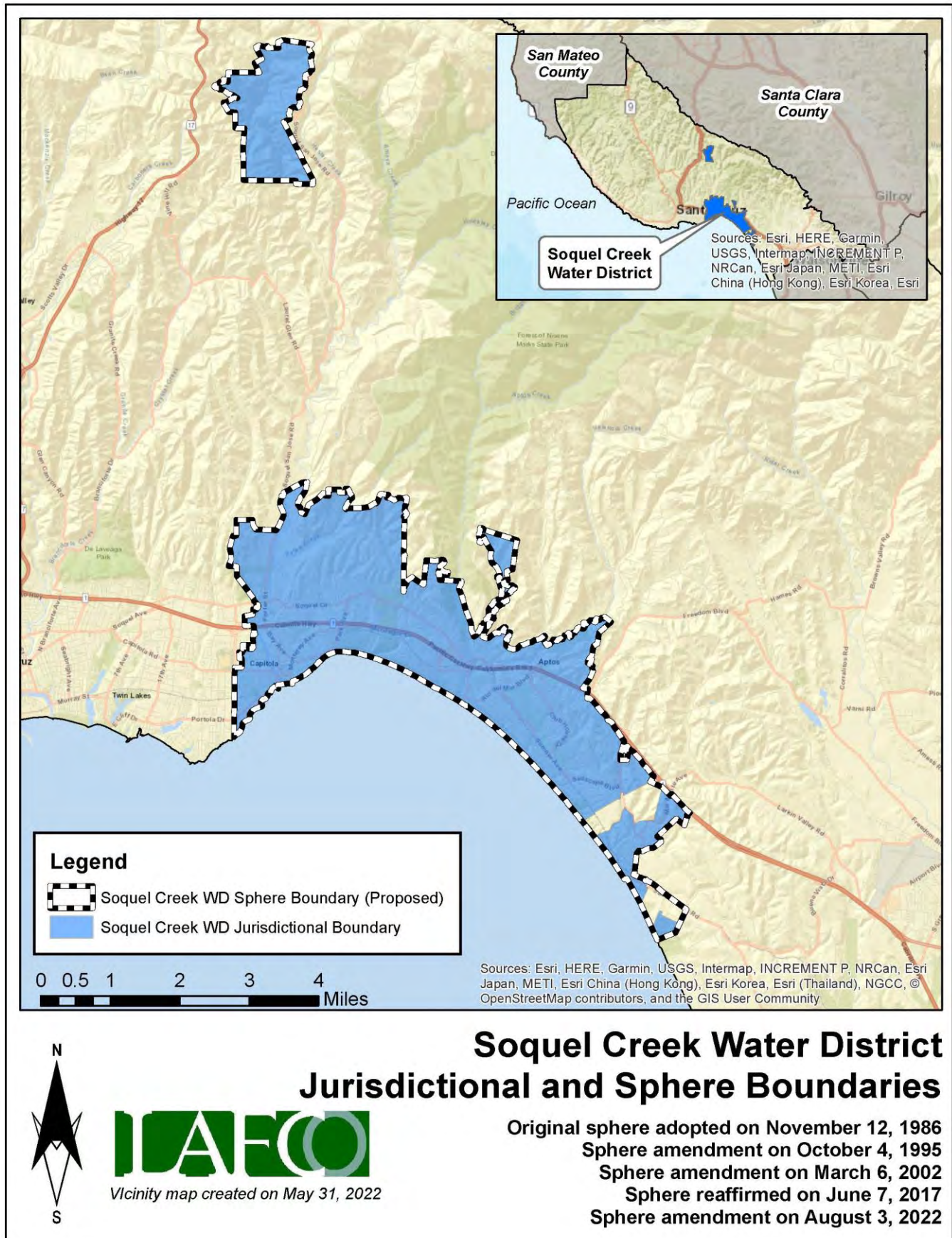


Figure 82: SqCWD's Proposed Sphere Map



DISTRICT SUMMARY

Soquel Creek Water District	
Formation	California Water Code, section 30,000 et seq.
Board of Directors	Five members, elected at-large to four-year terms
Contact Person	Ron Duncan, General Manager
Employees	48 Full-Time Employees
Facilities	16,047 connections; 167 miles of pipeline; 16 active groundwater wells; 2 standby groundwater wells; 18 storage tanks; 14 pump stations; and 7 interconnections.
District Area	17 square miles (appx. 50,000 acres)
Sphere of Influence	<p>Current Sphere: Smaller than the District (i.e., sphere boundary does not include the District's existing jurisdictional boundary)</p> <p>Proposed Sphere: Larger than the District (i.e., sphere boundary includes areas outside the District's jurisdictional boundary)</p>
FY 2020-21 Audit	<p>Total Revenue = \$39,861,224</p> <p>Total Expenditure = \$19,367,081</p> <p>Net Position (Ending Balance) = \$83,362,972</p>
Contact Information	<p>Mailing Address: 5180 Soquel Drive, Soquel CA 95073</p> <p>Phone Number: (831) 475-8500</p> <p>Email Address: RonD@soquelcreekwater.org</p> <p>Website: https://www.soquelcreekwater.org/</p>
Public Meetings	Meetings are typically held on the first and third Tuesday of each month at 6:00 p.m.
Mission Statement	We are a public agency dedicated to providing a safe, high quality, reliable, and sustainable water supply to meet our community's present and future needs in an environmentally sensitive and economically responsible manner.

SERVICE AND SPHERE REVIEW DETERMINATIONS

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

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 boundary. Written statements of determination must be prepared with respect to each of the following:

1. Growth and population projections for the affected area.

The population of SqCWD in 2020 was estimated to be 39,000. Based on LAFCO's analysis, the population within SqCWD will be approximately 47,200 by 2040.

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

In 2020, the California statewide median household income was \$78,672, and 80% of that was \$62,938. Based on LAFCO's analysis, there are no disadvantaged unincorporated communities within or contiguous to the District's sphere boundary.

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.

SqCWD currently has an urban water management plan in place.

4. Financial ability of agencies to provide services.

SqCWD is financially sound. The District ended with a surplus in each of the last six fiscal years during 2015 to 2021. As of June 30, 2021, the total net position balance ended with approximately \$83 million. LAFCO believes that this positive trend will continue based upon the District's ongoing conservative budgetary practices reflected in their audited financial statements.

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

LAFCO encourages SqCWD to explore additional methods to collaborate with neighboring water agencies, including the privately-owned water companies surrounding the District. At present, there are 33 private water systems near SqCWD.

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

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. SB 929 identifies a number of components that must be found within an agency's website. At present, the District almost meets all the statutory requirements under SB 929 and SDLF's website transparency criteria.

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

LAFCO recommends that SqCWD consider annexing the parcels currently served through five separate extraterritorial service agreements for residents to receive better local representation and fully utilize the District's services.

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.

At present, the majority of land within the District is designated as Urban Low Residential. The District's customer base is predominantly single-family residential. The District does not have any agricultural customers.

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

SqCWD has an Urban Water Management Plan and a capital improvement plan, in addition to a Community Water Plan and the region's Groundwater Sustainability Plan, which collectively help to ensure and plan for future capital improvement projects.

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

SqCWD manages and operates a complex and integrated water supply infrastructure, including storage tanks, groundwater wells, and booster pumps. The District currently has approximately 16,000 connections – 80% is used for residences and 20% for non-residential (commercial, schools, governmental, and landscape irrigation).

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.

At present, there are 33 private water systems near SqCWD. Additionally, there are 290 parcels that are receiving services from the District but not part of the District's jurisdictional boundary. These residents do not have the ability to vote on District matters or express their opinions as their neighbors who are official constituents. These parcels should be annexed in the near future for adequate representation.

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.

In 2020, the California statewide median household income was \$78,672, and 80% of that was \$62,938. Based on LAFCO's analysis, there are no disadvantaged unincorporated communities within or contiguous to the District's sphere boundary.

APPENDICES

Appendix A: List of Private Water Systems (132 in total)

Appendix B: Central Water District - Historical Boundary Changes

Appendix C: Central Water District – Capital Improvement Plan

Appendix D: City of Santa Cruz - Historical Boundary Changes

Appendix E: City of Santa Cruz – Long Range Financial Plan

Appendix F: City of Watsonville - Historical Boundary Changes

Appendix G: Reclamation District 2017 Audit (FY 2011 to 2015)

Appendix H: San Lorenzo Valley WD - Historical Boundary Changes

Appendix I: Scotts Valley WD - Historical Boundary Changes

Appendix J: Soquel Creek WD – Historical Boundary Changes