Countywide Water Service and Sphere Review



City of Watsonville (Water Service Area)

Adopted Version (August 3, 2022)

Reclamation District

No. 2049

Soquel Creek

Water District

Local Agency Formation Commission of Santa Cruz County

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EXECUTIVE SUMMARY

Introduction

This Service and Sphere of Influence Review provides information about the 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.

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

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

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.

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)	eclamation DistrictPrincipal:2049 (College Lake)Reclamation District Law	
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.

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

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:<u>https://www.waterboards.ca.gov/drinking_water/certlic/drinkingwater/TMF.html#TMF_Assessment</u>



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.

		0	5
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

Table 3: Groundwater Agencies in Santa Cruz County

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 - <u>https://www.pvwater.org/images/about-pvwma/assets/SGM/GSU22_20211229_MainBody-web.pdf</u>

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

³ SMGA BMP - https://www.smgwa.org/media/GroundwaterSustainabilityPlan/SMGB GSP Final 2021-11-11.pdf



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.

	CWD	City of SC	City of W	CSA 54	PVWMA	RD 2049	SLVWD	SVWD	SqCWD
	Services								
Agricultural Water	✓	~	~		~				~
Drainage						\checkmark			
Groundwater Replenishment	~				~				~
Retail Potable Water	✓	✓	✓				~	✓	~
Recycled Water			~		~			~	~
Wastewater (Sewer)		~	~				~		
Water Treatment	✓	~	~		~		~	~	~
Water Conservation	✓	~	~		~		~	✓	~
			Infras	tructure	l.				
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

Table 4: Overview of Water Agencies

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.

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

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**:

					/	
	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%

Table 7: Population Estimates (Listed in Alphabetical Order)

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.

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)

Table 8: Website Transparency (Highest to Lowest)

*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.



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

Table 9: Sphere Determinations (1983 to 2022)

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 of 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:

- 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.

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

Table 10: List of Service Provisions

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

Table 11: List of Infrastructure / Facilities

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.



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Table 12: Water Rates							
4	2017	2018	2019	2020	2021		
1 unit = 748 gallons	(Adopted)	(Adopted)	(Adopted)	(Adopted)	(Adopted)		
	SEI	RVICE CHARG	ES	•			
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 (I	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 Ch	arge						
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 Ch	arge						
Hydrant Meter Service	\$200	\$200	\$200	\$200	\$200		
Drimery Zene Velumetrie C	VOLU		RGES				
Tier 1 (1 20 units)	farges	¢4.00/upit	¢4.00/upit	¢4.00/upit	¢4.00/upit		
$\frac{1}{1} = \frac{1}{20} $	\$4.00/unit	\$4.00/unit	\$4.00/unit	\$4.00/unit	\$4.00/unit		
Day Zone Volumetric Char	φ7.00/um	φ7.00/um	φ7.00/um	φ7.00/um	φ7.00/um		
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/Maintena	nce District V	olumetric Cha	rges	φ <i>ι</i> .+0/drift	φr. + 0/drift		
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)	* · · · · · · · · · · · · · · · · · · ·	4 · · · - 0 · · · · · ·	+	+ · · · · · · · · · · · · · · · · · · ·		
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 / Temporar	y Meter / Hydr	ant Volumetri	c 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 A	Accounts (Mon	thly)					
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		





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.

	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%

Table 13: Projected Population

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



Countywide Water Service & Sphere Review

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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 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.



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.

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	\$3,929	<u>1%</u>
Total Non-Operating Revenue	\$316,168	100%
Total Revenue	<u>\$1,484,617</u>	

Table 14: Revenue Breakdown (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.

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	\$62,794	<u>6.8%</u>	
Total Operating Expense	\$925,497	100%	
Non-Operating Expense			
Depreciation Expense	\$94,318	78.0%	
Investment in Joint-Powers Authority	\$26,609	<u>22.0%</u>	
Total Non-Operating Expense	\$120,927	100.0%	
Total Expenditure	<u>\$1,046,424</u>		

Table 15: Expense Breakdown (FY 2020-21)

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.

	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		

Table 16: Net Position (2015 to 2021)


Table 17: Total Revenues & Expenditures

	FY	2015-16	F١	/ 2016-17	F	Y 2017-18	F	Y 2018-19	F	Y 2019-20	F١	2020-21
	(/	Audited)	(,	Audited)	((Audited)		(Audited)		(Audited)	(/	Audited)
REVENUE												
<u>Operating Revenue</u>												
Water Revenue	\$	575 <i>,</i> 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
Non-Operating Revenue												
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	\$	<u>1,262,953</u>	\$	1,484,617
EXPENDITURE												
Operating Expense												
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
Non-Operating Expense												
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)	Ś	123.938	Ś	(112.696)	Ś	311.535	Ś	67.605	Ś	117.833	Ś	438.193
	7	,	Ŧ	,, ~~~ ,	-	,	Ť	,	-	,	7	
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		FY 2016-17		FY 2017-18		FY 2018-19		FY 2019-20		FY 2020-21	
	(Audited)	(/	Audited)	((Audited)	(Audited)	(Audited)	(Audited)
ASSETS												
Current Assets	Ļ	070 F7F	~	COO C74	-	-04 707	-	245 202	_	070	_	1 225 245
Cash & Cash Equivalents	> c	9/6,5/5	Ş	688,671	ې د	/81,/2/	ې د	815,382	ې د	///,0/3	ې د	1,225,215
Customer Receivables	ې د	60,775	ې د	-	ې د	-	ې د	-	ې د	- 102 768	ې د	200 600
	ې د	- 6 950	ې د	1/ 5/9	ې ک	192,900	ې د	6 3 3 7	ې خ	192,700	ې د	16 276
Prepaid Expenses	<u>ې</u> ځ	1 050 200	<u>ې</u> خ	000 /21	<u>ې</u> د	001 462	ې د	0,337	ې د	095 117	ې خ	1 AE1 191
	Ş	1,050,500	Ş	800,431	Ş	321,402	ş	322,201	ş	390'111	ş	1,451,101
Non-Current Assets					┢─							
Canital Assets - Not Being Depreciated	Ś	17.606	Ś	166,473	Ś	20.941	Ś	181.752	Ś	20.941	Ś	20,941
Capital Assets - Being Depreciated	Ś	742.885	Ś	711.678	Ś	1.043.930	Ś	965.261	Ś	1.289.563	Ś	1.251.658
Investment in Joint-Powers Authority	Ś	-	Ś	-	Ś	-	Ś	-	Ś	196.705	Ś	170.096
Othor Accate	Ś	58.055	Ś		Ś	-	Ś		Ś	-	Ś	-
Total Non-Current Assets	Ś	×18 546	ς	878 151	Ś	1 064 871	Ś	1 147 013	Ś	1 507 209	Ś	1 442 695
	*	010,010	Ý	0/0,101	Ý	1,004,071	Ÿ	1,147,010	Ÿ	1,307,203	Ÿ	1,772,000
TOTAL ASSETS	Ś	1.868.846	Ś	1.686,582	Ś	2.056,333	Ś	2.139.314	Ś	2.493.326	Ś	2.893.876
	Ť	-,,-	÷	1,000,222	-	_,	Ŧ		Ŧ	_ ,,	÷	L)000,213
Deferred Outflows of <u>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
	Ļ.		•		,		,				,	-,
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$	1,919,462	\$	1,813,844	\$	2,187,035	\$	2,235,073	\$	2,593,163	\$	3,009,408
	<u> </u>	<u> </u>			-		-		-			<u> </u>
LIABILITIES												
Current Liabilities												
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
Non-Current Liabilities												
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
									Ľ			
TOTAL LIABILITIES	\$	376,246	\$	357,862	\$	423,726	\$	410,087	\$	484,790	\$	466,123
	<u> </u>	!			<u> </u>		<u> </u>					
Deferred Inflows of Resources	Ļ		<u> </u>		Ļ		Ļ		Ļ		Ļ	
Change in Proportions	\$	12,281	\$	-	\$	-	\$	-	\$	-	\$	-
Change in Assumptions	Ş	15,557	Ş	-	Ş	-	Ş	-	Ş	-	Ş	-
Net Difference Between Projected & Actual Earnings	<u>></u>	/,/99	<u>></u>	10,136	<u>></u>	5,928	<u>></u>	-	\$	5,927	<u>></u>	2,646
Total Deferred Inflows of Resources	Ş	35,637	Ş	10,136	Ş	5,928	Ş	-	Ş	5,927	Ş	2,646
	Ļ_	!	<u> </u>		Ļ		⊢.		Ļ		Ļ	
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				_		_	Ĺ			_		
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
		·		<u> </u>	┢╴			<u> </u>				
TOTAL LIABILITIES DEFERRED INFLOWS OF RESOURCES.												
& NET POSITION	<u>\$</u>	1,919,462	<u>\$</u>	<u>1,813,844</u>	<u>\$</u>	2,187,035	\$	2,225,073	<u>\$</u>	2,593,163	<u>\$</u>	<u>3,009,408</u>

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:

Board Member	Term of Office				
Frances Whitney President	Elected: September 2014				
Frances whitney, Freshent	Term Limit Ends: December 1, 2022				
Robert Marani Vice President	Elected: December 2014				
Robert Maralli, vice-Fresident	Term Limit Ends: December 1, 2022				
Pohart Pootlo Poord Socratary	Elected: December 2012				
Robert Postie, Board Secretary	Term Limit Ends: December 1, 2024				
John Bonich Director	Appointed: March 2012				
John Benich, Director	Term Limit Ends: December 1, 2024				
Maraa Bamanini Diraatar	Appointed: March 2017				
	Term Limit Ends: December 1, 2022				

Table 19: Board of Directors

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.

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*	\checkmark
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	\checkmark
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	\checkmark
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	
Init to CSDA Mapping Program	
0. LINK 10 GODA Wapping Program	
www.districtmakethedifference.org	
10. Link to Most Recently Filed to FPPC Forms	

Table 20: Website Transparency

*Footnote: Senate Bill 929 Statutory Requirements

Countywide Water Service & Sphere Review

Total Score (out of a possible 10)

1 (10%)

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 acrefeet 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

#	Water System Name	Type of Water System	Size (Square Miles)	Population
	Private Water	Systems <u>OUTSIDE</u> Central Water District's Juris	sdictional Boundar	у
1	Freedom MWC	Freedom MWC Small Water System (5 connections)		10
2	Larkin Ridge MWC	Larkin Ridge MWC Small Water System (5 connections)		10
3	Aptos High School	Small Water System (6 connections)	0.09	1,925
4	Enos Lane	Enos Lane Small Water System (6 connections)		22
5	Corralitos Springs Small Water System (6 connections)		0.25	11
6	Woodside	Woodside Small Water System (8 connections)		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

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

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

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.





Figure 12: CWD's Current 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	 Current Sphere: Smaller than the District (i.e., sphere boundary does not include the District's existing jurisdictional boundary) Proposed Sphere: Larger than the District (i.e., sphere boundary includes areas outside the District's jurisdictional boundary)
FY 2020-21 Audit	Total Revenue = \$1,484,617 Total Expenditure = \$1,046,424 Net Position (Ending Balance) = \$2,540,639
Contact Information	Mailing Address: P.O. Box 1869 Aptos, CA 95001 Phone Number: (831) 688-2767 Email Address: <u>admin@centralwaterdistrict.us.com</u> Website: <u>https://sites.google.com/view/centralwaterdistrict/home?authuser=0</u>
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' 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 openspace 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.

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

Table 22: List of Service Provisions

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

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

Table 23: List of Infrastructure / Facilities

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.



Meter Size	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021		
(Availability Fee)	(Adopted)	(Adopted)	(Adopted)	(Adopted)	(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		
	Ou	itside City Lim	its				
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		

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

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	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021			
(1 unit = 100 cubic ft of water)	(Adopted)	(Adopted)	(Adopted)	(Adopted)	(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, Inc	dustrial, Res	taurant, Hote	l, Golf, Munic	ipal, Bulk, Fir	e Service			
Uniform	\$6.57	\$7.13	\$7.62	\$8.01	\$8.01			
		UCSC						
Uniform	\$6.70	\$7.27	\$7.77	\$8.17	\$8.17			
	Lands	cape / Irrigat	ion					
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			
	Eleva	tion Surchar	ge					
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	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021			
(1 unit = 100 cubic ft of water)	(Adopted)	(Adopted)	(Adopted)	(Adopted)	(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, Inc	dustrial, Res	taurant, Hote	l, Golf, Munic	ipal, Bulk, Fir	e Service			
Uniform	\$7.53	\$8.17	\$8.73	\$9.18	\$9.18			
	No	rth Coast AG						
Uniform	\$3.58	\$3.88	\$4.15	\$4.36	\$4.36			
	Lands	cape / Irrigat	ion					
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			
	Eleva	tion Surchar	ge					
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.

	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%

Table 2	25: Pi	rojected	Population
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Source: City's 2020 Urban Water Management Plan

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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.



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.

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>		

Table 26: Revenue Breakdown (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.

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	\$2,201843	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>	

Table 27: Expense Breakdown (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.

	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			

Table 28: Net Position (2015 to 2021)



Table 29: Total Revenues & Expenditures

	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(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	<u>\$ 746,341</u>	<u>\$ 474,878</u>	<u>\$ 528,360</u>	<u>\$ 515,863</u>	<u>\$ 313,379</u>	<u>\$ 456,441</u>
Total Operating Revenue	\$27,798,717	\$30,920,646	\$41,061,955	\$40,503,745	\$41,982,726	\$ 41,992,539
Non-Operating Revenue						
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	\$-	<u>\$</u> -	<u>\$</u> -	\$-	\$-	\$ 683,714
Total Non-Operating Revenue	\$ 141,667	\$ 323,313	\$ 860,392	\$ (1,394,735)	\$ 1,027,020	\$ 905,877
TOTAL REVENUE	<u>\$27,940,384</u>	<u>\$31,243,959</u>	<u>\$41,922,347</u>	<u>\$39,109,010</u>	<u>\$43,009,746</u>	<u>\$ 42,898,416</u>
EXPENDITURE						
Operating Expense						
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	<u>\$ 3,295,830</u>	<u>\$ 3,271,936</u>	<u>\$ 3,391,359</u>	<u>\$ 3,459,052</u>	<u>\$ 3,536,666</u>	<u>\$ 3,602,244</u>
Total Operating Expense	\$24,950,220	\$27,101,476	\$32,095,602	\$32,982,558	\$35,460,988	\$ 35,876,872
Non-Operating Expense						
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	<u>\$ 58,342</u>	\$ 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	<u>\$25,378,142</u>	\$28,601,003	<u>\$47,452,865</u>	<u>\$34,376,852</u>	\$37,608,137	<u>\$ 38,200,392</u>
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	<u>\$ 94,120,807</u>	\$ 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	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
ASSETS						
Current Assets						
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 ¢ 69.291	\$ 92,747 \$ 120,406	\$ 93,539	\$ 7,090,566	\$ 94,007 \$ 121.746
	\$ 2875 576	\$ 3,883,876	\$ 5,452,715	\$ 5334346	\$ 6,051,009	\$ 6,403,663
Intergovernmental Receivables	\$ 2,873,370	\$ 10.167	\$ 75,000	\$ 5,554,540	\$ 0,031,403	\$ 0,403,003
Prepaid Items	\$ -	\$ -	\$ 943.818	\$ -	ş -	\$ 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
					. , ,	. , ,
Non-Current Assets						
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	\$ 13,8/3,463	\$ 14,048,349	\$ 14,5/1,/32	\$ 14,/41,216
Software	\$ 592,032	\$ 592,032	\$ 523,432	\$ 523,432	\$ 623,432	\$ 623,432
	\$ 23,780,090	\$ (60.835.584)	\$ (64 100 479)	\$ 29,310,963	\$ 43,714,327	\$ (74 628 196)
Less Accumulated Depreciation	\$ (37,387,300) \$ 113 E8E 068	\$ (00,833,384)	\$ (04,100,473) \$113 740 FE9	\$ (07,307,021)	\$ (71,044,289)	\$ (74,028,190)
	\$112,585,588	\$115,785,212	\$115,749,558	\$122,774,124	\$140,205,099	\$100,525,821
TOTAL ASSETS	\$122,331,018	\$148,811,198	\$150.032.410	\$160,447,093	\$193,432,674	\$241,731,220
	+===,001,010	<i><i><i><i>ϕ</i></i>².0,022,200</i></i>	<i> </i>	<i><i><i>ϕ</i>₂<i>c</i>₀<i>c</i>₁<i>c</i>₁<i>c</i>₂<i>c</i>₀<i>c</i>₁<i>c</i>₁<i>c</i>₂<i>c</i>₀<i>c</i>₁<i>c</i>₁<i>c</i>₂<i>c</i>₀<i>c</i>₁<i>c</i>₁<i>c</i>₂<i>c</i>₀<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₂<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i>₁<i>c</i></i></i>	<i><i><i>ϕ</i> 100) 101)07</i> 1</i>	<i>~</i>
Deferred Outflows of Resources						
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	<u>\$250,157,997</u>
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	<u>\$124,099,659</u>	<u>\$153,442,567</u>	<u>\$155,940,748</u>	<u>\$164,545,491</u>	<u>\$196,884,953</u>	<u>\$250,157,997</u>
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	<u>\$124,099,659</u>	<u>\$153,442,567</u>	<u>\$155,940,748</u>	<u>\$164,545,491</u>	<u>\$196,884,953</u>	<u>\$250,157,997</u>
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES LIABILITIES Current Liabilities	<u>\$124,099,659</u>	<u>\$153,442,567</u>	<u>\$155,940,748</u>	<u>\$164,545,491</u>	<u>\$196,884,953</u>	<u>\$250,157,997</u>
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES LIABILITIES Current Liabilities Accounts Payable & Other Current Liabilities	\$124,099,659 \$3,226,057	\$153,442,567 \$1,861,247	\$155,940,748 4,837,392	\$164,545,491 \$4,753,990	\$196,884,953 \$15,014,990	\$250,157,997 10,467,465
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES LIABILITIES Current Liabilities Accounts Payable & Other Current Liabilities Interest Payable Unserver	\$124,099,659 \$3,226,057 \$101,746	\$153,442,567 \$1,861,247 \$436,579	\$ 4,837,392 \$ 427,024	\$164,545,491 4,753,990 \$4,753,990	\$196,884,953 15,014,990 5 754,758	\$250,157,997 10,467,465 \$ 10,467,465 \$ 895,876 \$ 750,201
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES LIABILITIES Current Liabilities Accounts Payable & Other Current Liabilities Interest Payable Unearned Revenue Dengeiste Buyeble	\$124,099,659 \$3,226,057 \$101,746 \$- \$2,022	\$153,442,567 \$1,861,247 \$436,579 \$- \$2,018	\$155,940,748 \$4,837,392 \$427,024 \$- \$57,520	\$164,545,491 \$4,753,990 \$417,247 \$65,001	\$196,884,953 \$15,014,990 \$754,758 \$- \$225	\$250,157,997 \$10,467,465 \$895,876 \$758,281 \$58,281
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES LIABILITIES Current Liabilities Accounts Payable & Other Current Liabilities Interest Payable Unearned Revenue Deposits Payable Composerated Abcorece Payable	\$124,099,659 \$3,226,057 \$101,746 \$- \$43,933 \$24,933 \$	\$153,442,567 \$1,861,247 \$436,579 \$- \$42,918 \$20,918	\$155,940,748 \$4,837,392 \$427,024 \$- \$57,52 \$57,52 \$6450,601	\$164,545,491 \$4,753,990 \$417,247 \$65,001 \$410,538	\$196,884,953 \$15,014,990 \$754,758 \$- \$72,253 \$72,253 \$	\$250,157,997 \$10,467,465 \$895,876 \$758,281 \$55,887 \$664,302
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES LIABILITIES Current Liabilities Accounts Payable & Other Current Liabilities Interest Payable Unearned Revenue Deposits Payable Compensated Absences Payable Deposits Payable Compensated Absences Payable	\$124,099,659 \$3,226,057 \$101,746 \$- \$43,933 \$315,122 \$40,379	\$153,442,567 \$1,861,247 \$436,579 \$- \$42,918 \$398,922 \$915,746	\$155,940,748 \$4,837,392 \$427,024 \$- \$57,529 \$450,601 \$92,120	\$164,545,491 \$4,753,990 \$417,247 \$65,001 \$449,528 \$11,659,018	\$196,884,953 \$15,014,990 \$15,014,990 \$754,758 \$72,253 \$72,253 \$531,707 \$51,707	\$250,157,997 \$10,467,465 \$895,876 \$758,281 \$5,887 \$664,393 \$1521,464
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES LIABILITIES Current Liabilities Accounts Payable & Other Current Liabilities Interest Payable Unearned Revenue Deposits Payable Compensated Absences Payable Bonds, Notes, Loans, & Leases Payable Due in Less than 1 Yr Total Current Liabilities	\$124,099,659 \$3,226,057 \$101,746 \$- \$43,933 \$315,122 \$400,379 \$400,379 \$400,379	\$153,442,567 \$1,861,247 \$436,579 \$- \$42,918 \$398,922 \$915,746 \$2,655,412	\$155,940,748 \$4,837,392 \$427,024 \$- \$57,529 \$450,601 \$932,120 \$6704,666	\$164,545,491 \$4,753,990 \$417,247 \$65,001 \$449,528 \$11,459,018 \$12,449,528	\$196,884,953 \$15,014,990 \$754,758 \$754,758 \$531,707 \$1,503,445 \$1,503,445	\$250,157,997 \$10,467,465 \$895,876 \$758,281 \$55,887 \$664,393 \$1,521,464 \$1,521,464
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES LIABILITIES Current Liabilities Accounts Payable & Other Current Liabilities Interest Payable Unearned Revenue Deposits Payable Compensated Absences Payable Bonds, Notes, Loans, & Leases Payable Due in Less than 1 Yr Total Current Liabilities	\$124,099,659 \$3,226,057 \$101,746 \$- \$43,933 \$315,122 \$400,379 \$4,087,237	\$153,442,567 \$1,861,247 \$436,579 \$- \$42,918 \$398,922 \$915,746 \$3,655,412	\$155,940,748 \$ 4,837,392 \$ 427,024 \$ - \$ \$57,529 \$ \$932,120 \$ \$,704,666	\$164,545,491 \$ 4,753,990 \$ 417,247 \$ 65,001 \$ 449,528 \$ 11,459,018 \$ \$17,144,784	\$196,884,953 \$15,014,990 \$754,758 \$75,758 \$531,707 \$1,503,445 \$1,503,445 \$1,7877,153	\$250,157,997 \$10,467,465 \$895,876 \$758,281 \$55,887 \$664,393 \$1,521,464 \$14,363,366
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES LIABILITIES Current Liabilities Accounts Payable & Other Current Liabilities Interest Payable Unearned Revenue Deposits Payable Compensated Absences Payable Bonds, Notes, Loans, & Leases Payable Due in Less than 1 Yr Total Current Liabilities Non-Current Liabilities	\$124,099,659 \$3,226,057 \$101,746 \$- \$43,933 \$315,122 \$400,379 \$4,087,237	\$153,442,567 \$1,861,247 \$436,579 \$- \$42,918 \$398,922 \$915,746 \$3,655,412	\$155,940,748 \$4,837,392 \$427,024 \$- \$57,529 \$450,601 \$932,120 \$6,704,666	\$164,545,491 \$ 4,753,990 \$ 417,247 \$ 65,001 \$ 449,528 \$	\$196,884,953 \$15,014,990 \$754,758 \$- \$72,253 \$531,707 \$1,503,445 \$17,877,153	\$250,157,997 \$10,467,465 \$895,876 \$758,281 \$55,887 \$664,393 \$1,521,464 \$14,363,366
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES LIABILITIES Current Liabilities Accounts Payable & Other Current Liabilities Interest Payable Unearned Revenue Deposits Payable Compensated Absences Payable Bonds, Notes, Loans, & Leases Payable Due in Less than 1 Yr Total Current Liabilities Non-Current Liabilities Compensated Absences Payable	\$124,099,659 \$3,226,057 \$101,746 \$- \$43,933 \$315,122 \$400,379 \$4,087,237 \$5157,561	\$153,442,567 \$1,861,247 \$436,579 \$- \$42,918 \$398,922 \$915,746 \$3,655,412 \$ \$199,461	\$155,940,748 \$4,837,392 \$427,024 \$- \$57,529 \$450,601 \$932,120 \$6,704,666 	\$164,545,491 \$4,753,990 \$417,247 \$65,001 \$449,528 \$11,459,018 \$17,144,784 \$224,764	\$196,884,953 \$15,014,990 \$754,758 \$- \$72,253 \$531,707 \$1,503,445 \$17,877,153 \$265,853	\$250,157,997 \$10,467,465 \$895,876 \$758,281 \$55,887 \$664,393 \$1,521,464 \$14,363,366 \$ \$332,196
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES LIABILITIES Current Liabilities Accounts Payable & Other Current Liabilities Interest Payable Unearned Revenue Deposits Payable Compensated Absences Payable Bonds, Notes, Loans, & Leases Payable Due in Less than 1 Yr Total Current Liabilities Non-Current Liabilities Compensated Absences Payable Bonds, Notes, Loans, & Leases Payable Due in More than 1 Yr	\$124,099,659 \$3,226,057 \$101,746 \$- \$43,933 \$315,122 \$400,379 \$4,087,237 \$157,561 \$9,842,071	\$153,442,567 \$1,861,247 \$436,579 \$- \$42,918 \$398,922 \$915,746 \$3,655,412 \$ \$199,461 \$33,926,325	\$155,940,748 \$4,837,392 \$427,024 \$- \$57,529 \$450,601 \$932,120 \$6,704,666 \$ \$225,301 \$36,494,205	\$164,545,491 \$4,753,990 \$417,247 \$65,001 \$449,528 \$11,459,018 \$17,144,784 \$224,764 \$32,035,187	\$196,884,953 \$15,014,990 \$754,758 \$- \$72,253 \$531,707 \$1,503,445 \$17,877,153 \$17,877,153 \$265,853 \$56,603,177	\$250,157,997 \$10,467,465 \$895,876 \$758,281 \$55,887 \$664,393 \$1,521,464 \$14,363,366 \$332,196 \$103,680,002
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES LIABILITIES Current Liabilities Accounts Payable & Other Current Liabilities Interest Payable Unearned Revenue Deposits Payable Compensated Absences Payable Bonds, Notes, Loans, & Leases Payable Due in Less than 1 Yr Total Current Liabilities Non-Current Liabilities Compensated Absences Payable Bonds, Notes, Loans, & Leases Payable Due in More than 1 Yr Total Other OPEB Liability	\$124,099,659 \$3,226,057 \$101,746 \$- \$43,933 \$315,122 \$400,379 \$4,087,237 \$157,561 \$9,842,071 \$1,048,053	\$153,442,567 \$1,861,247 \$436,579 \$- \$42,918 \$398,922 \$915,746 \$3,655,412 \$ \$199,461 \$33,926,325 \$1,249,805	\$155,940,748 \$4,837,392 \$427,024 \$- \$57,529 \$450,601 \$932,120 \$6,704,666 - \$225,301 \$36,494,205 \$3,691,988	\$164,545,491 \$4,753,990 \$417,247 \$65,001 \$449,528 \$11,459,018 \$17,144,784 \$224,764 \$32,035,187 \$3,567,085	\$196,884,953 \$15,014,990 \$754,758 \$- \$72,253 \$531,707 \$1,503,445 \$17,877,153 \$17,877,153 \$265,853 \$56,603,177 \$4,133,679	\$250,157,997 \$10,467,465 \$895,876 \$758,281 \$55,887 \$664,393 \$1,521,464 \$14,363,366 \$103,680,002 \$3,777,438
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES LIABILITIES Current Liabilities Accounts Payable & Other Current Liabilities Interest Payable Unearned Revenue Deposits Payable Compensated Absences Payable Bonds, Notes, Loans, & Leases Payable Due in Less than 1 Yr Total Current Liabilities Non-Current Liabilities Compensated Absences Payable Bonds, Notes, Loans, & Leases Payable Due in More than 1 Yr Total Other OPEB Liability Net Pension Liability Net Pension Liability	\$124,099,659 \$3,226,057 \$101,746 \$- \$43,933 \$315,122 \$400,379 \$4,087,237 \$4,087,237 \$157,561 \$9,842,071 \$10,48,053 \$13,782,729	\$153,442,567 \$1,861,247 \$436,579 \$- \$42,918 \$398,922 \$915,746 \$3,655,412 \$ \$199,461 \$33,926,325 \$1,249,805 \$17,437,470	\$155,940,748 \$4,837,392 \$427,024 \$- \$57,529 \$450,601 \$932,120 \$6,704,666 - \$225,301 \$36,494,205 \$3,691,988 \$19,716,316	\$164,545,491 \$4,753,990 \$417,247 \$65,001 \$449,528 \$11,459,018 \$17,144,784 \$224,764 \$32,035,187 \$3,567,085 \$17,338,818	\$196,884,953 \$15,014,990 \$754,758 \$- \$72,253 \$531,707 \$1,503,445 \$17,877,153 \$17,877,153 \$265,853 \$56,603,177 \$4,133,679 \$18,455,329	\$250,157,997 \$10,467,465 \$895,876 \$758,281 \$55,887 \$664,393 \$1,521,464 \$14,363,366 \$103,680,002 \$3,777,438 \$22,833,942
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES LIABILITIES Current Liabilities Accounts Payable & Other Current Liabilities Interest Payable Unearned Revenue Deposits Payable Compensated Absences Payable Bonds, Notes, Loans, & Leases Payable Due in Less than 1 Yr Total Current Liabilities Non-Current Liabilities Compensated Absences Payable Bonds, Notes, Loans, & Leases Payable Due in More than 1 Yr Total Other OPEB Liability Net Pension Liability Total Non-Current Liabilities	\$124,099,659 \$3,226,057 \$101,746 \$- \$43,933 \$315,122 \$400,379 \$4,087,237 \$4,087,237 \$157,561 \$9,842,071 \$1,048,053 \$13,782,729 \$24,830,414	\$153,442,567 \$1,861,247 \$436,579 \$- \$42,918 \$398,922 \$915,746 \$3,655,412 \$3,655,412 \$199,461 \$3,926,325 \$1,249,805 \$1,249,805 \$1,249,805 \$1,249,805 \$1,249,805 \$2,813,061	\$155,940,748 \$4,837,392 \$427,024 \$ \$57,529 \$450,601 \$932,120 \$6,704,666 \$6,704,666 \$36,494,205 \$36,494,205 \$36,91,988 \$19,716,316 \$60,127,810	\$164,545,491 \$4,753,990 \$417,247 \$65,001 \$449,528 \$11,459,018 \$17,144,784 \$224,764 \$32,035,187 \$3,567,085 \$17,338,818 \$53,165,854	\$196,884,953 \$15,014,990 \$754,758 \$72,253 \$72,253 \$531,707 \$1,503,445 \$17,877,153 \$17,877,153 \$265,853 \$56,603,177 \$4,133,679 \$18,455,329 \$79,458,038	\$250,157,997 \$10,467,465 \$895,876 \$758,281 \$55,887 \$664,393 \$1,521,464 \$14,363,366 \$103,680,002 \$3,777,438 \$22,833,942 \$130,623,578
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES LIABILITIES Current Liabilities Accounts Payable & Other Current Liabilities Interest Payable Unearned Revenue Deposits Payable Compensated Absences Payable Bonds, Notes, Loans, & Leases Payable Due in Less than 1 Yr Total Current Liabilities Non-Current Liabilities Compensated Absences Payable Bonds, Notes, Loans, & Leases Payable Due in More than 1 Yr Total Other OPEB Liability Net Pension Liability Total Non-Current Liabilities	\$124,099,659 \$3,226,057 \$101,746 \$- \$43,933 \$315,122 \$400,379 \$4,087,237 \$4,087,237 \$157,561 \$9,842,071 \$1,048,053 \$13,782,729 \$24,830,414	\$153,442,567 \$1,861,247 \$436,579 \$- \$42,918 \$398,922 \$915,746 \$3,655,412 \$3,926,325 \$1,249,80	\$155,940,748 \$4,837,392 \$427,024 \$- \$57,529 \$450,601 \$932,120 \$6,704,666 \$6,704,666 \$36,494,205 \$3,691,988 \$19,716,316 \$60,127,810	\$164,545,491 \$4,753,990 \$417,247 \$65,001 \$449,528 \$11,459,018 \$17,144,784 \$224,764 \$32,035,187 \$3,667,085 \$17,338,818 \$53,165,854	\$196,884,953 \$15,014,990 \$754,758 \$72,253 \$72,253 \$531,707 \$1,503,445 \$17,877,153 \$17,877,153 \$265,853 \$265,853 \$56,603,177 \$4,133,679 \$18,455,329 \$18,455,329 \$79,458,038	\$250,157,997 \$10,467,465 \$895,876 \$758,281 \$55,887 \$664,393 \$1,521,464 \$14,363,366 \$103,680,002 \$103,680,002 \$3,777,438 \$22,833,942 \$130,623,578
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES LIABILITIES Current Liabilities Accounts Payable & Other Current Liabilities Interest Payable Unearned Revenue Deposits Payable Compensated Absences Payable Bonds, Notes, Loans, & Leases Payable Due in Less than 1 Yr Total Current Liabilities Non-Current Liabilities Compensated Absences Payable Bonds, Notes, Loans, & Leases Payable Due in More than 1 Yr Total Other OPEB Liability Net Pension Liability Total Non-Current Liabilities	\$124,099,659 \$3,226,057 \$101,746 \$- \$43,933 \$315,122 \$400,379 \$4,087,237 \$4,087,237 \$1,048,053 \$13,782,729 \$24,830,414 \$28,917,651	\$153,442,567 \$1,861,247 \$436,579 \$- \$42,918 \$398,922 \$915,746 \$3,655,412 \$199,461 \$33,926,325 \$1,249,805 \$1,249,805 \$1,249,805 \$1,249,805 \$1,249,805 \$1,249,805 \$52,813,061 \$55,813,061	\$155,940,748 \$4,837,392 \$427,024 \$- \$57,529 \$450,601 \$932,120 \$6,704,666 \$225,301 \$36,494,205 \$3,691,988 \$19,716,316 \$6,0127,810 \$66,832,476	\$164,545,491 \$4,753,990 \$417,247 \$65,001 \$449,528 \$11,459,018 \$17,144,784 \$224,764 \$224,764 \$32,035,187 \$3,567,085 \$17,338,818 \$53,165,854 \$70,310,638	\$196,884,953 \$15,014,990 \$754,758 \$754,758 \$72,253 \$531,707 \$1,503,445 \$17,877,153 \$17,877,153 \$17,877,153 \$265,853 \$265,853 \$56,603,177 \$4,133,679 \$18,455,325 \$18,455,325 \$18,455,325 \$18,455,325 \$18,455,325 \$18,455,325 \$18,455,325 \$18,455,325 \$18,455,325 \$18,455,325 \$18,455,325 \$18,455,325 \$18,455,325 \$18,455,325 \$18,455,325 \$18,455,325 \$18,455,325 \$18,455,325	\$250,157,997 \$10,467,465 \$895,876 \$758,281 \$55,887 \$664,393 \$1,521,464 \$14,363,366 \$103,680,002 \$103,680,002 \$3,777,438 \$22,833,942 \$130,623,578 \$144,986,944
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES LIABILITIES Current Liabilities Accounts Payable & Other Current Liabilities Interest Payable Unearned Revenue Deposits Payable Compensated Absences Payable Bonds, Notes, Loans, & Leases Payable Due in Less than 1 Yr Total Current Liabilities Non-Current Liabilities Compensated Absences Payable Bonds, Notes, Loans, & Leases Payable Due in More than 1 Yr Total Other OPEB Liability Net Pension Liabilities Total Non-Current Liabilities	\$124,099,659 \$3,226,057 \$101,746 \$- \$43,933 \$315,122 \$400,379 \$4,087,237 \$4,087,237 \$157,561 \$9,842,071 \$1,048,053 \$13,782,729 \$24,830,414 \$28,917,651	\$153,442,567 \$1,861,247 \$436,579 \$- \$42,918 \$398,922 \$915,746 \$3,655,412 \$3,655,412 \$1,249,805 \$1,249,805 \$1,249,805 \$1,249,805 \$1,249,805 \$1,249,805 \$52,813,061 \$55,813,061	\$155,940,748 \$4,837,392 \$427,024 \$- \$57,529 \$450,601 \$932,120 \$6,704,666 \$36,494,205 \$3,691,988 \$19,716,316 \$60,127,810 \$66,832,476	\$164,545,491 \$4,753,990 \$417,247 \$65,001 \$449,528 \$11,459,018 \$17,144,784 \$224,764 \$32,035,187 \$3,567,085 \$17,338,818 \$53,165,854 \$70,310,638	\$196,884,953 \$15,014,990 \$754,758 \$72,253 \$72,253 \$531,707 \$1,503,445 \$17,877,153 \$17,877,153 \$265,853 \$265,853 \$56,603,177 \$4,133,679 \$18,455,329 \$18,455,329 \$18,455,329 \$79,458,038	\$250,157,997 \$10,467,465 \$895,876 \$758,281 \$55,887 \$664,393 \$1,521,464 \$14,363,366 \$103,680,002 \$3,777,438 \$22,833,942 \$130,623,578 \$144,986,944
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES LIABILITIES Current Liabilities Accounts Payable & Other Current Liabilities Interest Payable Unearned Revenue Deposits Payable Compensated Absences Payable Bonds, Notes, Loans, & Leases Payable Due in Less than 1 Yr Total Current Liabilities Non-Current Liabilities Compensated Absences Payable Bonds, Notes, Loans, & Leases Payable Due in More than 1 Yr Total Other OPEB Liability Net Pension Liabilities Total Non-Current Liabilities Deferred Inflows of Resources	\$124,099,659 \$3,226,057 \$101,746 \$- \$43,933 \$315,122 \$400,379 \$4,087,237 \$4,087,237 \$157,561 \$9,842,071 \$1,048,053 \$13,782,729 \$24,830,414 \$28,917,651	\$153,442,567 \$1,861,247 \$436,579 \$- \$42,918 \$398,922 \$915,746 \$3,655,412 \$3,926,325 \$1,249,805 \$1,249,805 \$1,249,805 \$1,249,805 \$1,249,805 \$52,813,061 \$55,468,473	\$155,940,748 \$4,837,392 \$427,024 \$- \$57,529 \$450,601 \$932,120 \$6,704,666 \$36,494,205 \$36,494,205 \$36,494,205 \$3,691,988 \$19,716,316 \$60,127,810 \$66,832,476	\$164,545,491 \$4,753,990 \$417,247 \$65,001 \$449,528 \$11,459,018 \$17,144,784 \$224,764 \$32,035,187 \$3,567,085 \$17,338,818 \$53,165,854 \$70,310,638	\$196,884,953 \$15,014,990 \$754,758 \$72,253 \$531,707 \$1,503,445 \$17,877,153 \$17,877,153 \$265,853 \$265,853 \$56,603,177 \$4,133,679 \$18,455,329 \$18,455,329 \$79,458,038 \$97,335,191	\$250,157,997 \$10,467,465 \$895,876 \$758,281 \$55,887 \$664,393 \$1,521,464 \$14,363,366 \$103,680,002 \$3,777,438 \$22,833,942 \$130,623,578 \$144,986,944
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES LIABILITIES Current Liabilities Accounts Payable & Other Current Liabilities Interest Payable & Other Current Liabilities Interest Payable Unearned Revenue Deposits Payable Compensated Absences Payable Bonds, Notes, Loans, & Leases Payable Due in Less than 1 Yr Total Current Liabilities Non-Current Liabilities Compensated Absences Payable Bonds, Notes, Loans, & Leases Payable Due in More than 1 Yr Total Current Liabilities Compensated Absences Payable Bonds, Notes, Loans, & Leases Payable Due in More than 1 Yr Total Other OPEB Liability Net Pension Liability Total Non-Current Liabilities Deferred Inflows of Resources Deferred Inflows Related to Pensions	\$124,099,659 \$3,226,057 \$101,746 \$- \$43,933 \$315,122 \$400,379 \$4,087,237 \$4,087,237 \$4,087,237 \$4,08,053 \$13,782,729 \$24,830,414 \$28,917,651 \$1,537,601	\$153,442,567 \$1,861,247 \$436,579 \$- \$42,918 \$398,922 \$915,746 \$398,922 \$15,746 \$398,922 \$15,746 \$398,922 \$199,461 \$3,926,325 \$1,249,805 \$1,249,805 \$1,249,805 \$1,249,805 \$1,249,805 \$1,249,805 \$5,442,567 \$56,468,473 \$56,468,473	\$155,940,748 \$4,837,392 \$427,024 \$- \$57,529 \$450,601 \$932,120 \$6,704,666 \$6,704,666 \$36,494,205 \$3,631,988 \$3,631,988 \$19,716,316 \$60,127,810 \$66,832,476 \$517,983	\$164,545,491 \$4,753,990 \$417,247 \$65,001 \$449,528 \$11,459,018 \$17,144,784 \$224,764 \$224,764 \$32,035,187 \$3,567,085 \$17,338,818 \$5,3165,854 \$70,310,638	\$196,884,953 \$15,014,990 \$754,758 \$754,758 \$72,253 \$531,707 \$1,503,445 \$1,503,445 \$1,503,445 \$1,503,445 \$1,503,445 \$1,503,445 \$1,503,445 \$1,503,445 \$1,503,445 \$1,503,445 \$1,503,45 \$	\$250,157,997 \$10,467,465 \$895,876 \$758,281 \$55,887 \$664,393 \$1,521,464 \$14,363,366 \$332,196 \$103,680,002 \$3,777,438 \$22,833,942 \$130,623,578 \$144,986,944 \$1,178,241
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES LIABILITIES Current Liabilities Accounts Payable & Other Current Liabilities Interest Payable Unearned Revenue Deposits Payable Compensated Absences Payable Bonds, Notes, Loans, & Leases Payable Due in Less than 1 Yr Total Current Liabilities Non-Current Liabilities Compensated Absences Payable Bonds, Notes, Loans, & Leases Payable Due in Less than 1 Yr Total Current Liabilities Compensated Absences Payable Bonds, Notes, Loans, & Leases Payable Due in More than 1 Yr Total Other OPEB Liability Net Pension Liability Total Non-Current Liabilities Deferred Inflows of Resources Deferred Inflows Related to Pensions Deferred Inflows Related to OPEB	\$124,099,659 \$3,226,057 \$101,746 \$- \$43,933 \$315,122 \$400,379 \$4,087,237 \$4,087,237 \$4,087,237 \$4,087,237 \$157,561 \$9,842,071 \$1,048,053 \$13,782,729 \$24,830,414 \$28,917,651 \$1,537,601 \$_	\$153,442,567 \$1,861,247 \$436,579 \$- \$42,918 \$398,922 \$915,746 \$398,922 \$915,746 \$398,922 \$15,746 \$398,922 \$15,746 \$33,926,325 \$1,249,805 \$1,249,805 \$1,249,805 \$1,249,805 \$1,249,805 \$56,468,473 \$56,468,473 \$686,731 \$_	\$155,940,748 \$4,837,392 \$427,024 \$- \$57,529 \$450,601 \$932,120 \$6,704,666 \$6,704,666 \$36,494,205 \$36,91,988 \$36,91,986	\$164,545,491 \$4,753,990 \$417,247 \$65,001 \$449,528 \$11,459,018 \$17,144,784 \$17,144,784 \$224,764 \$224,764 \$32,035,187 \$3,567,085 \$17,338,818 \$3,567,085 \$17,338,818 \$3,567,085 \$17,338,818 \$5,569,181 \$5,569,181 \$343,225	\$196,884,953 \$15,014,990 \$754,758 \$754,758 \$72,253 \$1,503,445	\$250,157,997 \$ 10,467,465 \$ 895,876 \$ 758,281 \$ 55,887 \$ 664,393 \$ 1,521,464 \$ 14,363,366 \$ 103,680,002 \$ 332,196 \$ 103,680,002 \$ 3,777,438 \$ 22,833,942 \$ 103,680,002 \$ 3,777,438 \$ 10,467,455 \$ 1,521,464 \$ 1,5
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES LIABILITIES Current Liabilities Accounts Payable & Other Current Liabilities Interest Payable Unearned Revenue Deposits Payable Compensated Absences Payable Bonds, Notes, Loans, & Leases Payable Due in Less than 1 Yr Total Current Liabilities Non-Current Liabilities Compensated Absences Payable Bonds, Notes, Loans, & Leases Payable Due in More than 1 Yr Total Current Liabilities Compensated Absences Payable Bonds, Notes, Loans, & Leases Payable Due in More than 1 Yr Total Current Liabilities Compensated Absences Payable Bonds, Notes, Loans, & Leases Payable Due in More than 1 Yr Total Other OPEB Liability Net Pension Liability Total Non-Current Liabilities Deferred Inflows of Resources Deferred Inflows Related to OPEB Total Deferred Inflows of Resources	§124,099,659 \$ <	\$153,442,567 \$ <	§155,940,748 ↓ <	\$164,545,491 \$ <	\$196,884,953 ↓ <	\$250,157,997 \$ 10,467,465 \$ 895,876 \$ 758,281 \$ 55,887 \$ 664,393 \$ 1,521,464 \$ 14,363,366 \$ 14,363,366 \$ 103,680,002 \$ 332,196 \$ 103,680,002 \$ 33777,438 \$ 22,833,942 \$ 103,680,002 \$ 3,777,438 \$ 10,467,455 \$ 1,521,464 \$ 1,521,464 \$ 1,
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES LIABILITIES Current Liabilities Accounts Payable & Other Current Liabilities Interest Payable Unearned Revenue Deposits Payable Compensated Absences Payable Bonds, Notes, Loans, & Leases Payable Due in Less than 1 Yr Total Current Liabilities Non-Current Liabilities Compensated Absences Payable Bonds, Notes, Loans, & Leases Payable Due in More than 1 Yr Total Current Liabilities Compensated Absences Payable Bonds, Notes, Loans, & Leases Payable Due in More than 1 Yr Total Current Liabilities Compensated Absences Payable Bonds, Notes, Loans, & Leases Payable Due in More than 1 Yr Total Other OPEB Liability Net Pension Liability Total Non-Current Liabilities Deferred Inflows of Resources Deferred Inflows Related to PEB Total Deferred Inflows of Resources	\$124,099,659 \$3,226,057 \$101,746 \$- \$43,933 \$315,122 \$400,379 \$4,087,237 \$4,087,237 \$4,087,237 \$4,087,237 \$157,561 \$9,842,071 \$1,048,053 \$13,782,729 \$24,830,414 \$28,917,651 \$1,537,601 \$- \$1,537,601	\$153,442,567 \$1,861,247 \$436,579 \$2 \$42,918 \$398,922 \$915,746 \$3,655,412 \$3,655,412 \$3,655,412 \$3,655,412 \$3,655,412 \$3,655,412 \$3,655,412 \$3,655,412 \$3,655,412 \$3,642,930 \$12,49,805 \$17,437,470 \$2,813,061 \$56,468,473 \$686,731 \$2,686,731 \$2,686,731	\$155,940,748 \$4,837,392 \$427,024 \$- \$57,529 \$450,601 \$932,120 \$6,704,666 \$36,494,205 \$3,691,988 \$3,691,988 \$3,619,988 \$3,619,716,316 \$6,832,476 \$66,832,476 \$517,983 \$- \$517,983 \$-	\$164,545,491 \$4,753,990 \$417,247 \$65,001 \$449,528 \$11,459,018 \$17,144,784 \$17,144,784 \$224,764 \$224,764 \$32,035,187 \$3,567,085 \$17,338,818 \$3,567,085 \$17,338,818 \$5,5165,854 \$70,310,638 \$569,181 \$569,181 \$343,225 \$912,406	 \$196,884,953 \$15,014,990 \$754,758 \$72,253 \$17,077 \$1,503,445 \$17,877,153 \$17,877,153 \$17,877,153 \$265,853 \$56,603,177 \$4,133,679 \$56,603,177 \$4,133,679 \$56,603,177 \$4,133,679 \$56,603,177 \$4,133,679 \$56,603,177 \$4,133,679 \$56,603,177 \$56,603,177 \$4,133,679 \$56,603,177 \$4,133,679 \$56,603,177 \$523,578 \$289,128 \$812,706 	\$250,157,997 \$10,467,465 \$895,876 \$758,281 \$55,887 \$664,393 \$1,521,464 \$14,363,366 \$14,363,366 \$103,680,002 \$3,777,438 \$22,833,942 \$103,680,002 \$3,777,438 \$22,833,942 \$103,662,3578 \$144,986,944 \$1,178,241 \$570,732 \$1,748,973 \$1,748,973
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$124,099,659 \$3,226,057 \$101,746 \$- \$43,933 \$315,122 \$400,379 \$4,087,237 \$4,087,237 \$4,087,237 \$4,087,237 \$157,561 \$9,842,071 \$1,048,053 \$13,782,729 \$24,830,414 \$28,917,651 \$1,537,601 \$1,537,601 \$30,455,252	\$153,442,567 \$1,861,247 \$436,579 \$- \$42,918 \$398,922 \$915,746 \$398,922 \$15,746 \$398,922 \$15,746 \$398,922 \$17,437,470 \$1,249,805 \$1,249,805 \$1,249,805 \$1,249,805 \$1,249,805 \$1,249,805 \$5,813,061 \$56,468,473 \$56,468,473 \$56,468,473 \$56,468,473 \$56,468,473 \$56,468,473 \$56,468,473 \$56,468,473 \$57,155,204	\$155,940,748 \$4,837,392 \$427,024 \$ \$57,529 \$450,601 \$932,120 \$6,704,666 \$36,494,205 \$36,494,205 \$36,494,205 \$36,494,205 \$36,494,205 \$36,494,205 \$36,494,205 \$6,704,666 \$6,704,666 \$6,704,666 \$517,983 \$517,983 \$ \$517,983 \$ \$517,983	§164,545,491 ↓ <	 \$196,884,953 \$15,014,990 \$754,758 \$754,758 \$72,253 \$17,877,153 \$1,503,445 \$17,877,153 \$17,877,153 \$17,877,153 \$12,65,853 \$56,603,177 \$4,133,679 \$56,603,177 \$4,133,679 \$56,603,177 \$4,133,679 \$18,455,329 \$79,458,038 \$18,455,329 \$79,458,038 \$523,578 \$289,128 \$812,706 \$98,147,897 	\$250,157,997 \$10,467,465 \$895,876 \$758,281 \$55,887 \$664,393 \$1,521,464 \$14,363,366 \$14,363,366 \$103,680,002 \$332,196 \$103,680,002 \$3,777,438 \$22,833,942 \$130,623,578 \$144,986,944 \$1,178,241 \$570,732 \$1,748,973 \$146,735,917
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$124,099,659 \$3,226,057 \$101,746 \$- \$43,933 \$315,122 \$400,379 \$4,087,237 \$4,087,237 \$4,087,237 \$157,561 \$9,842,071 \$1,048,053 \$13,782,729 \$24,830,414 \$28,917,651 \$1,537,601 \$1,537,601 \$30,455,252	\$153,442,567 \$1,861,247 \$436,579 \$42,918 \$398,922 \$915,746 \$33,55,412 \$3,655,412 \$3,655,412 \$3,655,412 \$3,655,412 \$3,655,412 \$\$1,249,805 \$1,249,805 \$17,437,470 \$56,468,473 \$686,731 \$\$ \$686,731 \$57,155,204	\$155,940,748 \$4,837,392 \$427,024 \$- \$57,529 \$450,601 \$932,120 \$6,704,666 \$36,494,205 \$36,494,205 \$36,494,205 \$36,494,205 \$3,691,988 \$19,716,316 \$6,832,476 \$66,832,476 \$517,983 \$_ \$517,983 \$_ \$517,983 \$_ \$67,350,459	\$164,545,491 \$4,753,990 \$417,247 \$65,001 \$449,528 \$11,459,018 \$17,144,784 \$224,764 \$224,764 \$32,035,185 \$3,567,085 \$17,338,818 \$3,567,085 \$17,338,818 \$3,567,085 \$17,338,818 \$569,181 \$569,181 \$569,181 \$343,225 \$912,406 \$71,223,044	 \$196,884,953 \$15,014,990 \$754,758 \$72,253 \$15,03,445 \$17,877,153 \$17,877,153 \$17,877,153 \$265,853 \$56,603,177 \$4,133,679 \$56,603,177 \$4,133,679 \$56,603,177 \$4,133,679 \$56,603,177 \$4,133,679 \$523,578 \$289,128 \$98,147,897 	\$250,157,997 \$10,467,465 \$895,876 \$758,281 \$55,887 \$664,393 \$1,521,464 \$14,363,366 \$332,196 \$103,680,002 \$3,777,438 \$22,833,942 \$103,680,002 \$3,777,438 \$22,833,942 \$103,680,002 \$3,777,438 \$1,521,464 \$1,521,521 \$1,521,464 \$1,
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TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$124,099,659 \$3,226,057 \$101,746 \$- \$43,933 \$315,122 \$400,379 \$4,087,237 \$4,087,237 \$4,087,237 \$9,842,071 \$157,561 \$9,842,071 \$157,561 \$9,842,071 \$1,048,053 \$13,782,729 \$24,830,414 \$101,307,631 \$101,307,838 \$(7,663,431)	\$153,442,567 \$ <	§155,940,748 ↓ <	§164,545,491 ↓ <	\$196,884,953 ↓ <	\$250,157,997 \$ 10,467,465 \$ 895,876 \$ 758,281 \$ 55,887 \$ 664,393 \$ 1,521,464 \$ 14,363,366 \$ 103,680,002 \$ 332,196 \$ 103,680,002 \$ 3,777,438 \$ 22,833,942 \$ 103,663,072 \$ 1,178,241 \$ 570,732 \$ 1,178,241 \$ 1,17
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$124,099,659 \$3,226,057 \$101,746 \$- \$43,933 \$315,122 \$400,379 \$4,087,237 \$4,087,237 \$4,087,237 \$9,842,071 \$157,561 \$9,842,071 \$1,048,053 \$13,782,729 \$24,830,414 \$101,307,651 \$30,455,252 \$101,307,838 \$(7,663,431) \$93,644,407	\$153,442,567 \$ <	§155,940,748 ↓ <	§164,545,491 ↓ <	\$196,884,953 ↓ <	\$250,157,997 \$10,467,465 \$895,876 \$758,281 \$55,887 \$664,393 \$1,521,464 \$1,521,464 \$1,521,464 \$1,521,464 \$1,521,464 \$103,680,002 \$3,777,438 \$22,833,942 \$103,680,002 \$3,777,438 \$22,833,942 \$103,660,002 \$3,777,438 \$22,833,942 \$103,660,002 \$3,777,438 \$22,833,942 \$103,660,002 \$3,777,438 \$103,660,002 \$3,777,438 \$103,660,002 \$3,777,438 \$103,660,002 \$3,777,438 \$103,660,002 \$3,777,438 \$103,660,002 \$3,777,438
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$124,099,659 \$3,226,057 \$101,746 \$- \$43,933 \$315,122 \$400,379 \$4,087,237 \$4,087,237 \$157,561 \$9,842,071 \$157,561 \$9,842,071 \$1,048,053 \$13,782,729 \$24,830,414 \$1,048,053 \$13,782,729 \$24,830,414 \$1,537,601 \$28,917,651 \$1,537,601 \$1,537,601 \$1,537,601 \$30,455,252 \$30,455,252 \$101,307,838 \$(7,663,431) \$93,644,407	\$153,442,567 \$1,861,247 \$436,579 \$- \$42,918 \$398,922 \$915,746 \$398,922 \$15,746 \$342,918 \$398,922 \$15,746 \$33,926,325 \$1,249,805 \$1,259,805 \$1,259,8	§155,940,748 § ↓ <t< td=""><td>\$164,545,491 \$ <</td><td>\$196,884,953 ↓ <</td><td>\$250,157,997 \$10,467,465 \$895,876 \$758,281 \$55,887 \$664,393 \$1,521,464 \$1,521,464 \$1,521,464 \$1,521,464 \$1,521,464 \$103,680,002 \$3,777,438 \$22,833,942 \$103,662,023 \$3,777,438 \$22,833,942 \$103,662,023 \$1,178,241 \$570,732 \$1,178,241 \$570,732 \$1,178,241 \$570,732 \$1,1748,973 \$1,179,857 \$1,179,857 \$1,179,857 \$1,1748,973 \$1,179,857 \$1,1748,973 \$1,1748,975 \$1,1748,975</td></t<>	\$164,545,491 \$ <	\$196,884,953 ↓ <	\$250,157,997 \$10,467,465 \$895,876 \$758,281 \$55,887 \$664,393 \$1,521,464 \$1,521,464 \$1,521,464 \$1,521,464 \$1,521,464 \$103,680,002 \$3,777,438 \$22,833,942 \$103,662,023 \$3,777,438 \$22,833,942 \$103,662,023 \$1,178,241 \$570,732 \$1,178,241 \$570,732 \$1,178,241 \$570,732 \$1,1748,973 \$1,179,857 \$1,179,857 \$1,179,857 \$1,1748,973 \$1,179,857 \$1,1748,973 \$1,1748,975 \$1,1748,975
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES LIABILITIES Current Liabilities Accounts Payable & Other Current Liabilities Interest Payable & Other Current Liabilities Interest Payable Unearned Revenue Deposits Payable Compensated Absences Payable Bonds, Notes, Loans, & Leases Payable Due in Less than 1 Yr Total Current Liabilities Non-Current Liabilities Compensated Absences Payable Bonds, Notes, Loans, & Leases Payable Due in More than 1 Yr Total Other OPEB Liability Net Pension Liability Total Non-Current Liabilities Deferred Inflows of Resources Deferred Inflows Related to OPEB Total Deferred Inflows of Resources NET POSITION Net Investment in Capital Assets Unrestricted Total Net Position TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES,	\$124,099,659 \$3,226,057 \$101,746 \$- \$43,933 \$315,122 \$400,379 \$4,087,237 \$157,561 \$9,842,071 \$1,048,053 \$13,782,729 \$24,830,414 \$28,917,651 \$1,537,601 \$1,537,601 \$1,537,601 \$1,537,601 \$1,537,601 \$2,1,537,601 \$1,537,601 \$2,1,537,601 \$30,455,252	\$153,442,567 \$1,861,247 \$436,579 \$- \$42,918 \$398,922 \$915,746 \$398,922 \$915,746 \$398,922 \$199,461 \$3,926,325 \$1,249,805 \$1,257,155,204 \$1,2574,105	\$155,940,748 \$155,940,748 \$4,837,392 \$427,024 \$	\$164,545,491 \$4,753,990 \$417,247 \$449,528 \$11,459,018 \$17,144,784 \$224,764 \$224,764 \$32,035,187 \$3,567,085 \$17,338,818 \$53,165,854 \$3,567,085 \$17,338,818 \$53,165,854 \$3,567,085 \$17,338,818 \$53,165,854 \$3,567,085 \$17,338,818 \$53,165,854 \$3,567,085 \$17,338,818 \$3,567,085 \$17,338,818 \$53,165,854 \$3,567,085 \$17,338,818 \$53,165,854 \$3,567,085 \$17,338,818 \$53,165,854 \$3,567,085 \$17,338,818 \$53,165,854 \$3,567,085 \$17,338,818 \$53,165,854 \$3,567,085 \$17,338,818 \$53,165,854 \$3,567,085 \$17,338,818 \$53,165,854 \$3,567,085 \$17,338,818 \$53,165,854 \$3,567,085 \$17,338,818 \$53,165,854 \$3,567,085 \$17,338,818 \$53,165,854 \$55,165,854 \$55,165,854 \$55,165,154 \$55,154,154 \$55,15	\$196,884,953 \$15,014,990 \$754,758 \$72,253 \$72,253 \$17,877,153 \$1,503,445 \$17,877,153 \$265,853 \$265,853 \$265,853 \$56,603,177 \$4,133,679 \$4,133,679 \$4,133,679 \$4,133,679 \$18,455,329 \$79,458,038 \$97,335,191 \$97,335,191 \$289,128 \$289,128 \$289,128 \$289,128 \$32,578 \$289,128 \$34,743,215 \$93,980,841 \$4,743,215 \$98,724,056	\$250,157,997 \$10,467,465 \$895,876 \$758,281 \$55,887 \$664,393 \$1,521,464 \$14,363,366 \$32,196 \$103,680,002 \$3,777,438 <u>\$22,833,942</u> \$103,680,002 \$3,777,438 <u>\$22,833,942</u> \$103,662,3578 \$144,986,944 \$1,178,241 \$570,732 \$1,478,973 \$144,986,944 \$1,178,241 \$570,732 \$1,4748,973 \$1,1748,973 \$1,1748,973 \$1,1748,973 \$1,1748,973 \$1,1748,973 \$1,1748,973 \$1,1748,973 \$1,179,857 \$103,422,080 \$1,779,857 \$103,422,080

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: <u>https://cityofwatsonville.org/183/City-Council</u>. 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:

Board Member	Term of Office		
Siorra Byan, Chair	Appointed: January 22, 2019		
Sierra Ryan, Chan	Term Limit Ends: January 31, 2023		
Diana Alfaro	Appointed: January 25, 2022		
	Term Limit Ends: January 31, 2026		
luctin Burke	Appointed: January 26, 2021		
Justin Burks	Term Limit Ends: January 31, 2025		
Tom Burno	Appointed: January 26, 2021		
	Term Limit Ends: January 31, 2025		
Doug Englor	Appointed: January 26, 2016		
	Term Limit Ends: January 31, 2024		
Alojandro Paramo	Appointed: January 28, 2020		
Alejandro Faranio	Term Limit Ends: January 31, 2024		
Garrott Boffo	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: <u>https://www.cityofsantacruz.com/home/showpublisheddocument/87509/637768999998970000</u>
 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.

Website Components	Checkmark (Yes)
Required Items (SB 949 Criteria and SDLF Benchmarks)	
1. Names and Contact Information of Board Members*	\checkmark
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	\checkmark
16. Home Page Link to Agendas/Board Packets	\checkmark
17.SB 272 - Compliance-Enterprise Catalogs	\checkmark
18. Machine Readable/Searchable Agendas	\checkmark
19. Recipients of Grant Funding or Assistance	\checkmark
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%)

Table 32: Website Transparency (Required Items)

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

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	\checkmark
3. Last Three Years of Audits	\checkmark
4. Financial Reserves Policy	✓
5. Online/Downloadable Public Records Act Request Form	\checkmark
6. Audio or Video Recordings of Board Meetings	\checkmark
7. Map of District Boundaries/Service Area	\checkmark
8. Link to CSDA Mapping Program	N/A
9. General Description of Special Districts or Link to	NI/A
www.districtmakethedifference.org	IN/A
10. Link to Most Recently Filed to FPPC Forms	\checkmark
Total Score (out of a possible 8 – 2 do not apply to cities)	7 (88%)

Table 33: Website Transparency (Recommended Items)

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 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).



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

#	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				

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

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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).



Countywide Water Service & Sphere Review

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DISTRICT SUMMARY

City of Santa Cruz Water Department							
Formation	California Charter City Law (Article XI, section 3(a) of the California Constitution)						
	City Council: 7 members (four-year terms)						
Board of Directors	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) 						
	Total Revenue = \$42,898,416						
FY 2020-21 Audit	Total Expenditure = \$38,200,392						
	Net Position (Ending Balance) = \$103,422,080						
	Mailing Address: 212 Locust Street, Suite A, Santa Cruz CA 95060						
Contact Information	Phone Number: (831) 420-5200						
	Email Address: <u>kfitzgerald@cityofsantacruz.com</u>						
	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).

Countywide Water Service & Sphere Review

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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 openspace 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 indepth 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.

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

Table 35: List of Service Provisions

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

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

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

Table 36: List of Infrastructure / Facilities

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.



Meter Size	2019	2020	2021
(Availability Fee)	(Adopted)	(Adopted)	(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	¢ 4 70	ФЕ 40	
Charge	\$4.70	\$ 0.4 3	-
	Outside City Limits	S	
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 37a: Water Rates (Monthly Service Fees – Meter Size)

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)				
Residentia	I and Multi-Resid	ential					
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 (co	cf = centum (hund	red) 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				





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.

	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%

Table 3	8: Proje	ected Po	opulation
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Source: AMBAG 2018 Regional Growth Forecast and the City's 2020 Urban Water Management Plan

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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.



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.

		1
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>	

Table 39: Revenue Breakdown (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.

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

Table 40: Expense Breakdown (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.

	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

Table 41: Net Position (2015 to 2021)



Table 42: Total Revenues & Expenditures

	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
REVENUE						
Operating Revenue						
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
Non-Operating Revenue						
Grant Revenue	\$-	\$ 600,660	\$ 44,480	\$-	\$-	\$
Interest Revenue	\$ 52,706	\$ 26,663	\$ 105,390	\$ 369,740	\$ 357,867	\$ 16,082
Capital Contributions - Connection Fees	\$ 294,081	<u>\$ 351,404</u>	<u>\$ 212,573</u>	<u>\$ 24,734</u>	<u>\$ </u>	<u>\$ 26,310</u>
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						
Operating Expense						
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
Non-Operating Expense						
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	\$15,561,929	\$13,948,107	\$12,067,126	\$14,024,961	\$19,421,835	<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					A 50 000 455	
Beginning Balance	<u>\$ 49,904,170</u>	<u>\$ 47,475,354</u>	<u>\$ 49,123,010</u>	<u>\$ 52,661,444</u>	<u>\$ 56,388,126</u>	<u>\$ 57,862,703</u>
Ending Balance	\$47,444,589	\$49,123,010	\$52,661,444	\$56,388,126	\$57,862,703	\$ 61,793,366

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												
Current Assets												
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
Non-Current Assets												
Advances Receivable	\$	3,791,759	\$	3,911,654	\$	4,022,240	\$	3,613,159	\$	3,222,642	\$	2,557,460
Loans Receivable	\$	357,793	\$	-	\$	-	\$	-	\$	-	\$	-
Capital Assets												
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
Contruction 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	\$ 4	48,810,480	\$	47,820,442	\$	47,039,837	\$	45,628,259	\$	42,406,479	\$	43,452,891
						· ·						
TOTAL ASSETS	\$ 5	52,467,728	\$	53,778,075	\$	57,473,840	\$	61,990,427	\$	65,499,573	\$	69,019,411
Deferred Outflows of Resources												
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	Ś	960.137	Ś	1.293.472	Ś	973.660	Ś	1.062.888	\$	903.968
	-	,	-	,	Ŧ	_,,	Ŧ	,	Ŧ	_,,		
	\$ 1	53 221 295	Ś	54 738 212	¢	58 767 312	Ś	62 964 087	Ś	66 562 461	Ś	69 923 379
TOTAL ASSETS & DEFENNED COTTLOWS OF RESCOREES	<u>× </u>	<i>JJJJJJJJJJJJJ</i>	¥	<u>54,750,212</u>	¥	50,707,512	Y	02,504,007	Y	00,502,401	¥	05,525,675
LIABILITIES												
Current Liabilities												
Accounts Pavable	Ś	856.786	Ś	601.776	Ś	556.218	Ś	726.312	Ś	1.306.341	Ś	1.226.262
Accrued Personnel Costs	Ś	129,848	Ś	150,132	Ś	-	Ś	178.644	Ś	218,921	Ś	239,978
Insurance Claims Pavable	\$	-	Ś	-	\$	-	\$	-	\$	250.000	Ś	-
Retentions Pavable	Ś	-	Ś	-	\$	-	\$	-	\$	2.783	Ś	71.669
Customer Deposits	Ś	6.175	Ś	24.152	Ś	46.643	Ś	63.666	Ś	18.879	Ś	9,931
Unearned Revenue	Ś	-	Ś	2.372	Ś	-	Ś	-	Ś	-	Ś	
Compensated Absences	Ś	10.051	Ś	10.232	Ś	10.453	Ś	11.801	Ś	11.428	Ś	13.701
Notes Pavable	Ś	-	Ś	-	Ś	-	Ś	17.538	Ś	14.511	Ś	13.888
Total Current Liabilities	¢	1 002 860	ć	788 664	ć	613 314	ć	997 961	¢	1 822 863	Ś	1 575 429
	Ŷ	1,002,000	Ŷ	700,004	Ŷ	013,314	Ŷ	557,501	Ŷ	1,022,005	Ŷ	1,373,425
Non-Current Liabilities												
Compensated Absences	Ś	157,463	Ś	160.307	Ś	163,759	Ś	184,877	Ś	179.043	Ś	214,648
Net OPER Liability	Ś	321 790	Ś	319 812	¢ ¢	373 403	¢ ¢	373 403	Ś	395 427	ې د	395 427
Net Pension Liability	¢ ¢	3 306 708	ې د	4 097 680	ې د	4 798 463	ې د	4 835 532	ې د	6 091 025	ې د	5 881 983
Netes Davable	Ś	-	Ś	-	ې د	-	ې د	36 890	Ś	44 603	ې د	30 716
Total Non Current Liabilities	¢	2 795 061	ć	4 577 700	ć	E 22E 62E	ć	E 420 702	ć	6 710 098	ć	6 522 774
	2	3,763,901	Ş	4,377,733	Ş	5,555,025	Ş	3,430,702	Ş	0,710,098	ş	0,522,774
	ć	1 700 021	ć	E 266 462	ć	E 0/9 020	ć	6 129 662	ć	9 522 061	ć	0 000 202
	Ş	4,700,021	Ş	5,500,405	Ş	5,940,959	Ş	0,420,005	Ş	8,552,901	Ş	0,090,205
Deferred Inflows of Resources												
Deferred heffewar Delete data Denetional	ć	862 620	ć	249 720	ć	156.020	ć	147 209	ć	166 707	ć	21 010
Deferred inflows Related to Pensions	<u> </u>	803,020	<u>ې</u>	248,739	<u>ې</u>	130,929	<u>ې</u>	147,238	<u>ې</u>	100,797	<u>ې</u>	31,010
I otal Deferred Inflows of Resources	Ş	863,620	Ş	248,739	Ş	156,929	Ş	147,298	Ş	166,797	Ş	31,810
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	Ş	5,652,441	ş	5,615,202	Ş	6,105,868	Ş	6,575,961	Ş	8,699,758	Ş	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	\$ 4	47,568,854	\$	49,123,010	\$	52,661,444	\$	56,388,126	\$	57,862,703	\$	61,793,366
	1		-		Ė				_		-	
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES	1				-						\vdash	
& NET POSITION	<u>\$!</u>	53,221,295	<u>\$</u>	54,738,212	<u>\$</u>	58,767,312	<u>\$</u>	62,964,087	<u>\$</u>	66,562,461	<u>\$</u>	<u>69,923,379</u>

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:

Board Member	Term of Office				
l'an Dita	First Elected: 2020				
Jimmy Dutra	Term Limit Ends: 2024				
Eropoiogo Estrado	First Elected: 2018				
Francisco Estrada	Term Limit Ends: 2022				
Bahaaaa Caraia	First Elected: 2014				
Rebecca Garcia	Term Limit Ends: 2022				
	First Elected: 2011				
	Term Limit Ends: 2022				
Educado Montocia o	First Elected: 2020				
Eduardo Montesino	Term Limit Ends: 2024				
	First Elected: 2018				
Arl Parker	Term Limit Ends: 2022				
Nama and Online Contan	First Elected: 2022				
vanessa Quiroz-Carter	Term Limit Ends: 2024				

Table 44: Watsonville Council Members

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

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.

Website Components	Status (Yes = X)
Required Items (SB 949 Criteria and SDLF Benchmarks)	
1. Names and Contact Information of Board Members*	\checkmark
2. Board Member Term Limits	✓
3. Names of Key Staff, including General Manager	\checkmark
4. Contact Information for Staff	✓
5. Election/Appointment Procedure & Deadlines	✓
6. Board Meeting Schedule*	\checkmark
7. Mission Statement	\checkmark
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	\checkmark
16. Home Page Link to Agendas/Board Packets	\checkmark
17.SB 272 - Compliance-Enterprise Catalogs	\checkmark
18. Machine Readable/Searchable Agendas	\checkmark
19. Recipients of Grant Funding or Assistance	\checkmark
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%)

Table 45: Website Transparency (Required Items)

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

Website Components	Status (Yes = X)
Additional Items (SDLF's Recommended Elements)	
1. Board Member Ethics Training Certificates	\checkmark
2. Picture, Bio, and Email Addresses of Board Members	\checkmark
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	NI/A
www.districtmakethedifference.org	
10. Link to Most Recently Filed to FPPC Forms	\checkmark
Total Score (out of a possible 8 – 2 do not apply to cities)	8 (100%)

Table 46: Website Transparency (Recommended Items)

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).



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

#	Water	Type of Water System	Size (Square	Population
	System Name		`Miles)	
	Private Water Sy	vstems <u>OUTSIDE</u> City's Jurisdictional Boundar	у	
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	INEGIUM Water System (15 to 199 connections)	0.16	550
41	cievate 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

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

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

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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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	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)		
	Total Revenue = \$19,935,279		
FY 2020-21 Audit	Total Expenditure = \$16,004,616		
	Net Position (Ending Balance) = \$61,793,366		
	Mailing Address: 250 Main Street, Watsonville CA 95076 (Water Department)		
Contact Information	Phone Number: (831) 831-768-3100		
	Email Address: cityofwatsonville.org		
	Website: https://www.cityofwatsonville.org/		
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).

Countywide Water Service & Sphere Review

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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 openspace 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 indepth 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 Ioan. The Ioan 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.



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.

	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%

Table 48: Projected Population

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.

Countywide Water Service & Sphere Review

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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	Current Sphere: Coterminous (i.e. sphere boundary the same as the District's jurisdictional boundary)		
	Proposed Sphere: Zero (i.e., precursor to dissolution)		
	Total Revenue = \$0		
FY 2020-21 Audit	Total Expenditure = \$0		
	Net Position (Ending Balance) = \$0		
	Mailing Address: None		
Contact Information	Phone Number: None		
	Email Address: None		
	Website: None		
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 \$62,022.

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 openspace 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.

PAJARO VALLEY WATER MANAGEMENT AGENCY

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, 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.pvwater.org/images/about-pvwma/assets/agency_act_assets/Agency%20Act%20-%202009_Act%20760.PVWMA.pdf

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

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.

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

Table 49: List of Service Provisions

Table 50: List of Infrastructure / Facilities

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

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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: <u>https://www.pvwater.org/images/2021-Cost-of-Service-Rate-Study-Final_Feb.2021_Final.pdf</u> Countywide Water Service & Sphere Review Page 111 of 228

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.

Charges	2017 (Adopted)	2018 2019 (Adopted) (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 51: Previous Cost of Service Rate (Unit Cost Per Acre-Foot)

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	





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.

	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%

Table 53: Projected Population

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

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.



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.

Revenue	Amount	Percentage			
Operating Revenue					
Augmentation Charges	\$12,102,376	82.90%			
Water Sales	\$2,109,806	14.45%			
Management Fees	\$387,333	<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	\$7,750	<u>0.05%</u>			
Total Non-Operating Revenue	\$15,473,821	100.00%			
Total Revenue	<u>\$30,073,336</u>				

Table 54: Revenue Breakdown (FY 2020-21)

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.

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>	

Table 55: Expense Breakdown (FY 2020-21)

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.

	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

Table 56: Net Position (2015 to 2021)



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	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
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	<u>\$ 383,938</u>	<u>\$ 383,998</u>	<u>\$ 375,592</u>	<u>\$ 386,986</u>	<u>\$ 283,614</u>	<u>\$ 387,333</u>
Total Operating Revenue	\$11,356,078	\$10,836,211	\$12,920,495	\$12,464,348	\$14,007,047	\$14,599,515
Non-Operating Revenue	¢ 42 402 002	¢ 2 227 502	¢ 4 365 004	¢ 05.070	¢ 016 000	¢ 4554.434
	\$ 12,482,003 \$ 99,391	\$ 3,237,582 \$ 53.183	\$ 1,365,994 \$ 87.079	\$ 85,070 \$ 243,273	\$ 816,898 \$ 294.545	\$ 4,551,434 \$ 7,750
Other Revenue	\$ 67.652	\$ 56.618	\$ 30,573	\$ 36,406	\$ 29121	\$ 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	<u>\$55,885,424</u>	<u>\$23,019,982</u>	<u>\$21,364,798</u>	<u>\$18,910,564</u>	<u>\$24,006,007</u>	<u>\$30,073,336</u>
EXPENDITURE						
Office Administration	\$ 11/1 170	\$ 000 674	¢ 065 522	\$ 1,090,204	\$ 853 705	\$ 1 067 001
Board Support	\$ 114,179 \$ -	\$ 908,074	\$ 31 455	\$ 26 958	\$ 052,705 \$ 29,297	\$ 1,007,991 \$ 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
Non-Operating Expense	¢ E0.2E1	¢ 102.090	¢ 11E 97E	¢ 127.752	¢ 207.124	¢ 212.006
Monitoring Well	\$ 59,551	\$ 192,960	\$ 415,875	\$ 157,755	\$ 507,154	\$ 512,880
Delivered Water	\$ 35,823	\$ - \$ -	\$ - \$ -	\$ - \$ -	\$ - \$ -	- د د -
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	Ş -	\$ 1,638	Ş -	Ş -	Ş -	ş -
Kecycled Water Storage	> - ¢	\$ 4,006,948 \$ 252,904	\$ 799,928 ¢	\$ - ¢	> - ¢	> - ¢
Recycled Water Facility	ې - د -	\$ 1513526	\$ 1541176	\$ 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
Collogo Lako Project	> - ¢	\$ 181,203	\$ 501,275	\$ 408,864	\$ 3/1,106	\$ 1/0,610 \$ 2,712,025
Watsonville Slough & North Dunes		\$ 166 262	\$ 507 250	\$ 281 54/	\$ 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
	\$ 1,483,862 \$ 10,421 754	\$ 1,128,256	\$ 6,060,002	\$ 6,091,467	\$ 1,042,070 \$ 8 959 200	> 946,626
Total Non-Operating Exponse	\$53 506 507	\$71 022 120	\$17 706 600	\$15 077 032	\$74 660 962	\$77 E77 046
	,32,350,58/	÷21,032,139	\$11,100,09U	212,7/1,933	724,000,803	ş22,527,04b
	\$58 179 796	\$22 250 762	\$18 953 138	\$17 295 502	\$25 711 549	\$23 885 495
	+,1,5,750	<u>+,230,702</u>		<u>+,,</u>	<u>+,+11,5+5</u>	<u>+-0,000,700</u>
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 57: Total Revenues & Expenditures

	FY 2015-16	FY 2016-17	FY 2016-17 FY 2017-18		FY 2019-20	FY 2020-21
ACCETC	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
Current Assets						
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	\$ -	\$ -	\$ -	\$ -
Prenaid 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
	÷ 12,000,0004	<i>\</i> 10,014,170	<i><i><i>v</i>₁₀,000,000</i></i>	<i>\\\\\\\\\\\\\</i>	<i>\$17,1200,020</i>	<i>v</i> 22,204,254
Non-Current Assets						
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
	<i>v 72,334,334</i>	<i>\$14,334,201</i>	\$75,740,405	\$75,556,657	\$00,370,400	<i>\$</i> 01,007,000
TOTAL ASSETS	\$ 85,144,278	\$88,548,437	\$91,339,543	\$92,729,982	\$97,558,486	\$104.052.082
	+	<i><i><i>t c c c c c c c c c c</i></i></i>	<i><i><i><i>ϕ</i> 𝔅 𝔅 𝔅 𝔅 𝔅 𝔅 𝔅 </i></i></i>	<i><i><i><i>ϕ</i>𝔅𝔅𝔅𝔅𝔅𝔅𝔅𝔅𝔅</i></i></i>	+==;===;===;===	<i> </i>
Deferred Outflows of Resources						
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
	+	<i>\</i>	+	+ 010,001	+ 0.0,.00	+ 000,010
TOTAL ASSETS & DEFERRED OUTELOWS OF RESOLUTION	\$ 85 379 127	\$88 980 111	\$91 832 608	\$93 108 639	\$97 929 275	\$104 405 900
TOTAL ASSETS & DEFERRED COTFLOWS OF RESOURCES	<u> </u>	<u> 700,500,111</u>	<u>751,052,000</u>	<u> </u>	<u> 251,525,215</u>	<u>9104,403,500</u>
Current Liabilities						
Accounts Pavable	\$ 1 927 498	\$ 1 672 764	\$ 1 416 859	\$ 1 394 831	\$ 3 134 812	\$ 1,900,290
Accrued Wages Pavable	\$ _	\$ 79.509	\$ 53,418	\$ 36563	\$ 52 157	\$ 75 335
Retention Pavable	\$ -	\$ 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 Pavable	\$ -	\$ 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
	+ ,,	+ .,	+ ,,	+ .,,	+ 0,000,000	+ .,,
Non-Current Liabilities						
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 Pavable	\$-	\$ 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
		1 - 1 - 1 - 1			1 - / - / -	
TOTAL LIABILITIES	\$ 38,642,085	\$36,593,040	\$33,860,298	\$31,291,253	\$31,050,780	\$ 28,809,073
Deferred Inflows of Resources						
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
	\$ 38,774,120	\$36.645.375	\$33.884.324	\$31.291.253	\$31.073.376	\$ 28.819.165
TOTAL LIABILITIES & INFLOWS OF RESOURCES	<u>+</u>	<u>+++++++++++++++++++++++++++++++++++++</u>	<u>+</u>	<u>+,,</u>	<u>+</u>	<u>+</u>
Net Investment in Capital Accets	\$ 25 800 55 <i>1</i>	\$ 42 028 667	\$ 45 200 690	\$ 47 458 201	\$ 54 202 286	\$ 57,065,540
Restricted	גע גבאיר ארג אין ארא גע געע גע גע	\$ 42,020,007	\$ 43,200,090 \$ 752,601	\$ 47,430,501 \$ 752,010	\$ 352,280 \$ 252,020	\$ 37,003,340 \$ 254,120
Herestricted	\$ 10 452 020	\$ 10 052 512	\$ 12 JO2 012	\$ 14 105 275	\$ 12 241 007	\$ 18 200 020
	<u>3 10,452,029</u>	÷ 10,032,510	<u> </u>	<u> </u>	<u> </u>	<u></u>
Total Net Position	<u>\$ 46,605,007</u>	<u>\$52,334,736</u>	<u>\$57,948,284</u>	<u>\$61,817,386</u>	<u>\$66,889,232</u>	<u>\$ 75,620,517</u>
		ļ	ļ			
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES,	\$ 85 379 127	\$88 980 111	\$91 832 608	\$93 108 639	\$97 962 608	\$104 439 682
& NET POSITION	<u>+</u>	700,000,111	<i>432,032,000</i>	÷ 55,105,055	437,302,000	<u>7 10 1, 10 3,002</u>

Table 58: Total Assets & Liabilities

Countywide Water Service & Sphere Review

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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:

Board Member	Term of Office
Mary Bannistor (Division A)	Elected: November 2018
Mary Barmister (Division A)	Term Limit Ends: November 30, 2022
Stophon Bidor (Division B)	Elected: December 12, 2020
Stephen Rider (Division B)	Term Limit Ends: November 30, 2024
Amy Newell (Division C)	Elected: February 2013
Any Newell (Division C)	Term Limit Ends: November 30, 2022
Robert Culbertson III (Division D)	Elected: April 2017
Robert Culbertson III (Division D)	Term Limit Ends: November 30, 2024
lavior Zamora (Montorov County)	Appointed: December 2018
Saviel Zamora (Monterey County)	Term Limit Ends: November 30, 2022
Tom Broz (Santa Cruz County)	Appointed: December 2018
Tom Broz (Santa Cruz County)	Term Limit Ends: November 30, 2022
Abol Sanchoz (City of Watconville)	Appointed: July 2021
Abel Sanchez (City of Watsonville)	Term Limit Ends: November 30, 2022

Table	59:	Board	of	Directors
IUDIC	UU .	Doara	U 1	DIICCLUIS

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.



Website Components	Checkmark (Yes)
Required Items (SB 949 Criteria and SDLF Benchmarks)	
1. Names and Contact Information of Board Members*	\checkmark
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*	\checkmark
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	\checkmark
17.SB 272 - Compliance-Enterprise Catalogs	\checkmark
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	\checkmark
2. Picture, Bio, and Email Addresses of Board Members	
3. Last Three Years of Audits	\checkmark
4. Financial Reserves Policy	\checkmark
5. Online/Downloadable Public Records Act Request Form	
6. Audio or Video Recordings of Board Meetings	
7. Map of District Boundaries/Service Area	\checkmark
8. Link to CSDA Mapping Program	
 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%)

Table 60: Website Transparency

*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 basinwide 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.

Countywide Water Service & Sphere Review

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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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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

#	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	Nedium Water System (140 connections)	0.08	455	
39	Santa Cruz KOA	Wedium Water System (235 connections)	0.04	110	
40		Medium Water System (15 to 199 connections)	0.10	550	
41	Calabasas Koad	iviedium water System (15 to 199 connections)	0.01	17	
42	(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	

Table 61: List of Private Water Systems Within PVWMA

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



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	iployees 14 Full-Time Employees		
Facilities1,019 metered wells; 1,200 unmetered, domestic wells; 22 m pipeline; 6 pump stations; 2 production wells; 1 storage ta Coastal Distribution System, and 1 Recycled Water Treat Facility			
District Area	124 square miles (appx. 79,000 acres)		
Current Sphere: No Sphere Boundary			
Sphere of Influence	Proposed Sphere: Larger than the District (i.e., sphere boundary includes areas outside the District's jurisdictional boundary)		
	Total Revenue = \$30,073,336		
FY 2020-21 Audit	Total Expenditure = \$23,885,495		
	Net Position (Ending Balance) = \$20,218,065		
	Mailing Address: 36 Brennan Street, Watsonville CA 95076		
	Phone Number: (831) 722-9292		
Contact Information	Email Address: Info@PVWater.org		
	Website: https://www.pvwater.org/		
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' 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 openspace 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 damn, 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.

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

Table 62: List of Service Provisions

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	-	-





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.

	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%

Table 64: Projected Population

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.



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.

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>	

Table 65: Revenue Breakdown (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>	



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.

	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)

Table 67: Net Position (2015 to 2021)



Countywide Water Service & Sphere Review

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Table 68: Total Revenues	&	Expenditures
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	FY	2015-16	FY	2016-17	FY	2017-18	FY	2018-19	FY	2019-20	FY	2020-21
	(Un	audited)	(Ur	naudited)	(Ur	naudited)	(Uı	naudited)	(Ur	naudited)	(Ur	naudited)
REVENUE												
Operating Revenue												
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
Non-Operating Revenue												
Interest Income	\$	233	\$	277	\$	457	\$	821	\$	1,132	\$	434
Penalties	\$	(156)	\$	-	\$	-	\$	-	\$	9 <i>,</i> 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												
Operating Expense												
Services & Supplies	\$	43,066	\$	23,015	\$	56 <i>,</i> 448	\$	24,535	\$	39,004	\$	69,704
Total Operating Expense	\$	43,066	\$	23,015	\$	56,448	\$	24,535	\$	39,004	\$	69,704
								<u> </u>		i		
Non-Operating Expense												
None Disclosed	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
Total Non-Operating Expense	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
	\$	43,066	\$	23,015	\$	56,448	\$	24,535	\$	39,004	\$	69,704
										;		
Surplus/(Deficit)	\$	(7 856)	Ś	12 802	¢	(9 447)	Ś	23 070	Ś	31 843	Ś	(21 409)
	Y	(1,000)	Ŷ	12,002	Ý	(3,447)	Ŷ	23,070	Ŷ	51,045	¥	(21,403)
NET POSITION			_									
Beginning Balance (as restated)	\$	33,553	\$	25,697	\$	38,499	\$	29,052	\$	52,122	\$	83,966
	ć	25 607	ć	20 100	ċ	20.052	ć	E2 122	ċ	92 0CC	ċ	62 556
Ending Balance	>	25,097	<u>></u>	38,499	Ş	29,052	<u>ہ</u>	52,122	Ş	83,900	Ş	02,330

	FY 2010-11		F١	/ 2011-12	2011-12 FY 2012-13		FY 2013-14		FY 2014-15	
	(A	(Audited) (Audited)		(/	Audited)	(/	Audited)	(Audited)		
ASSETS										
Current Assets										
Cash	\$	14,345	\$	7,829	\$	26,672	\$	39 <i>,</i> 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
Non-Current Assets										
Consisted Accests	ć	2 05 2	ć	2 603	ć	1 252	ć		ć	
Capital Assets	ب د	3,555	<u>ې</u> د	2,003	<u>ې</u> د	1 252	<u>ې</u> د		ب د	
Total Non-Current Assets	Ş	3,953	Ş	2,603	Ş	1,253	Ş	-	Ş	-
TOTAL ASSETS	\$	30,422	\$	20,642	\$	31,374	\$	43,852	\$	54,182
Deferred Outflows of Resources										
None Disclosed	\$	-	\$	-	\$	-	\$	-	\$	-
Total Deferred Outflows of Resources	\$	-	\$	-	\$	-	\$	-	\$	-
	ć	20 422	ć	20 642	ć	21 274	ć	12 952	ć	E# 192
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	<u>2</u>	50,422	<u> </u>	20,042	<u> </u>	51,574	<u> </u>	43,052	<u> </u>	54,102
LIABILITIES										
Current Liabilities										
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
Non-Current Liabilities										
None Disclosed	\$	-	\$	-	\$	-	\$	-	\$	-
Total Non-Current Liabilities	\$	-	\$	-	\$	-	\$	-	\$	-
TOTAL LIABILITIES	Ş	23,504	Ş	10,210	Ş	13,675	Ş	24,369	Ş	20,629
Deferred Inflows of Resources										
None Disclosed	\$	-	\$	-	\$	-	\$	-	\$	-
Total Deferred Inflows of Resources	\$	-	\$	-	\$	-	\$	-	\$	-
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	\$	23,504	\$	10,210	\$	13,675	\$	24,369	\$	20,629
Net Investment in Canital Assets	\$	3 953	\$	2 603	Ś	1 253	Ś	_	Ś	-
Uprestricted	\$	2.965	Ś	7.809	Ś	16.446	Ś	19.483	Ś	33.553
Total Net Position	Ś	6.918	Ś	10.412	Ś	17.699	Ś	19.483	Ś	33.553
	<u> </u>		<u> </u>		<u> </u>		<u> </u>		<u> </u>	
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, & NET POSITION	<u>\$</u>	30,422	<u>\$</u>	20,622	<u>\$</u>	31,374	<u>\$</u>	43,852	<u>\$</u>	54,18 <u>2</u>

Table 69: Total Assets & Liabilities

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:

Board Member	Term of Office					
John Diffonbaugh Chair	Appointed: November 14, 2017					
John Dinenbaugh, Chair	Term Limit Ends: December 1, 2019					
Topy Lozoro	Appointed: November 14, 2017					
Tony Lazaro	Term Limit Ends: December 1, 2021					
Frank Canurro	Appointed: November 14, 2017					
	Term Limit Ends: December 1, 2021					
Vacant	N/A					
Vacant	N/A					

Table 70: Board of Directors

Footnote: The three "current" board members were appointed by the County Board of Supervisors inlieu 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.

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.	No action taken; Still not in compliance
	Adopt board policies	
2 Poord Minutos	District does not have meeting minutes accessible to the public	No action taken; Still
2. Board Minutes	County Auditor Recommendation: Taken meeting minutes and make them accessible to the public	not in compliance
	District not in compliance with GCS 53235 which requires board members to receive ethics training	
3. Ethics Training	County Auditor Recommendation: Complete ethics training and/or adopt resolution prohibiting board members from receiving reimbursements	No action taken; Still not in compliance
4. Bids	District showed no proof of solicitation for services that cost above \$3,000	No action taken; No
	County Auditor Recommendation: Solicit bids for services over \$3,000	
5. Calculating	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	No action taken; Still
Assessments	County Auditor Recommendation: Comply with CA Water Code and calculate assessments according to the Valuation Assessment Role	not in compliance

Table 71: List of Concerns from 2017 Audit

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

Countywide Water Service & Sphere Review



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.

[This section intentionally left blank]





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	Current Sphere: Coterminous (i.e. sphere boundary the same as the District's jurisdictional boundary)					
	Proposed Sphere: Zero (i.e., precursor to dissolution)					
	Total Revenue = \$48,295					
FY 2020-21 Audit	Total Expenditure = \$69,704					
	Net Position (Ending Balance) = \$62,556					
	Mailing Address: None					
Contact Information	Phone Number: None					
	Email Address: None					
	Website: None					
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

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.

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 no 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 openspace 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.

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

Table 72: List of Service Provisions

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

Table 73: List of Infrastructure / Facilities

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





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.

	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%

Table 75: Projected Population

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.



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.

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>			

Table 76: Revenue Breakdown (FY 2020-21)

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



Countywide Water Service & Sphere Review

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.

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>			

 Table 77: Expense Breakdown (FY 2020-21)



Countywide Water Service & Sphere Review

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.

	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

Table 78: Net Position (2015 to 2021)



Countywide Water Service & Sphere Review

Table 79: Total Revenues & Expenditures

	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	
	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	
REVENUE							
Operating Revenue							
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	
Non-Operating Revenue							
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	\$	\$ 23,040	\$ 86,733	\$ 333,478	\$ 131,657	
Rental Revenue	\$ 43,922	\$ 59,548	\$ 56,647	\$ 44,042	\$ 44,047	\$	
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 Absoprtion	\$-	\$-	\$-	\$-	\$ 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	
· · · ·							
	\$ 9.689.020	\$ 8.659.374	\$10.826.493	\$11.464.271	\$12.958.048	\$16.601.701	
	<u>+ / </u>	<u>+</u>	<u>+ = 0,0 = 0, .00</u>	<u>+==,,=,=</u>	<u>+/</u>	<u>+_0,00_,.01</u>	
Salaries & Renefits	\$ 3 304 540	\$ 1 198 595	\$ 1 810 518	\$ 1 865 859	\$ 5 59/ 32/	\$ 6.036.430	
Professional Services	\$ 3,304,340	\$ 1,402,004	\$ 1/10 270	\$ 1,000,000	\$ 3,334,324	\$ 0,030,430	
Operational	\$ 410 342	\$ 464 236	\$ 320.876	\$ 1,037,012 \$ 375.948	\$ 415.672	\$ 1,823,133 \$ 509 163	
Maintenance	\$ 183 215	\$ 130 244	\$ <u>143</u> 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	
	<i>\$</i> 3,300,033	<i>\$ 7,103,430</i>	\$ 7,001,751	\$ 7,041,001	<i>\$ 1,524,554</i>	<i> </i>	
Non-Operating Expense							
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	<u>\$ 166 204</u>	\$ 190.477	\$ 597 218	\$ 2 812 068	\$ 2 709 904	
	<i>y</i> 100,411	<i> </i>	<i>v</i> 190,477	<i> </i>	\$ 2,012,000	<i>v</i> 2,703,304	
	¢ E 746 2E0	\$ 7 77F 667	¢ 7 952 269	¢ 7 029 240	\$10 726 622	612 404 221	
TOTAL EXPENDITURE	\$ 5,740,250	\$ 7,275,002	<u> </u>	<u> </u>	\$10,750,022	<u>\$12,404,521</u>	
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	<u>\$ 31,227,512</u>	<u>\$ 33,448,938</u>	
Ending Balance	\$28,214,517	\$28,255,435	\$29,088,944	\$31,227,512	\$33,448,938	\$37,646,318	

Countywide Water Service & Sphere Review

	FY	2015-16	F۱ ر	2016-17	F	Y 2017-18	F	Y 2018-19	F١	2019-20	FY	2020-21
	(A	udited)	(,	Audited)	((Audited)		Audited)	(Audited)	(<i>A</i>	udited)
ASSEIS												
Current Assets												
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	\$ 1	14,304,537	\$ 2·	4,278,757
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	Ś	31.530	Ś	-	Ś	-	Ś		Ś	-	Ś	-
Other	Ś	29,986	Ś	13,508	Ś	13,754	Ś	35,448	Ś	635	Ś	13.416
Prenaid Expenses	Ś	41 526	Ś	160	Ś	54 052	Ś	242 749	Ś	14 105	Ś	76 952
Materials & Supplies Inventory	¢	225 327	¢	233 395	Ś	253 996	Ś	267.057	Ś	283 136	Ś	296 125
	<u>,</u>	223,327	<u>,</u>	233,333	~	233,550	-	207,037	<u>,</u>	205,150	7	230,123
Total Current Assets	Ş 4	,3/1,123	Ş	3,928,212	Ş	5,130,142	Ş	7,555,633	ŞZ	1,801,497	\$3	1,496,160
Non-Current Assets												
Investments	\$	-	\$	-	\$	-	\$	52,510	\$	21,681	\$	52,189
Capital Assets - Not Being Depreciated	\$ 14	4,972,454	\$	7,024,237	\$	8,010,150	\$	9,200,401	\$	9,129,138	\$1	2,361,800
Capital Assets - Being Depreciated	\$ 20	0,233,772	\$2	27,748,859	\$	26,518,581	\$	26,205,472	\$2	29,439,764	\$3	2,041,083
Total Non-Current Assets	\$35	,206,226	\$3	4,773,096	\$3	34,528,731	\$3	35,458,383	\$3	8,590,583	\$44	,455,072
TOTAL ASSETS	\$39	,577.349	\$3	8,701.308	Ś	39,658.873	\$4	43,014.016	ŚŔ	0,392.080	\$7ª	,951.232
	+	,,		-,,		,,	-	,		-,,	7.5	,,
Deferred Outflows of Resources					-							
Deferred OPER Outflows	ć		ć		ć		ć	E /00	ć	726 550	ć	687 252
	Ş	-	ې د	-	ې د	4 252 020	ې د	3,452	ې د	750,559	ې د	007,555
Deferred Pension Outflows	<u> </u>	378,695	<u>\$</u>	1,007,189	<u> </u>	1,253,820	ş	929,466	<u> </u>	939,246	Ş	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	\$3	9,708,497	\$4	40,912,693	\$4	43,948,914	<u>\$6</u>	2,067,885	<u>\$77</u>	,658,279
LIABILITIES												
Current Liabilities												
Accounts Pavable & Accrued Expense	Ś	941 375	Ś	329 603	Ś	384 347	Ś	363 590	Ś	947 456	Ś	920 780
Acrived Wages & Pelated Pavables	ć	175 056	¢	216 205	ć	222 206	¢	242 215	ć	1/0 215	ć	11/ /09
Actived Wages & Related Payables	ې د	92 206	ې خ	E4 002	ې د	102 445	ې خ	141 071	ې د	100 049	ې خ	105.052
Unearried Revenues - Customer Deposits	Ş	05,500	ې د	54,992	ې د	102,445	ې د	141,071	ې د	109,046	ې د	105,952
Unearned Revenues - Construction Deposits	\$	121,360	\$	95,622	>	15,478	\$	13,945	\$	17,000	>	8,579
Acrrued Interest Payable	Ş	28,940	Ş	21,624	\$	15,999	Ş	38,209	Ş	206,656	Ş	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	Ś	1.860.333	Ś	1.871.108	Ś	1.903.383	Ś	2.714.300	Ś 3	3.006.259
	7 -	,,	-	_,,	Ť	-,,	-	_,,	-	_,,		,,
Non-Current Liabilities												
Long-Term Liabilities - Due in More Than One Year												
Componented Absonces	ć	202 502	ć	202 555	ć	220.071	ć	24E 122	ć	264.095	ć	40E 920
Other Best Employment Besefite Develop	ې د	232,382	ې خ	303,333	ې م	1 020 200	ې م	343,122	ې ۲	1 000 505	ې خ	403,030
	Ş	238,911	Ş	262,939	Ş	1,029,266	Ş	4,760,158	Ş	1,990,505	Ş.	2,128,882
Net Pension Liability	Ş	2,522,518	Ş	3,511,169	Ş	3,969,598	Ş	597,778	Ş	4,158,344	\$	4,530,116
Loans Payable	Ş	3,241,218	\$	3,311,614	\$	3,065,715	Ş	46,763	\$	4,429,199	Ş 1	5,496,599
Bonds Payable	\$ 2	2,555,853	\$	1,845,824	\$	1,179,808	\$	1,138,893	\$	103,247	\$	-
Certificate of Participation	\$	-	\$	-	\$	-	\$	-	\$:	14,657,705	\$1	4,383,127
Capital Lease Payable	\$	-	\$	92,524	\$	70,019	\$	3,805,659	\$	22,828	\$	105
Total Non-Current Liabilities	\$ 8	8,851,082	\$	9,327,625	\$	9,643,477	\$1	10,694,373	\$2	5,726,813	\$39	,944,659
TOTAL LIABILITIES	\$11	,239,850	\$1	1,187,958	\$1	11,514,585	\$1	12,597,756	\$2	8,441,113	\$42	2,950,918
						, ,		, ,				
Deferred Inflows of Resources	1											
Deferred Pension Inflows	Ś	501 677	Ś	265 104	¢	276 001	¢	123 646	Ś	154 013	Ś	45 330
Deferred OPER Inflows	Ś	-	¢		ب د	33 162	¢		¢	22 821	Ś	21 988
Tetal Deferred Inflammer f December 2	<u>~</u>	F04 477	<u>ب</u> م	-	<u>ر</u> م	300 444	<u>د</u>	100 000	ب م	477.001	Ŷ	21,000
I otal Deferred Inflows of Resources	Ş	501,677	ş	265,104	ş	309,164	Ş	123,646	Ş	177,834	\$	67,318
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	\$11	,741,527	\$1	1,453,062	\$1	11,823,749	\$1	12,721,402	\$2	8,618,947	\$43	8,018,236
NET POSITION												
Net Investment in Capital Assets	\$ 25	3,535,901	\$ 3	28,551 697	Ś	29.278 749	Ś	29.092 752	Ś:	31,913 552	Ś₹	3.871 628
Restricted for Debt Service	5	403 624	<u>د</u>	686 020	<u>ر</u>	637 205	¢	2 231 220	¢	667 387	Ś	626.075
Uprostricted (Deficit)	ب د	(725 000)	ې خ	(982 2020	ې خ	(827.010)	ر ¢	(06 /60)	ې د	867 000	ć	3149 615
	ب	(123,000)	ر	(302,202)	<u>د</u>	(027,010)	ر ا	(30,400)	ر	551,333	، در	5,170,013
Total Net Position	\$28	3,214,517	\$2	8,255,435	\$2	29,088,944	\$3	31,227,512	\$3	3,448,938	\$37	,646,318
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES.	4.				,		,				A -	
& NET POSITION	<u>\$39</u>	956,044	<u>\$3</u>	9,708,497	<u>\$4</u>	40,912,693	<u>Ş</u> 4	43,948,914	<u>\$6</u>	2,067,885	<u>\$80</u>	0,664,554

Table 80: Total Assets & Liabilities

Countywide Water Service & Sphere Review

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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:

Board Member	Term of Office			
Gail Mahaad Brasidant	Elected: December 1, 2020			
Gail Manoou, President	Term Limit Ends: December 1, 2024			
Mark Smallay	Appointed: December 16, 2020			
Mark Shoney	Term Limit Ends: December 1, 2022			
Poh Fultz Director	Elected: December 1, 2018			
Bob Fullz, Director	Term Limit Ends: December 1, 2022			
Jayma Aakamann Diractor	Appointed: May 6, 2021			
Jayme Ackemann, Director	Term Limit Ends: December 1, 2022			
loff Hill Director	Appointed: April 21, 2022			
	Term Limit Ends: December 1, 2022			

Table 81: Board of Directors

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 indepth 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 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.



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					
	•				
7. Mission Statement	√				
8. Description of District's Services/Functions and Service Area	✓				
9. Authorizing Statute/Enabling Act	\checkmark				
10. Adopted District Budgets*	✓				
11. Financial Audits*	\checkmark				
12. Archive of Board Meeting Agendas & Minutes*	\checkmark				
13. Link to State Controller's Webpages for District's reported					
Board Member and Staff Compensation					
Financial Transaction Report					
15 Reimbursement & Compensation Policy / Annual Policies	\checkmark				
16. Home Page Link to Agendas/Board Packets	\checkmark				
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	\checkmark				
3. Last Three Years of Audits	✓				
4. Financial Reserves Policy	✓				
5. Online/Downloadable Public Records Act Request Form	\checkmark				
6. Audio or Video Recordings of Board Meetings					
7. Map of District Boundaries/Service Area	\checkmark				
8. Link to CSDA Mapping Program					
9. General Description of Special Districts or Link to					
www.districtmakethedifference.org	1				
10. LINK to Most Recently Filed to FPPC Forms	✓				
I otal Score (out of a possible 10)	6 (60%)				

Table 82: Website Transparency

*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

Countywide Water Service & Sphere Review

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

ш	Water	Size	Develotion	
#	System Name	Type of Water System	(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'l 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

Table 83: List of Private Water Systems Within SLVWD

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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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		
Facilities170 miles of pipeline, 39 tank sites, and 30 booster pum serving 36 pressure zones. The District also owns, ope maintains a wastewater system in Boulder Creek's B 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	Total Revenue = \$16,601,701 Total Expenditure = \$12,404,321 Net Position (Beginning Balance) = \$37,646,318		
Contact Information	Mailing Address: 13060 Highway 9 Boulder Creek CA 95006 Phone Number: (831) 430-4636 Email Address: <u>RRogers@slvwd.com</u> Website: <u>www.slvwd.com</u>		
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' 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.

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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 openspace 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' 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.

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

Table 84: List of Service Provisions

¹⁴ City of Scotts Valley Land Use - <u>https://www.scottsvalley.org/DocumentCenter/View/712/Zoning-Map-PDF</u> *Countywide Water Service & Sphere Review* Page **181** of **228**

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

Table 85: List of Infrastructure / Facilities

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.

	2017	2018	2019	2020	2021*
	(Adopted)	(Adopted)	(Adopted)	(Adopted)	(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

Table 86a: Recycled Water Rates (Monthly Rates)

*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 Siz	e)								
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 (P	er 1.000 Gal)	+- , .	<i> </i>	+_,					
Tiers for Residential Units with	th Individual Me	eters							
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 LIn	its with Master	 Motors			ψ2.00				
	\$1 80	\$5.63	\$6.20	\$6.39	_				
6 001 to 12 000	\$8.50	\$0.82	\$10.20	\$11 00					
12 001 to 16 000	\$13.72	\$15.02 \$15.72	\$17.26	\$17.78					
Over 16 000	\$16.56	¢18.00	\$20.86	¢21.70	-				
	ψ10.50	ψ10.99	ψ20.00	ψ21.43	- ¢0.83				
3 001 to 3 200	-	-	-	-	ψ0.00 ¢1.22				
3,001 to 3,200	-	-	-	-	\$1.33 \$2.40				
3,201107,000	-	-	-	-	φ2.40 ¢0.00				
Uniform Pates (Por 1 000 G	-	-	-	-	φ2.00				
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.



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.

	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%

Table 87: Projected	Population
---------------------	------------

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.



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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.

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>	

Table 88: Revenue Breakdown (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.

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>	

Table 89: Expense Breakdown (FY 2020-21)

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.

	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

Table 90: Net Position (2015 to 2021)



Countywide Water Service & Sphere Review

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FY 2015-16 FY 2016-17 FY 2017-18 FY 2018-19 FY 2019-20 FY 2020-21 (Audited) (Audited) (Audited) (Audited) (Audited) (Audited) REVENUE **Operating Revenue** Water Sales (Potable & Recycled) \$ 2,625,008 \$ 2,998,786 \$ 3,959,771 \$ 4,052,051 \$ 4,566,923 \$ 4,727,234 \$ \$ \$ 2,293,336 \$ 1,927,303 \$ 2,076,643 \$ 2,230,855 Water Service (Service Charges) 1,348,590 1,497,782 \$ New Connections \$ \$ \$ \$ Ś \$ \$ \$ \$ \$ \$ 75,366 53,170 17,514 46,311 31,273 27,592 Other Revenue (Fees and Charges) \$ 4,048,964 \$ 6,270,621 **Total Operating Revenue** \$ 4,549,738 \$ 6,025,665 \$ 6,674,839 \$ 6,985,681 Non-Operating Revenue \$ 246,704 \$ 792,779 \$ 720 \$ 720 \$ \$ 10,510 **Capital Grants** _ \$ 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 \$ \$ \$ \$ \$ \$ 839,095 \$ \$ 1,030,321 775,679 Ś 923.894 Ś 975,085 \$ 1,057,540 **Property Taxes** \$ \$ Investment Earnings 39,106 \$ 25,159 22,574 \$ 35,893 \$ 66,477 \$ \$ \$ \$ \$ 10,335 \$ 8,468 170,233 \$ 62,910 119,616 78,213 Other Non-Operating Revenue **Total Non-Operating Revenue** \$ 1,648,559 \$ 1,676,001 \$ 1,117,421 \$ 1,744,380 \$ 1,999,698 \$ 1,856,834 \$ 7,388,042 \$ 5,697,523 \$ 6,225,739 \$ 7,770,045 \$ 8,674,537 \$ 8,842,515 TOTAL REVENUE EXPENDITURE **Operating Expense** \$ Source of Supply 97,655 \$ 150,614 \$ 163,709 \$ 99,307 \$ 182,735 \$ 111,200 \$ Pumping 524,177 Ś 536.653 \$ 584,787 \$ 466,512 \$ 480.655 \$ 464,519 \$ Water Treatment 688,601 \$ 660,704 \$ 829,736 \$ 293,069 \$ 239,722 \$ 284,701 \$ 546,568 472,105 \$ 486,683 434,404 \$ 472,247 \$ **Recycled Water** \$ \$ 590,898 \$ Transmission and Distribution 776,096 797,494 \$ 835,658 1,849,596 \$ 1,990,814 \$ 2,213,808 \$ \$ \$ 241,892 158,507 \$ Conservation \$ 163,778 \$ \$ \$ \$ \$ 192.925 \$ \$ \$ Ś Customer Accounts 207.833 198.613 \$ Finance, Customer Service, and Conservation Ś \$ \$ 649,335 \$ 659,450 \$ 1,064,016 837,784 \$ 1,695,591 \$ 1,706,288 \$ 1,871,927 \$ \$ 993,681 1,163,905 General and Administrative Expenses **Total Operating Expense** \$ 4,778,413 \$ 4,675,290 \$ 5,134,891 \$ 4,630,007 \$ 5,019,304 \$ 5,893,047 Non-Operating Expense \$ 1,119,609 \$ 913,955 \$ 937,847 \$ 998,094 \$ 1,085,254 \$ 1,069,751 **Deprectiation Expense** \$ Capacity Buy-Back (Capital Contribution) \$ \$ 235,856 \$ 21,619 \$ 144,541 \$ \$ \$ \$ 417,796 \$ \$ \$ Interest Expense 703,031 107,603 94,956 86,262 75,834 \$ \$ Change in Investment in SMGA-JPA \$ \$ \$ 240,719 \$ 357,480 _ _ _ \$ Ś \$ 347,958 Ś \$ Ś Loss on Disposal of Capital Assets **Total Non-Operating Expense** \$ 1,331,751 \$ 1,640,878 \$ 1,453,655 \$ 1,416,066 \$ 1,418,351 \$ 1,697,464 \$ 6,110,164 \$ 6,316,168 \$ 6,588,546 \$ 6,046,073 \$ 6,437,655 \$ 7,590,511 TOTAL EXPENDITURE Surplus/(Deficit) \$ (412,641) \$ (90,429) \$ 799,496 \$ 1,723,972 \$ 2,236,882 \$ 1,252,004

Table 91: Total Revenues & Expenditures

Countywide Water Service & Sphere Review

\$ 16,626,644

\$16,214,003

\$ 16,214,003

\$16,123,574

\$ 14,562,508

\$15,362,004

NET POSITION

Ending Balance

Beginning Balance (as restated)

\$ 15,366,587

\$17,090,559

\$ 17,090,559

\$19,327,441

\$ 19,327,441

\$20,579,445

6,936

	F	Y 2015-16	F	Y 2016-17	F	Y 2017-18	F	FY 2018-19	F	Y 2019-20	FY	2020-21
	(Audited)	((Audited)	(Audited)		(Audited)		(Audited)	(/	Audited)
ASSETS												
Current Assets												
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
Non-Current Assets												
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	\$2	21,067,532	\$	20,563,817	\$	20,571,981	\$ 2	3,164,658
Total Non-Current Assets	\$2	21.492.990	\$2	21.354.007	\$2	22.193.139	Ś	22.758.272	Ś	22.881.122	\$2	4.974.141
							Ŧ		Ŧ.			.,
TOTAL ASSETS	\$1	25.824.171	\$2	25.458.878	\$7	25,591,590	¢	27.265.392	Ś	28,939,921	\$2	0.674.292
	, , <u>,</u> , , ,		<u>م</u> ر		<u>, , , , , , , , , , , , , , , , , , , </u>		د ا	_,_03,332	ې د		ان پ	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
Deferred Outflows of Resources							-		-			
Loss on Defeasance of Debt	¢	460 564	ć	/0 100	¢	26 171	ć	_	ć	_	¢	
Net OPER Obligation	ر د	+00,304	د د	40,190	د ہ	30,1/1	ې د	152 5/0	ې د	1/12 070	ہ د	140 200
	ې د	200 204	ې د	456 921	ې د	656 170	ې خ	600.000	ې خ	604 200	ې د	601 220
Net Pension Liability	<u>ې</u>	209,294	<u> </u>	450,821	<u> </u>	050,179	<u>ې</u>	080,989	ې م	094,599	<u>ې</u>	091,550
Total Deferred Outflows of Resources	Ş	669,858	Ş	497,011	Ş	692,350	Ş	834,538	Ş	837,369	Ş	831,530
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	<u>\$2</u>	26,494,029	<u>\$2</u>	25,955,889	<u>\$2</u>	26,283,940	<u>\$</u>	28,099,930	<u>Ş</u> :	<u>29,777,290</u>	<u>\$3</u>	1,505,822
LIABILITIES												
Current Liabilities												
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 Asbences	\$	22,051	\$	26,103	\$	25,862	\$	30,508	\$	40,998	\$	38,251
Certificates of Participation	\$	165,000	\$	-	\$	-	\$	-	\$	-	\$	-
Bonds Payable	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
Loan Pavable	\$	215,000	\$	452,927	\$	-	\$	468,579	\$	567,298	\$	662,832
Total Current Liabilities	Ś	940.689	Ś	978.876	Ś	561.527	Ś	1.208.084	Ś	1.461.151	Ś	2.176.750
	Ŧ	,	Ŧ	,	Ť	,	-		Ŧ	_,,	-	,,
Non-Current Liabilities												
Unearned Revenue	Ś	1 770	Ś	10 178	Ś	8 1 4 2	Ś	-	Ś	-	Ś	-
Long-Term Liabilities - Due in More Than 1 Yr	Ŷ	1,770	Ŷ	10,170	Ŷ	0,112	Ŷ		Ŷ		Ŷ	
Compensated Absences	Ś	66 154	Ś	78 305	Ś	77 585	Ś	91 522	Ś	122 992	¢	114 752
Loan Pavable	¢	/ 110 000	¢	5 596 621	¢	5 136 591	¢	4 668 012	¢	4 100 714	¢	3 /37 882
Net OPER Obligation	¢ ¢	1 18/ 517	ې د	1 173 326	¢ ¢	2 8/18 / 38	ç	2 758 814	ر د	2 2/15 / 195	¢ ¢	2 539 285
Net OFED Obligation	ې د	1,104,517	ې د	1 702 270	ې د	2,040,430	ڊ خ	2,730,014	د خ	2,243,433	ې د	2,333,203
Notes Pavable	د د	1,233,013	د د	1,102,319	د ہ	2,100,130	ې د	2,070,000	ې د	2,304,037	ې د	2,371,220
Ronds Pavable	ې د	-	ې د	-	ې د	-	ې د	-	ې د	-	ر خ	-
Bolius Payable	ې د	-	ې د	-	ې د	-	ې د	-	ې د	-	ې د	-
Certificates of Participation	<u>ې</u>	2,332,415	<u>ې</u>		<u>ې</u>	-	<u>د</u>	-	<u>ې</u>		<u>ې</u>	-
Total Non-Current Liabilities	Ş	8,927,869	Ş	8,640,809	Ş1	10,176,886	Ş	9,589,006	Ş	8,773,238	Ş	8,633,147
	Ļ.	a act	<i>.</i>				<u>.</u>					
TOTAL LIABILITIES	Ş	9,868,558	Ş	9,619,685	Ş1	10,738,413	Ş	10,797,090	Ş	10,234,389	Ş1	0,809,897
	_											
Deferred Inflows of Resources	-										-	
Net Pension Liability	Ş	411,468	Ş	212,630	Ş	183,523	Ş	212,281	Ş	215,460	Ş	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	\$1	10,280,026	\$	9,832,315	\$1	10,921,936	\$	11,009,371	\$	10,449,849	\$1	0,926 <u>,</u> 377
	1			·					-			
			i									
NET POSITION												
NET POSITION Net Investment in Capital Assets	¢ ^	13 665 884	¢	14 790 579	¢ -	16 700 288	ć	16 974 413	¢	17 684 486	\$ 2	0 391 522
NET POSITION Net Investment in Capital Assets Restricted for Debt Service	\$: ¢	13,665,884 749 404	\$ \$	14,790,579	\$: ¢	16,700,288	\$ ¢	16,974,413	\$ ¢	17,684,486	\$ 2 \$	0,391,522
NET POSITION Net Investment in Capital Assets Restricted for Debt Service Unperticided (Deficit)	\$: \$ ¢	13,665,884 749,404	\$ \$ ¢	14,790,579 - 1 332 995	\$: \$ ¢	16,700,288 - (1 338 294)	\$ \$ ¢	16,974,413 - 116 146	\$ \$ ¢	17,684,486	\$ 2 \$ ¢	0,391,522 - 187 022
NET POSITION Net Investment in Capital Assets Restricted for Debt Service Unrestricted (Deficit)	\$ \$ \$	13,665,884 749,404 1,798,715	\$ \$ <u></u> \$	14,790,579 - 1,332,995	\$ \$ <u></u> \$	16,700,288 - (1,338,284)	\$ \$ \$	16,974,413 - 116,146	\$ \$ \$	17,684,486 - 1,642,955	\$ 2 \$ \$	0,391,522
NET POSITION Net Investment in Capital Assets Restricted for Debt Service Unrestricted (Deficit) Total Net Position	\$: \$ <u>\$</u> \$1	13,665,884 749,404 1,798,715 16,214,003	\$ \$ \$ \$ 1	14,790,579 - 1,332,995 16,123,574	\$: \$ \$ <u>\$</u> 1	16,700,288 - (1,338,284) 15,362,004	\$ \$ \$	16,974,413 - 116,146 17,090,559	\$ \$ \$	17,684,486 - 1,642,955 19,327,441	\$ 2 \$ \$ \$2	0,391,522 - 187,923),579,445
NET POSITION Net Investment in Capital Assets Restricted for Debt Service Unrestricted (Deficit) Total Net Position	\$ \$ \$ \$1	13,665,884 749,404 1,798,715 16,214,003	\$ \$ \$ \$ 1	14,790,579 - 1,332,995 16,123,574	\$: \$ <u>\$</u> \$1	16,700,288 - (1,338,284) 15,362,004	\$ \$ \$	16,974,413 - 116,146 17,090,559	\$ \$ \$	17,684,486 - 1,642,955 19,327,441	\$ 2 \$ <u>\$</u> \$2	0,391,522 - 187,923 0,579,445
NET POSITION Net Investment in Capital Assets Restricted for Debt Service Unrestricted (Deficit) Total Net Position TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES,	\$ \$ \$ \$1	13,665,884 749,404 1,798,715 16,214,003	\$ \$ \$ 1	14,790,579 - 1,332,995 16,123,574	\$ \$ \$ \$ \$	16,700,288 - (1,338,284) 15,362,004	\$ \$ \$	16,974,413 - 116,146 17,090,559	\$ \$ \$	17,684,486 - 1,642,955 19,327,441	\$ 2 \$ \$ \$2	0,391,522 - 187,923 0,579,445

Table 92: Total Assets & Liabilities

Countywide Water Service & Sphere Review

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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:

Board Member	Term of Office					
William Ekwall Director	Elected: November 2018					
William Ekwan, Director	Term Ends: December 1, 2022					
Buth Stilos President	Appointed: January 2015					
Ruth Stiles, President	Term Ends: December 1, 2022					
Wada Lajahman Director	Appointed: July 17, 2017					
wade Leisnman, Director	Term Ends: December 1, 2022					
Chris Barri Vice Bresident	Appointed: January 2007					
Chills Ferri, vice-Fresident	Term Ends: December 1, 2024					
Danny Bahar Director	Appointed: November 2012					
Danny Reper, Director	Term Limit Ends: December 1, 2024					

Table 93: Board of Directors

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.

<u>Urban Water Management Plan</u>

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.

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.



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	v
	▼ (
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*	\checkmark
12. Archive of Board Meeting Agendas & Minutes*	\checkmark
13. Link to State Controller's Webpages for District's reported	
Board Member and Staff Compensation	
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	\checkmark
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	
Total Spare (aut of a page bla 42)	
I otal Score (out of a possible 10)	6 (60%)

Table 94: Website Transparency

*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 55. 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	Purisima 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							

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

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.



Countywide Water Service & Sphere Review



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: <u>PHarmon@svwd.org</u> Website: <u>https://www.svwd.org/</u>						
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' 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 openspace 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 residentials 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.

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

Table 96: List of Service Provisions

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

Infrastructure	Checkmark (Yes)	Quantity
Distribution / Storage Tanks	-	18 storage tanks
Pressure Zones	-	31 pressure zones
Production Wells	\checkmark	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	\checkmark	167 miles
Total Connections	\checkmark	16,047

Table 97: List of Infrastructure / Facilities

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.



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	100											
	2017	2018	2019	2020	2021							
	(Adopted)	(Adopted)	(Adopted)	(Adopted)	(Adopted)							
SERVICE CHARGES												
Single Family / Multi-Family	y 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							
	\$328.13	\$367.51	\$781 72	852.08	\$928 77							
<u> </u>	\$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 (M	eter Size)		, , , , , , , , , , , , , , , , , , ,	т ў	<u> </u>							
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	2,276.41 \$3,501.23		\$4,159.83							
8"	\$4,299.80	\$3,035.22	\$6,122.64	\$6,673.68	\$7,274.32							
Private Fire Protection (Me	ter 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							

Table 98: Water Rates







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.

	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	t 38,706 40,660		42,726	44,890	47,163	5.06%

Table 99: Projected Population

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.



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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 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.



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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.

	•	
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>	

Table 100: Revenue Breakdown (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.

		1
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>	

Table 101: Expense Breakdown (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.

	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

Table 102: Net Position (2015 to 2021)



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	FY 2015-16		FY 2016-17		FY 2017-18		FY 2018-19		FY 2019-20		FY 2020-21	
	(/	Audited)	((Audited)	(Audited)		(Audited)		(Audited)		(Audited)	
REVENUE												
Operating Revenue												
Water Consumption Sales	\$ 1	L0,059,054	\$	9,953,612	\$:	11,916,294	\$	11,366,972	\$ 2	14,565,944	\$1	5,915,679
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	\$1	5,678,414	\$:	16,078,843	\$1	8,691,864	\$1	L8,563,912	\$2	3,220,664	\$2	6,298,797
Non-Operating Revenue												
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 <i>,</i> 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	\$1	3,562,427
	\$16.120.838		\$17,270,199		\$20.103.814		\$2	20,760,193	\$2	26,182,817	\$39.861.224	
EXPENDITURE												
Operating Expense												
Source of Supply	\$	1,616,988	\$	2,155,353	\$	2,344,975	\$	4,293,876	\$	2,798,714	\$	2,845,560
Pumping	Ś	842.926	Ś	900.209	Ś	944.174	Ś	1.099.645	Ś	1.051.350	Ś	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	\$1	1.278.048	Ś	11.112.813	\$12.165.140		\$13,937,542		\$13,764,643		\$1	4.777.079
	† ·	, -,		, ,		, , -		-/ /-		-, -,	•	, ,
Non-Operating Expense												
Interest Expense	\$	666,906	\$	782,308	\$	759,151	\$	740,732	\$	1,384,938	\$	1,454,110
Rental Property Expanse	\$	-	\$	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
		-//		-,,		-,- ,		-,- ,		/		//
	\$1	4 319 044	Ś	14 494 859	\$1	6 139 596	\$1	7 809 107	\$1	8 123 016	\$1	9 367 081
TOTAL EXPENDITURE	<u> </u>	4,515,644	Ŷ.	14,454,005	<u> </u>	.0,135,350	<u> </u>	.,	<u> </u>	.0,120,010	<u> </u>	5,507,001
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	s/(Deticit) \$ 1,		Ş	2,115,340	Ş	5,904,218	Ş	2,951,080	Ş	0,059,801	۶۷	0,494,143
	<u>د ب</u>	10 244 120	÷	11 766 212	÷ -	17 002 774	<u>ج</u>		¢ r	4 800 038	¢ 7	2 060 020
Beginning Balance (as restated)	<u>ې 4</u>	+3,244,120	Ş	44,700,513	<u>ې د</u>	+1,033,124	<u>ې</u>	51,057,942	<u>ې</u> :	04,003,028	<u> </u>	2,000,029
Ending Balance	<u>\$5</u>	1,045,920	\$4	47,541,653	\$5	51,857,942	\$5	54,809,028	\$6	52,868,829	\$8	3,362,972

	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	
	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	
ASSETS							
Current Assets	¢ 12 701 102	¢ 10 290 075	\$ 12.07F.016	¢ 11 /17 720	¢ 0.002.E64	¢ 14.021.142	
Cash & Cash Equivalents - Restricted	\$ 12,791,103	\$ 10,380,973	\$ 9511348	\$ 9239582	\$ 8588673	\$ 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	<u>\$ 143,033</u>	\$ 166,188	<u>\$ 173,755</u>	<u>\$ 155,948</u>	<u>\$ 185,240</u>	<u>\$ 247,527</u>	
Total Current Assets	\$29,665,395	\$24,083,909	\$ 25,752,046	\$ 25,853,144	\$ 25,206,746	\$ 36,752,926	
Non-Current Assets	ć 240.000	¢ 5453.000	¢ 5 00 4 000	Ć 5 430 000	¢ 2,202,000	¢ 1 171 000	
Investments	\$ 248,000	\$ 5,157,000	\$ 5,884,000	\$ 5,428,000	\$ 3,203,000	\$ 1,471,000	
Other Post Employment Repolits Asset	\$ 1,554,500 \$ 242,725	\$ 1,544,504 ¢	\$ 1,546,052 ¢	\$ 1,500,040 ¢	\$ 1,029,014	\$ 496,000	
Investments in Joint-Powers Authority	\$ 242,725		\$ 227.947	\$ 400.924	\$ 1376931	\$ 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	
Deferred Outflows of Resources		4					
Deferred Refunding Charges	Ş -	Ş -	Ş -	Ş -	Ş -	\$ 1,269,920	
Deterred 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	
	COF 104 017	60C 02C 2C7	¢101 120 852	¢102 720 168	¢112 200 240	¢142 CO4 202	
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	<u>\$95,104,817</u>	<u>\$96,036,367</u>	<u>\$101,139,852</u>	<u>\$102,729,168</u>	<u>\$113,380,248</u>	<u>\$142,004,283</u>	
LIABILITIES							
Current Liabilities							
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	Ş -	
Revenue Bonds	\$ 615,566	\$ 621,028	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	\$ 1,875,000	
Total Current Liabilities	\$ 3,186,741	\$ 3,482,011	\$ 4,328,922	\$ 5,263,059	\$ 8,452,747	\$ 10,578,001	
Non Current Liabilities							
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	
Deferred Inflows of Resources							
Deferred OPER Inflows	Ś.	Ś.	Ś 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	
	¢,000	<i> </i>	<i> </i>	<i> </i>	<i> </i>	¢ 000,100	
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOLIDCES	\$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,	COE 104 017	606 026 267	6101 120 052	\$103 730 100	6112 200 240	¢142 604 202	
& NET POSITION	<u>333,104,817</u>	<u>, 350,030,367</u>	<u>2101,133,825</u>	<u>\$102,729,168</u>	<u>2113,380,248</u>	<u>\$142,004,283</u>	

Table 104: Total Assets & Liabilities

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:

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

Table 105: Board of Directors

Board Meetings

The District's Board of Directors meet regularly and citizens are encouraged to attend. Board meetings are typically held on the first and 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 indepth 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: <u>https://www.soquelcreekwater.org/DocumentCenter/View/1665/2020-Urban-Water-Management-Report-PDF?bidId=</u>
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.

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*	\checkmark
7. Mission Statement	\checkmark
8. Description of District's Services/Functions and Service Area	\checkmark
9. Authorizing Statute/Enabling Act	\checkmark
10. Adopted District Budgets*	\checkmark
11. Financial Audits*	✓
12. Archive of Board Meeting Agendas & Minutes*	✓
13. Link to State Controller's Webpages for District's reported	\checkmark
Board Member and Staff Compensation	
14. Link to State Controller's Webpages for District's reported	\checkmark
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%)

Table 106: Website Transparency

*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.





Countywide Water Service & Sphere Review

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

#	Water System Name	Type of Water System	Size (Square Miles)	Population		
	Private Water Systems W	/ITHIN AND OUTSIDE SqCWD's Jurisdictional I	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	os Hills MWC Small Water System (12 connections)				
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		

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

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.



Countywide Water Service & Sphere Review



Figure 81: SqCWD's Current 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	Current Sphere: Smaller than the District (i.e., sphere boundary does not include the District's existing jurisdictional boundary)				
	Proposed Sphere: Larger than the District (i.e., sphere boundary includes areas outside the District's jurisdictional boundary)				
	Total Revenue = \$39,861,224				
FY 2020-21 Audit	Total Expenditure = \$19,367,081				
	Net Position (Ending Balance) = \$83,362,972				
	Mailing Address: 5180 Soquel Drive, Soquel CA 95073				
Contact Information	Phone Number: (831) 475-8500				
Contact mormation	Email Address: <u>RonD@soquelcreekwater.org</u>				
	Website: https://www.soquelcreekwater.org/				
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' 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.

Countywide Water Service & Sphere Review

Sphere of Influence Determinations

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

1. The present and planned land uses in the area, including agricultural and openspace 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 residentials 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' 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 A:

List of Private Water Systems (132 in total)

#	Private Water System	System Size	Square Miles
1	Aptos Hills MWC	Small Water System (5 to 14 connections)	0.13
2	Fernbrook Woods Water Company	Small Water System (5 to 14 connections)	0.01
3	Freedom MWC	Small Water System (5 to 14 connections)	0.19
4	Hidden Meadow MWC	Small Water System (5 to 14 connections)	0.37
5	Lagunita MWC	Small Water System (5 to 14 connections)	0.04
6	Larkin Ridge MWC	Small Water System (5 to 14 connections)	0.02
7	Laurel Glen MWC	Small Water System (5 to 14 connections)	0.05
8	Loma Alta MWC	Small Water System (5 to 14 connections)	0.05
9	Love Creek Heights Mutual Water Assoc.	Small Water System (5 to 14 connections)	0.01
10	Milky Way MWC	Small Water System (5 to 14 connections)	0.03
11	Purisima MWC	Small Water System (5 to 14 connections)	0.10
12	Rancho Soquel Water System	Small Water System (5 to 14 connections)	0.01
13	Spring Valley Water Assoc	Small Water System (5 to 14 connections)	0.01
14	Sun & Shadow MWC	Small Water System (5 to 14 connections)	0.03
15		Small Water System (5 to 14 connections)	0.05
16	White Calabasas MWC	Small Water System (5 to 14 connections)	0.05
17		Small Water System (5 to 14 connections)	0.04
18	Bonnymede	Small Water System (5 to 14 connections)	0.09
19	Correlitos Springs	Small Water System (5 to 14 connections)	0.05
20	East Bol Mar	Small Water System (5 to 14 connections)	0.25
20		Small Water System (5 to 14 connections)	0.04
21	En Agua Del Oso	Small Water System (5 to 14 connections)	0.04
22	Ener Lano	Small Water System (5 to 14 connections)	0.11
23	Linos Lane	Small Water System (5 to 14 connections)	0.08
24	IR Panch	Small Water System (5 to 14 connections)	0.03
25		Small Water System (5 to 14 connections)	0.02
20		Small Water System (5 to 14 connections)	0.00
27	La Cillia Moon Meadows	Small Water System (5 to 14 connections)	0.00
20	Mountain Ton	Small Water System (5 to 14 connections)	0.01
20		Small Water System (5 to 14 connections)	0.02
30	Redwood Lodgo	Small Water System (5 to 14 connections)	0.00
22	Redwood Spring	Small Water System (5 to 14 connections)	0.03
22	Sky Panch	Small Water System (5 to 14 connections)	0.21
33	Smith Bood	Small Water System (5 to 14 connections)	0.01
35	Stagecoach	Small Water System (5 to 14 connections)	0.00
36	Villa Glen	Small Water System (5 to 14 connections)	0.02
30	Vista Oaks	Small Water System (5 to 14 connections)	0.01
32	Waterman Gan	Small Water System (5 to 14 connections)	1.74
30	Whiting Road	Small Water System (5 to 14 connections)	0.03
40	Woodside	Small Water System (5 to 14 connections)	0.03
4 0 Д1	Zavante Acres	Small Water System (5 to 14 connections)	0.02
Δ2	Zelhar	Small Water System (5 to 14 connections)	0.01
42	Bluff Residents	Small Water System (5 to 14 connections)	0.00
43	Allan Lane Water Assoc	Medium Water System (15 to 199 connections)	0.00
Δ5	Antos High School	Medium Water System (15 to 199 connections)	0.04
46	Antos Ridge MWC	Medium Water System (15 to 199 connections)	0.05
47	Big Creek Lumber Co	Medium Water System (15 to 199 connections)	0.30
4/	Dig Cleek Luitiber CO.	Medium Water System (15 to 199 connections)	0.50

#	Private Water System	System Size	Square Miles
48	Big Redwood Park	Medium Water System (15 to 199 connections)	0.03
49	Bonny Doon Union School District	Medium Water System (15 to 199 connections)	0.01
50	Bosch Baha'l School	Medium Water System (15 to 199 connections)	0.10
51	Boulder Creek Scout Reservation	Medium Water System (15 to 199 connections)	0.10
52	Brackenbrae Country Club	Medium Water System (15 to 199 connections)	0.02
53	Cabrillo College	Medium Water System (15 to 199 connections)	0.25
54	Camp Hammer	Medium Water System (15 to 199 connections)	0.16
55	Camp Lindblad	Medium Water System (15 to 199 connections)	0.21
56	Cathedral Wood MWC	Medium Water System (15 to 199 connections)	0.07
57	County Fair Grounds	Medium Water System (15 to 199 connections)	0.16
58	Crestwood Heights Water Co.	Medium Water System (15 to 199 connections)	0.01
59	Davenport County Sanitation	Medium Water System (15 to 199 connections)	0.21
60	Fern Grove Club	Medium Water System (15 to 199 connections)	0.11
61	Forest Springs	Medium Water System (15 to 199 connections)	0.05
62	Jarvis Mutual Water Co.	Medium Water System (15 to 199 connections)	0.21
63	Kennolyn Camp	Medium Water System (15 to 199 connections)	0.42
64	Kim Son Monastery	Medium Water System (15 to 199 connections)	0.03
65	Koinonia Conference Grounds	Medium Water System (15 to 199 connections)	0.06
66	La Madronna Swim And Raquet Club	Medium Water System (15 to 199 connections)	0.02
67	Lake View Apartments	Medium Water System (15 to 199 connections)	0.01
68	Land Of Medicine Buddha	Medium Water System (15 to 199 connections)	0.12
69	Las Colinas Road And Water Assoc.	Medium Water System (15 to 199 connections)	0.07
70	Las Cumbres MWC	Medium Water System (15 to 199 connections)	0.17
71	Laurel Community League	Medium Water System (15 to 199 connections)	0.10
72	Lockheed Martin Missles and Space	Medium Water System (15 to 199 connections)	2.07
73	Trout Gulch Water	Medium Water System (15 to 199 connections)	0.28
74	Mission Springs	Medium Water System (15 to 199 connections)	0.02
75	Monterey Bay Acad.	Medium Water System (15 to 199 connections)	0.58
76	Mountain Elementary School	Medium Water System (15 to 199 connections)	0.01
77	Summit West	Medium Water System (15 to 199 connections)	1.24
78	Mt. Madonna Center	Medium Water System (15 to 199 connections)	0.53
79	Mt. Madonna Inn Restaurant	Medium Water System (15 to 199 connections)	0.01
80	Mtn Summit Water System	Medium Water System (15 to 199 connections)	0.02
81	Pine Tree Lane MWC	Medium Water System (15 to 199 connections)	0.01
82	Quaker Center	Medium Water System (15 to 199 connections)	0.13
83	Rancho Corralitos	Medium Water System (15 to 199 connections)	0.08
84	Rancho San Andreas	Medium Water System (15 to 199 connections)	0.01
85	Renaissance High	Medium Water System (15 to 199 connections)	0.02
86	River Grove Mutual Water Assoc.	Medium Water System (15 to 199 connections)	0.02
87	Roaring Camp	Medium Water System (15 to 199 connections)	0.26
88	San Andreas MWC	Medium Water System (15 to 199 connections)	0.54
89	Santa Cruz KOA	Medium Water System (15 to 199 connections)	0.04
90	Santa Cruz Mountain Pure Water Co.	Medium Water System (15 to 199 connections)	0.00
91	Santa Cruz Waldorf School	Medium Water System (15 to 199 connections)	0.01
92	Sequoia Seminar	Medium Water System (15 to 199 connections)	0.08
93	Seventh Day Adventist	Medium Water System (15 to 199 connections)	0.15
94	Skylark Ranch Girl Scout Camp	Medium Water System (15 to 199 connections)	0.42

#	Private Water System	System Size	Square Miles
95	Spring Hills Golf Course	Medium Water System (15 to 199 connections)	0.00
96	Springbrook Park MWC	Medium Water System (15 to 199 connections)	0.02
97	St. Francis Tract Water System	Medium Water System (15 to 199 connections)	0.03
98	The Willows	Medium Water System (15 to 199 connections)	0.01
99	Vajrayana Foundation	Medium Water System (15 to 199 connections)	0.15
100	Villa Del Monte MWC	Medium Water System (15 to 199 connections)	0.16
101	Vista Robles Assoc.	Medium Water System (15 to 199 connections)	0.05
102	Aviza Technology	Medium Water System (15 to 199 connections)	0.01
103	Summit Woods Mutual Water Co.	Medium Water System (15 to 199 connections)	0.10
104	Ridgeview Estates, Inc.	Medium Water System (15 to 199 connections)	0.06
105	Cathedral Hills MWC	Medium Water System (15 to 199 connections)	0.20
106	PureSource	Medium Water System (15 to 199 connections)	0.07
107	Ridge	Medium Water System (15 to 199 connections)	0.25
108	Buena Vista Migrant Center	Medium Water System (15 to 199 connections)	0.08
109	Enchanted Valley	Medium Water System (15 to 199 connections)	0.17
110	Calabasas Road	Medium Water System (15 to 199 connections)	0.01
111	Camp St. Francis	Medium Water System (15 to 199 connections)	0.02
112	David Bruce Winery	Medium Water System (15 to 199 connections)	0.07
113	Hidden Falls Girl Scout Camp	Medium Water System (15 to 199 connections)	0.14
114	Jardines Del Valle	Medium Water System (15 to 199 connections)	0.01
115	Meadowridge	Medium Water System (15 to 199 connections)	0.22
116	Monte Vista Christian School	Medium Water System (15 to 199 connections)	0.11
117	Halcyon Horizons	Medium Water System (15 to 199 connections)	0.04
118	R&A Farms	Medium Water System (15 to 199 connections)	0.02
119	Salsipuedes Elementary	Medium Water System (15 to 199 connections)	0.02
120	Sheriff's Rehab	Medium Water System (15 to 199 connections)	0.17
121	Sunset Beach	Medium Water System (15 to 199 connections)	0.02
122	Camp Chesebrough	Medium Water System (15 to 199 connections)	0.17
123	Lehi Park	Medium Water System (15 to 199 connections)	1.46
124	Gizditch Ranch	Medium Water System (15 to 199 connections)	0.02
125	Cassin Ranch	Medium Water System (15 to 199 connections)	0.02
126	Kitayama Bros.	Medium Water System (15 to 199 connections)	0.35
127	Mystery Spot	Medium Water System (15 to 199 connections)	0.00
128	Los Altos Rod and Gun Club	Medium Water System (15 to 199 connections)	0.15
129	Pinecrest MWC	Medium Water System (15 to 199 connections)	0.05
130	Mount Hermon Association	Large Water System (200+ connections)	0.16
131	Forest Lake Mutual Water Company	Large Water System (200+ connections)	0.50
132	Big Basin Water Company	Large Water System (200+ connections)	20.00

APPENDIX B:

Central Water District (Historical Boundary Changes)

Project Number	Proposal Title	Action Date					
88	Brooktree Ranch Annexation	8/17/1966					
109	Pleasant Valley Annexation	5/24/1967					
287	Pleasant Valley Annexation (additional acreage)	8/18/1971					
306	Rob Roy Annexation						
329	Freedom Boulevard Annexation	7/19/1972					
453	Pleasant Valley Annexation (additional acreage)	3/3/1976					
696	Original Sphere Adoption	11/12/1986					
775	Sphere Amendment (Expansion)	3/6/1991					
795	Pleasant Valley / Lester Sphere Amendment (Expansion)	11/3/1993					
853	Hames Road / Pleasant Valley Annexation	9/2/1998					
924	Storrs Extraterritorial Service Agreement	4/2/2008					

APPENDIX C:

Central Water District (Capital Improvement Plan)

EXECUTIVE SUMMARY

The District manages and operates a complex and integrated water supply infrastructure, including storage tanks, transmission system, wells and booster pumps. The majority of capital projects included in the 10-Year Capital Improvement Plan (CIP) support strategic asset management approach that focuses on replacing aging equipment and facilities, and ensures infrastructure reliability. The District's water main replacement programs is a significant portion of the CIP. The water main system is a critical component of the infrastructure and is approaching forty to fifty years of age, maintaining and upgrading this asset is essential for will ensuring sustainable high quality water supply for future generation. The total estimate for the 10-year CIP is \$3,500,000. This plan will be reviewed and revised if needed on a year to year basis.

Major Capital Improvements Identified in CIP	3,456,200.00	\$ Amount	Priority
Storage Facilities			
• 7 storage tanks with a total capacity of 1.2 millio	n gallons		
<u>Interior recoating and seismic upgrade of the D</u> <u>Replacement of Day Valley Ridge Tank</u>	Day Tank 2	\$ 121,000.00 \$ 15,000.00	<mark>High</mark> Low
Groundwater Wells			
• 6 wells located in two aquifers (3 Inactive)			
Construction of a New Well to Replace Well #19 Installation of SCADA at Well #10	<u>4</u>	\$ 850,000.00 \$ 10,000.00	Medium Medium
Transmission Facilities			
• 23.3 miles of pipelines			
<u>Replacement of 6" steel water main</u> Upgrade of all meters		\$2,205,200.00 \$35,000.00	High Medium
 <i>Pressure Reducing Valve (PRV) Stations</i> 4 PRV stations that allow transferring water between 	en pressure zones		
Replacement of a PRV station on Pleasant Valley	and Hames Road	\$ 50,000.00	Medium
Booster Pump Stations			
• 6 booster pump stations			
<u>Upgrade of Redwood Height Booster Pump</u>		\$ 25,000.00	High
SCADA Upgrade to Valencia Pump station		\$ 20,000.00	Low
Operations (Capital expenditures supporting g	general operations)		
Purchase of a New Vehicle		\$ 50,000.00	Low
GIS Mapping Software		\$ 50,000.00	Low
Standard Specifications Documentation upde	<u>ite</u>	\$ 25,000.00	High

PRIORITY PROCESS AND FINANCIAL ANALYSIS

A priority setting process was conducted to ensure that all proposed water supply projects for the Fiscal Year's 2015-2021 align with District's strategic goals. The priority criteria used to evaluate these projects is included in Appendix A.

A financial analysis of the General Fund, the funding source for water supply capital improvements, was performed to determine the limitations to funding the projects proposed for the Fiscal Years 2015-2021. Results of the prioritization process and financial analysis are summarized in Appendix B.

Based on the feedback from the FY2015-21 CIP Committee and the Board, a concerted effort was made to develop a multiyear water charge structure that supports the CIP. Staff analyzed theimmediate requirements and anticipated future needs to support operations and the continued appropriations for capital investment needed to maintain infrastructure and comply with water quality regulations. Each year staff reviews Board priorities, District annual budget, and current political and economic factors and updates the multi-year structure.



Project Location

The following table is a project funding schedule resulting from this year's priority process and financial analysis. Detailed information for each project can be found in this document on the following pages in the order presented in this table.

10 Year Capital Improvement Projects (Table A)

	Priority		Planned Funding Requests							
CIP Projects	Priority	FY15/16	FY16/17	FY17/18	FY18/19	FY19/20	FY20/21			
Well 14	Medium	x	x					850,000.00		
Day Tank Recoat	High	x						121,000.00		
Valencia Water Main	High		x	x	x			770,000.00		
Morrison Tank to Quail Run	High				x	x		485,000.00		
Day Valley Road- Quail Road to Cox	High					x	х	332,500.00		
Day Valley Ridge Tank Replacement	Low		x 1		15,000.00					
Operations Projects										
Standard Specifications	High	x						25,000.00		
REDWOOD HEIGHTS BOOSTER PUMP	High		x					25,000.00		
Day Valley Road McDonald Isolation Valves	Medium			x				25,000.00		
PRV Station Hames & Pleasant Valley	Medium				x			50,000.00		
SCADA Well #10 & Valencia Pump Station	Low					x		20,000.00		
Truck Replacement	Low						x	50,000.00		
GIS Mapping	Low						x	25,000.00		
Meter Replacement	Low	x		x		x		35,000.00		

The following table shows funding requirements from each funding source for the following projects.

Water Supply - Funding Source (Table B)







PROJECT DESCRIPTION

This project plans, designs, and constructs a new Well that will replace Well # 4. Improvements will accomplish the following objectives: Secure water for next generation.

PROJECT LOCATION





SCHEDULE & STATUS

Phase	Cost	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21	FY 22	FY 23	FY 24	FY 25
Plan	15,	000										
Design	45,	00										
Construct	-		705,0	00								
Proiect Mamt.			85.00	0								
8	50,000	<u> </u>	1		1	1		1				

EXPENDITURE SCHEDULE

	Actuals Thru	Planned Expenditures								
Project	FY14/15	FY15/16	FY17/18	FY18/19	FY19/20	FY20 /21	FY21 /22	Future		
Well 14	0	100,000	750000	0	0	0	0	0	850,000	
with inflation										

FUNDING SCHEDULE

	Budget Thru	Adj. Budget	Est. Unspent	Planned Funding Requests						Total
Project	FY15/16	FY16/17		FY17	FY18	FY19	FY20	FY21	Future	
Well 14	100000									

FUNDING SOURCES

General Fund	850,000
CIP Fund	0
Other Fund Source	0
Total	850,000

OPERATING COST IMPACTS

The completion of this project is not anticipated to increase or decrease annual operating costs, as the project does not significantly modify operations. This Well replaces Well #4.

USEFUL LIFE: 50+ Years

Day Tanks Interior Recoat 300,000 gallons Seismic Upgrade Estimated Cost: \$121,000 Storage: Interior Recoat Priority Rating: HIGH



PROJECT DESCRIPTION

This project plans, designs, and remove interior coating and recoats the interior: OPTION 1: 3-Coat Epoxy Coating OPTION 2: Zinc Primer and 2_Coat Epoxy Replace rigid connection with a Stainless Steel seismic flexible fitting.

PROJECT LOCATION



★ Project Location

SCHEDULE & STATUS

Phase	Cost	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21	FY 22	FY 23	FY 24	FY 25
Plan	5,000											
Design	5,0	00										
Construct	g	6,000										
Project Mgmt	. 1	5,000										

EXPENDITURE SCHEDULE

	Actuals Thru		Plan	ned Exp	enditure	s			Total
Project	FY14/15	FY15/16	FY17	FY18	FY19	FY20	FY21	Future	
Day Tanks Interior Recoat		121,000							121,000
with inflation									

FUNDING SCHEDULE

	Budget Thru	Adj. Budget	Est. Unspent		Planr	ned Fund	ling Requ	uests		Total
Project	FY15/16	FY16/FY17		FY17	FY18	FY19	FY20	FY21	Future	
Day Tanks Interior Recoat	121,000									121,000

FUNDING SOURCES

	Total	121,000
Othe	r Funding Source	0
CIP I	Fund	
Gene	eral Fund	121,000

OPERATING COST IMPACTS

The completion of this project is not anticipated to increase or decrease annual operating costs, as the project does not significantly modify operations.

USEFUL LIFE: 15 Years for Epoxy Coating

30 Years Epoxy Coating with Cathodic Protection

Valencia-Huntington Water Main Replacement Ln Feet 4,700 Estimated Cost: \$770,000

Distribution: Replace 6" Water Main w/ 8"

Priority Rating: High



PROJECT DESCRIPTION

This project plans, designs, and replacement of a 6" steel water main with an eight (8) inch C900 Pressure Class 235 that conforms to AWWA C900 specifications.

PROJECT LOCATION



* Project Location

SCHEDULE & STATUS

Phase	Cost	FY 16/17	FY 17/18	FY 18/19	FY 19/20	FY 20/21	FY 21/22
Plan		2,000					
Design		3,000					
Construct	1		3	50,000 350,	000		
Project Mgmt.	100		1.00	65,	000		
770.0	000						

EXPENDITURE SCHEDULE

	Actuals Thru		Planned Expenditures									
Proj <mark>ect</mark>	FY15/16	FY16/17	FY17	FY18	FY19	FY20	FY21	Future				
Valencia Road Water main Replacement												

FUNDING SCHEDULE

	Budget Thru	Adj. Budget	Est. Unspent		Planr	ned Fund	ling Requ	uests		Total
Proj <mark>ect</mark>	FY16	FY16	/FY17	FY17	FY18	FY19	FY20	FY21	Future	
Valencia Road Water main Replacement										

FUNDING SOURCES

General Fund	
CIP Fund	
Other Fund Source	(
Total	

OPERATING COST IMPACTS

The completion of this project decrease annual operating costs due to the high number of repairs that exist at this time. This project does not significantly modify operations.

USEFUL LIFE: 75 Years (Warranty 50 years)

Day Valley Ridge Tank Replacement Estimated Cost: \$15,000 Storage: Replace steel tank Priority Rating: LOW



PROJECT DESCRIPTION

This project will comprise of replacing the existing 5000 gallon steel tank. The new tank would be a plastic tank utilizing the existing concrete pad.

PROJECT LOCATION



* Project Location

SCHEDULE & STATUS

Phase	Cost						
Plan	1,000						
Desian	1.000						
Construct	13,000						
Project							
	15,000						

EXPENDITURE SCHEDULE

	Actuals Thru	Plar	ned Exp	enditure	s		Total
Project							
Day Valley Ridge Tank Replacement							
with inflation							

FUNDING SCHEDULE

	Budget Thru	Adj. Budget	Est. Unspent	Planr	ned Fund	ling Req	uests	Total
Project								
Day Valley Ridge Tank Replacement								

FUNDING SOURCES

Tota	15,000
Other Funding Source	0
CIP Fund	
General Fund	0

OPERATING COST IMPACTS

The completion of this project is not anticipated to increase or decrease annual operating costs, as the project does not significantly modify operations.

USEFUL LIFE: 50 Years

Day Valley Road intersection @ McDonald Road Isolation Valve Gallery

Estimated Cost: \$15,000

Distribution: Valve Gallery

Priority Rating: HIGH



PROJECT DESCRIPTION

This project plans, designs, and construct a valve isolation gallery on Day Valley Road. The 8" valve gallery will tie into existing 6" steel water main.

PROJECT LOCATION



* Project Location

SCHEDULE & STATUS

Phase Cost						
Plan						
Design						
Construct						
Project Mgmt						
15,000						

EXPENDITURE SCHEDULE

	Actuals Thru	Planned Expenditures							Total
Project									
Day Valley Road/ McDonald Isolation Valve Gallery									
with inflation									

FUNDING SCHEDULE

	Budget Thru	Adj. Budget	Est. Unspent	Planned Funding Requests					Total	
Project										
Day Valley Road/ McDonald Isolation Valve Gallery										

FUNDING SOURCES

General Fund	
CIP Fund	
Other Funding Source	C
Total	15,000

OPERATING COST IMPACTS

The completion of this project is not anticipated to increase or decrease annual operating costs, as the project does not significantly modify operations. This will allow an easy transition to new mains installed in the area with minimum interruptions to service.

USEFUL LIFE: 75 Years
Pressure Reducing Vault Station Pleasant Valley / Hames Road Estimated Cost: \$50,000 Distribution: PRV Priority Rating: LOW



PROJECT DESCRIPTION

This project plans, designs, and construct a valve isolation gallery on Day Valley Road. The 8" valve gallery will tie into existing 6" steel water main.

PROJECT LOCATION



* Project Location

Phase Cost						
Plan						
Design						
Construct						
Project Mgmt.						
50,000				1	1	

EXPENDITURE SCHEDULE

	Actuals Thru	Planned Expenditures							
Project									
Day Valley Road/ McDonald Isolation Valve Gallery									
with inflation									

FUNDING SCHEDULE

	Budget Thru	Adj. Budget	Est. Unspent	Planned Funding Requests					Total
Project									
Day Valley Road/ McDonald Isolation Valve Gallery									

FUNDING SOURCES

CIP Fund		
Other Funding Source		C
	Total	50,000

OPERATING COST IMPACTS

The completion of this project is not anticipated to increase or decrease annual operating costs, as the project does not significantly modify operations.

USEFUL LIFE: 75 Years

Day Valley Rd-Cox Rd to McDonald Road Water Main Replacement Ln Feet 528 Estimated Cost: \$79,200 Distribution: Replace 6" steel main with 8" C900 Priority Rating: HIGH

PROJECT DESCRIPTION

This project plans, designs, and replacement of a 6" steel water main with an eight (8) inch C900 Pressure Class 235 that conforms to AWWA C900 specifications.

PROJECT LOCATION



* Project Location

Phase Cost						
Plan						
Design						
Construct						
Project Mgmt.						
79,800						

EXPENDITURE SCHEDULE

	Actuals Thru	Planned Expenditures							
Project									
Day Tanks Interior Recoat									
with inflation									

FUNDING SCHEDULE

	Budget Thru	Adj. Budget	Est. Unspent	Planned Funding Requests					Total
Project									
Day Tanks Interior Recoat									

Adjusted Budget includes adopted budget plus approved budget adjustments.

FUNDING SOURCES

General Fund		
CIP Fund		
Other Funding Source		C
	Total	79,800

OPERATING COST IMPACTS

The completion of this project is not anticipated to increase or decrease annual operating costs, as the project does not significantly modify operations.

USEFUL LIFE: 75 Years

Morrison Tank to Quail Run Road Water Main Replacement Ln Feet 1,434 Estimated Cost: 250,000 Distribution: Replace 6" steel with 8" C900 Priority Rating: HIGH



PROJECT DESCRIPTION

This project plans, designs, and replacement of a 6" steel water main with an eight (8) inch C900 Pressure Class 235 that conforms to AWWA C900 specifications.

PROJECT LOCATION



* Project Location

Phase Cost						
Plan						
Design						
Construct						
Project Mgmt.						
	<u> </u>				1	

EXPENDITURE SCHEDULE

	Actuals Thru	Planned Expenditures								
Project										
Morrison Tank to Quail Run										
with inflation										

FUNDING SCHEDULE

	Budget Thru	Adj. Budget	Est. Unspent	Planned Funding Requests					Total
Project									
Morrison Tank to Quail Run									

FUNDING SOURCES

General Fund	
CIP Fund	
Other Funding Source	(
Total	250,000

OPERATING COST IMPACTS

The completion of this project is not anticipated to increase or decrease annual operating costs, as the project does not significantly modify operations.

USEFUL LIFE: 75 Years

GIS District Mapping Software Estimated Cost: 50,000 Administration: Priority Rating: LOW



PROJECT DESCRIPTION

Geographic Information System or GIS is a computer system that allows you to map, model, query, and analyze large quantities of data within a single database according to their location. GIS gives you the power to: create maps.

PROJECT LOCATION



Phase Cost						
Plan						
Design						
Construct						
Project Mgmt.						
50,000	L					

EXPENDITURE SCHEDULE

	Actuals Thru	Planned Expenditures							Total
Project									
GIS Mapping Software									

FUNDING SCHEDULE

	Budget Thru	Adj. Budget	Est. Unspent	Planned Funding Requests					Total	
Project										
GIS Mapping Software										

FUNDING SOURCES

General Fund	00
CIP Fund	
Other Funding Source	C
Total	50,000

OPERATING COST IMPACTS

The completion of this project is not anticipated to increase or decrease annual operating costs, as the project does not significantly modify operations.

USEFUL LIFE: 100 Years

Day Valley Road Water Main Replacement Ln Feet: 3,644 Estimated Cost: 660,000 Distribution: Replace 6" steel with 8" C900 Priority Rating: HIGH



PROJECT DESCRIPTION

This project plans, designs, and replacement of a 6" steel water main with an eight (8) inch C900 Pressure Class 235 that conforms to AWWA C900 specifications.

PROJECT LOCATION



* Project Location

SCHEDULE & STATUS Phase Cost Image: Cost <

EXPENDITURE SCHEDULE

	Actuals Thru	Planned Expenditures							Total
Project									

FUNDING SCHEDULE

	Budget Thru	Adj. Budget	Est. Unspent	Planned Funding Requests					Total
Project									

FUNDING SOURCES

General Fund	
CIP Fund	
Other Funding Source	(
Total	660,000

OPERATING COST IMPACTS

The completion of this project is not anticipated to increase or decrease annual operating costs, as the project does not significantly modify operations.

USEFUL LIFE: 75 Years

McDonald Road Water main Replacement Ln Feet 2855 Estimated Cost: \$ 531,000 Distribution: Replace 6" steel with 8" C900 Priority Rating: HIGH



PROJECT DESCRIPTION

This project plans, designs, and replacement of a 6" steel water main with an eight (8) inch C900 Pressure Class 235 that conforms to AWWA C900 specifications. Multiple street need to be connected.

PROJECT LOCATION



* Project Location

Phase Cost						
Plan						
Design						
Construct						
Project Mgmt.						
531,000						

EXPENDITURE SCHEDULE

	Actuals Thru	Planned Expenditures							
Project									

FUNDING SCHEDULE

	Budget Thru	Adj. Budget	Est. Unspent	Planned Funding Requests					Total	
Project										

FUNDING SOURCES

General Fund			
CIP Fund			
Other Funding Source			0
	Total	531,000	

OPERATING COST IMPACTS

The completion of this project is not anticipated to increase or decrease annual operating costs, as the project does not significantly modify operations.

USEFUL LIFE: 75 Years

Update Standard Specification Estimated Cost: 25,000 Administration: Document Control Priority Rating: HIGH



PROJECT DESCRIPTION

The Standard Specifications works in partnership to develop complete, accurate, current, and tested standard construction specifications and drawings for use by our consultants and contractors. The specifications will be useable as a "stand-alone" document for public agencies or private entities engaged in general civil construction, or as a base document to use as a foundation to "build" on. The specifications will be straightforward enough to be used with confidence by persons with limited construction background, but comprehensive enough to be a valuable tool for General Underground Contractors as well.

PROJECT LOCATION



Phase Cost	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21	FY 22	FY 23	FY 24	FY 25
Plan											
Design											
Construct											
Project Mgmt.											
50,000	L		1	1		1					

EXPENDITURE SCHEDULE

	Actuals Thru		Planned Expenditures									
Project	FY15	FY16	FY17	FY18	FY19	FY20	FY21	Future				
GIS Mapping Software												

FUNDING SCHEDULE

	Budget Thru	Adj. Budget	Est. Unspent		Planr	ned Fund	ling Req	uests		Total
Project	FY15	FY	FY16		FY18	FY19	FY20	FY21	Future	
GIS Mapping Software										

FUNDING SOURCES

General Fund		
CIP Fund		
Other Funding Source		C
Т	otal	50,000

COST IMPACTS

The completion of this project is not anticipated to increase or decrease annual operating costs, as the project does not significantly modify operations.

USEFUL LIFE: 25 Years

Meter Replacement Program Estimated Cost: 35,000 Distribution: Water Conservation Priority Rating: Low



PROJECT DESCRIPTION

Badger Meter system minimize the need for costly infrastructure with ORION Cellular endpoints, and cam minimize ongoing system maintenance. Will help understand and monitor water operations and improve customer service with the decision-making information provided by the BEACON AMA software. This technology will also give the customers real assess to their water usage.

PROJECT LOCATION



Phase Cost	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21	FY 22	FY 23	FY 24	FY 25
Constuct											
Project Mgmt.											
35,000							1				

EXPENDITURE SCHEDULE

	Actuals Thru		Plan	ined Exp	enditure	s			Total
Project	FY15	FY16	FY17	FY18	FY19	FY20	FY21	Future	
Meter Replacement Program									

FUNDING SCHEDULE

	Budget Thru	Adj. Budget	Est. Unspent		Planr	ned Fund	ling Req	uests		Total
Project	FY15	FY16		FY17	FY18	FY19	FY20	FY21	Future	
Meter Replacement Program										

FUNDING SOURCES

Other Funding Source	25.000
CIP Fund	
General Fund	00

OPERATING COST IMPACTS

The completion of this project is not anticipated to increase or decrease annual operating costs, as the project does not significantly modify operations.

USEFUL LIFE: 25 Years

New Service Vehicle Estimated Cost: 50,000 Distribution: Operations Priority Rating: Low



PROJECT DESCRIPTION

New Service Truck for day to day operation, meter reading, etc.

SCHEDULE & STATUS



EXPENDITURE SCHEDULE

	Actuals Thru	Plar	ned Exp	enditure	s		Total
Project							
Service Truck							

FUNDING SCHEDULE

	Budget Thru	Adj. Budget	Est. Unspent	Planı	ned Fund	ling Req	uests	Total
Project								
Service Truck								

FUNDING SOURCES

General Fund	00
CIP Fund	
Other Funding Source	C
Total	50,000

OPERATING COST IMPACTS

The completion of this project is not anticipated to increase or decrease annual operating costs, as the project does not significantly modify operations.

USEFUL LIFE: 15 Years

Redwood Heights Booster Pump Replacement Estimated Cost: \$25,000

Distribution: Replace existing pump and controls to VFD control/ add SCADA

Priority Rating: Medium



PROJECT DESCRIPTION

This project plans, designs, and replacement of existing booster pump that is currently controlled by ineffective mercury controller.

PROJECT LOCATION



* Project Location

Phase Cost						
Plan						
Design						
Construct						
Project Mgmt.						
25,000						

EXPENDITURE SCHEDULE

	Actuals Thru	Plar	ined Exp	enditure	s		Total
Project							
Booster Pump Replacement /controller							
with inflation							

FUNDING SCHEDULE

	Budget Thru	Adj. Budget	Est. Unspent	Planı	ned Fund	ling Reg	uests	Total
Project						<u> </u>		
Booster Pump Replacement /controller								

Adjusted Budget includes adopted budget plus approved budget adjustments.

FUNDING SOURCES

General Fund	
CIP Fund	
Other Funding Source	(
Total	25,000

OPERATING COST IMPACTS

The completion of this project is not anticipated to increase or decrease annual operating costs, as the project does not significantly modify operations.

USEFUL LIFE: 25 Years

Well #10 / Valencia Pump Station Scada Upgrade Estimated Cost: \$20,000 Distribution: Install Scada at Well #10 Priority Rating: Low



PROJECT DESCRIPTION

This project plans, designs, and install SCADA controller and connect to existing SCADA system.

PROJECT LOCATION



★ Project Location



EXPENDITURE SCHEDULE

	Actuals Thru	Plar	ned Exp	enditure	s		Total
Project							
SCADA							
with inflation							

FUNDING SCHEDULE

	Budget Thru	Adj. Budget	Est. Unspent	Planr	ned Func	ling Req	uests	Total
Project								
SCADA								

Adjusted Budget includes adopted budget plus approved budget adjustments.

FUNDING SOURCES

General Fund	
CIP Fund	
Other Funding Source	0
Total	20,000

OPERATING COST IMPACTS

The completion of this project is not anticipated to increase or decrease annual operating costs, as the project does not significantly modify operations.

USEFUL LIFE: 25 Years

APPENDIX D:

City of Santa Cruz (Historical Boundary Changes)

Project Number	Proposal Title	Action Date
50	University Annexation No. 1	5/19/1965
63	Sky Park Airport, Parcels 2, 3 & 4, Annexation	12/15/1965
96	Carbonera Annexation No. 2	9/21/1966
192	North Coast Annexation	1/21/1970
239	Sky Park Annexation	10/21/1970
240	Disposal Site Annexation	10/21/1970
257	Port District Annexation	2/17/1971
264	Branciforte Creek Annexation	3/17/1971
283	Carbonera Annexation	7/21/1971
285	Walti-Schilling Annexation	7/21/1971
298	Isbel Dr. Annexation	10/20/1971
314	Branciforte Annexation	3/15/1972
396	Hinds Annexation	8/14/1974
420	Isbel Dr. Annexation	5/7/1975
440	Santa Cruz Reorganization 1975	11/5/1975
476	Harbor Properties Annexation	3/2/1977
490	Ocean St. Ext. Annexation	5/4/1977
495	Isbel Dr. Annexation	6/1/1977
503	Perry Annexation	8/17/1977
527	Hansmann Reorganization	11/1/1978
550	Hidden Bay No. 2 et al. Reorganization	4/4/1979

Project Number	Proposal Title	Action Date
559	Western Dr. Reorganization	8/8/1979
580	Crossing St. (Tait St.) Annexation to Santa Cruz City	12/3/1980
597	Sutphen St. Reorganization	4/1/1981
598	Younger Lagoon Reorganization	12/2/1981
621	City of Santa Cruz SOI	8/3/1983
735	Bartlett Way Reorganization	6/1/1988
740	Pogonip Reorganization	9/7/1988
740-A	SOI Amendment	9/7/1988
785-A	Meder St. / Van Deren Reorganization	12/9/1992
785-B	Meder St. / Van Deren Reorganization SC City SOI	12/9/1992
791	Skypark Reorganization	3/10/1994
910	Arana Gulch Reorganization	4/4/2007
911	Santa Cruz City Water Service Area	11/1/2006
946	3939 Soquel Dr. Extraterritorial Water Service from Santa Cruz City Water	4/3/2013
948	Extraterritorial Sewer Service to 240 Isbel from Santa Cruz City	8/7/2013

APPENDIX E:

City of Santa Cruz (Long Range Financial Plan)

Attachment 2

CITY OF SANTA CRUZ WATER DEPARTMENT

LONG-RANGE FINANCIAL PLAN



SEPTEMBER 2021

LONG-RANGE FINANCIAL PLAN

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Updated City of SANTA CRUZ Water Department Long-Range Financial Plan – September 2021

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EXECUTIVE SUMMARY

The Santa Cruz Water Department (SCWD) operates as an enterprise, which means it is funded entirely by revenues from fees and charges paid by customers receiving its services. Since 2015, the Department has had an increased emphasis on reinvesting in water system facilities, infrastructure and supplies, with a goal of ensuring the water system's reliability during normal and extreme weather conditions resulting from climate change.

Like much infrastructure across the country, the majority of Santa Cruz's water system was built in the 1960's, with a useful life-expectancy of about 50 years. As that 50-year mark has come and gone, the Department has seen an uptick in infrastructure vulnerabilities. There has also been an uptick in extreme weather events caused by climate change, further impacting the water system's fragility and reliability.

As work has proceeded to plan and implement the water infrastructure and supply projects necessary to ensure reliable service for the health, safety, and economic viability of Santa Cruz County's largest population center, long-term financial planning has also been done to ensure financial resources are available to support planned spending on these projects.

The 2021 Long-Range Financial Plan revises and updates the Department's 2016 Long-Range Financial Plan. It reports the work of the Water Department's staff and Santa Cruz Water Commission to develop long-range projections for operating and capital costs, as well as financial policies and metrics. These annual revenue requirements, policies, and metrics are then used to develop recommended water rates for the five-year period of FY 2023 - 2027. The process of rate-making is further grounded in Cost-of-Service Analysis as well as consideration of the Water Commission and City Council's highest priorities for water pricing, and a range of water rate structures.

In preparing the 2021 Long-Range Financial Plan, a major goal is to transparently present the data inputs, outputs and analyses used in the Department's financial planning process. The Long-Range Financial Plan is organized to present the details of each data source, and the inputs and outputs of the financial planning model that is used. A number of appendices have been included that provide additional detail, and various links and references have been provided to support accessing more information such as Water Commission or City Council presentations, staff and technical reports. A companion to this Long-Range Financial Plan, the Analysis report, will also be available prior to completion of the rate adoption process.

Beyond the analyses described in the Long-Range Financial Plan, the key take-away is that the driver for the financial planning work the Department has completed is the increased revenue

requirements needed to renew water system infrastructure and facilities that have reached the end of their useful lives.

Capital investments and reinvestments required to ensure ongoing functioning of the water system are costly. As part of the Cost-of-Service Analysis, a replacement value for the water system's facilities, infrastructure, and resources was calculated at \$900 million in current dollars. Replacing major elements of the water system's facilities and infrastructure, including raw water pipelines and water treatment facilities, is expensive.

Recognizing this reality, the Financial Plan includes long term financing as a major strategy for mitigating the cost to current rate-payers of planned investments. Most of the water system facilities being renewed were built around or before 1960. With the long useful life of water facilities, spreading out costs to refurbish them through long term financing ensures that future users of the system pay their fair share of these costly investments.

Another strategy for mitigating the cost to rate-payers from these costly investments is active pursuit of low-interest loans and grants. State and federal infrastructure initiatives are providing excellent opportunities for accessing very low-interest borrowing and grants. Due to the groundwork done by SCWD to prepare projects so that they are competitive for these funding resources, Santa Cruz is well positioned to benefit from the state and federal initiatives that are available over the next several years.

Finally, although Proposition 218 specifically prohibits using funds generated from one group of rate-payers to subsidize the Cost-of-Service to another group of rate-payers, Water Department staff is well aware of the need to maintain equitable access to water for those customers least able to pay. Department staff has been actively working with state and federal legislators to promote legislative action that would create an ongoing water rate assistance program for qualified customers. Staff completed an affordability assessment in 2020 for water and wastewater rates for customers in its service area¹. This assessment can be used as a tool to communicate with policy-makers about both affordability issues in Santa Cruz's water service area, as well as additional affordability challenges ahead given water rate increases necessary to support needed capital investments.

Following Council action on the proposed water rates in 2021, the affordability analysis completed in 2020 will be updated in 2027 to look at water and wastewater service affordability. This information will be used to continue to advocate for resources and programs that ensure access to water and wastewater services for those least able to pay.

¹ See <u>https://www.cityofsantacruz.com/home/showpublisheddocument/84828/637594482625900000</u>

1. INTRODUCTION

1.1 PURPOSE AND NEED

The development of the 2021 Updated Long-Range Financial Plan (LRFP) focuses on providing a ten-year capital financing strategy and water rates needed to implement the first five-year period for the plan. Overall, the LRFP is intended to support the City of Santa Cruz Water Department in achieving the following goals:

- Address the repair and rehabilitation of critical infrastructure and the needed augmentation of the City's available water supply;
- Prepare the water system's infrastructure and water supply to adapt to the impacts of climate change that are already being experienced;
- Establish and maintain financial policies, reserve levels, and stable revenues needed to ensure financial sustainability and provide flexibility to adapt to unforeseen circumstances or challenges;
- Maintain the credit rating needed to support the Department's ability to debt finance the major capital investments and reinvestments needed to ensure supply and system reliability;
- Achieve an equitable allocation of capital costs/charges between current and future system users; and
- Manage rates in a predictable and reasonably stable manner.

The LRFP is intended to be a living document that will provide a financial foundation for the Department to use in annual budget planning and management activities.

1.2 ORGANIZATIONAL PROFILE

The Santa Cruz Water Department is an entirely self-funded operation. User rates, fees, and charges are the source of all revenues used to support the ongoing operation, maintenance, planning, management, and capital investments needed to deliver water to some 98,000 water users every day.

Approximately 96% of Santa Cruz's water is provided by local surface water supplies, with local groundwater resources making up the remaining supply. The customer base is stable, primarily residential and reasonably diverse with the top 10 customers accounting for 18% of total operating revenues. Notwithstanding the recent and assumed to be temporary impacts of the COVID 19 pandemic, the service area economy is also stable and with the University of California at Santa Cruz (UCSC) as an important contributor to the regional economy.

Prior to 2012, the unrestricted fund balance of the Water Operating fund (Fund 711) was historically strong, but by the end of 2015 the fund balance had declined rapidly. The cause of the decline was the cash funding of large Capital Investment Program (CIP) projects such as the \$26 million reconstruction of the Bay Street Reservoir. At the time of the preparation of the 2016 LRFP, the status of Fund 711 and the lack of adequate reserves were significant issues, and addressing these issues as well as preparing for an increase in capital spending to address necessary rehabilitation and replacement for major system facilities and implement water augmentation projects became the focus of that plan.

As of the preparation of the 2021 LRFP, the Department's strong performance with respect to its cash reserve and financial metrics has been reestablished. Achieving this substantial improvement in the Department's financial position represents important progress and is a major accomplishment arising from the implementation of the policies and plans included in the 2016 LRFP. The Department's current financial profile is discussed in more detail in Section 1.4 below.

Among the various opportunities and challenges facing the Water Department in the coming years, climate change stands out as significant. In general, Santa Cruz is already experiencing the impacts of climate change and, more specifically, climate change is definitely affecting water supply and infrastructure reliability. As a result, climate change is a major driver of the Department's capital spending. The pattern of extreme weather is particularly challenging because wetter wet years create significant opportunities for landslides that damage raw water transmission facilities, as well as impairing source water quality, making available water more difficult to treat. At the opposite end of the weather spectrum, drought conditions resulting from decreased precipitation during the region's traditional "wet" season are being experienced more frequently, and with multiple year durations. Due to inadequate system storage, these conditions stress the water system and are particularly difficult to deal with in an environment where customer water use is already so efficient that there is little opportunity for further reductions using curtailment strategies.

Climate adaptation and efforts to reinvest in major elements of the raw water system, including water supply, that have reached the ends of their useful life are, and will continue to be, the focus of the Water Department's capital spending for the next decade and more. More specifically, capital projects will focus on rehabilitation of major elements of the water system, particularly raw water and treatment facilities, as well as on supply augmentation, to support adaptation to climate change and improve infrastructure and supply reliability. The water supply augmentation strategies being pursued are in alignment with the 2015 Council-accepted recommendations of the Water Supply Advisory Committee.

1.3 FINANCIAL PLANNING CONCEPTUAL MODEL

Financial planning and rate making for today's water utility is a multi-stepped process depicted in Figure 1 below. The figure shows the inputs and outputs of the utility financial planning and rate making processes. It also shows the feedback loop between proposed rates, the end product of the process, and the organization's budget and CIP, which are key inputs to the beginning of the process.

Figure 1 Conceptual Model of Utility Financial Planning and Rate Making



This LRFP includes discussions of each key financial plan elements including:

- Operating budgets for five years;
- Capital investment requirements for 10 years with a focus on the first five years;
- Financial policies and goals for debt service coverage, financial reserves and the portion of capital spending to be funded with 'pay as you go' versus debt financing; and
- Water rates that are necessary to support the Department's operations and capital investments for the coming five-year period.

The first three bullets above are the key inputs that are used to produce annual revenue requirements that water rates will need to be designed to generate.

The foundation of water rates is a Cost-of-Service Analysis. This analysis is designed to establish the specific costs associated with providing service to various classes of customers and must comply with the requirements of Proposition 218, a 1996 voter approved constitutional amendment that limits collection of property-related fees and charges such as utility rates to only those costs that are attributable to providing service to the property. The law does not require that costs for each individual property be calculated, but rather provides for treating similarly situated customers, for example, single family residential customers, in a consistent manner.

Once a cost basis is established with a Cost-of-Service Analysis, policy makers can make choices among various ways to structure rates to recover allocated costs. One way to inform decisionmaking about how to structure rates is to prioritize water pricing objectives. Examples of water pricing objectives are shown in Table 1 below

Enhances revenue sufficiency	Enhances revenue stability
Promotes efficient water use	Is simple to communicate and understandable by customers
Perceived to be fair by the public	Provides transparency regarding CIP needs
Supports affordable for essential use	Enhances rate stability

Table 1 Water Pricing Policy Objectives

As an example of how prioritizing one water pricing objective over another might influence a decision on the rate structure, consider what the impact of choosing a structure that enhances revenue sufficiency over one that promotes efficient water use. A rate structure that enhances revenue sufficiency, for example, might collect all or a large majority of its revenues through fixed charges, which would ensure that the utility gets the funds it needs regardless of water use or weather variability. On the other hand, a rate structure that promotes efficient water use would set charges based on use levels - so customers who use more, pay more receiving a price signal that may motivate changes in use, but makes the utility service provider significantly more vulnerable to revenue instability from weather-driven or behavioral changes in use.

The feedback loop between water rates and financial plan inputs is included to make the point that if the approved rate increases don't produce the required revenue, adjustments must be made to the financial plan so that rate revenues will be adequate to support operating and capital improvement spending.

1.4 CURRENT FINANCIAL PROFILE

The Department's current financial position, in terms of reserves and the ability to meet realistic and appropriate financial metrics, is substantially better than it has been over the last decade. As will be discussed further in this section, the Department's debt obligations, as anticipated, have increased since 2016 as it took steps to fund necessary capital improvements with debt financing.

This section provides a brief status of the Department's Financial Profile for each of the following key financial performance indicators:

- Financial Performance Goals and Metrics
- Credit Rating
- Debt Management
- Current Water Rates Structure
- Revenue Stability

1.4.1 FINANCIAL GOALS AND PERFORMANCE INDICATORS

Financial policies and financial indicators are a key input in the financial planning process. Having and meeting goals for key financial performance indicators is central to good financial management. An organization's financial performance in meeting financial goals and metrics is also a key factor used in establishing its credit rating, which affects the interest rate that will be charged on borrowed funds.

The 2016 LRFP was purposefully focused on defining and creating clear and achievable financial goals, and laying out strategies and methods to meet them. The 2021 LRFP builds on the success achieved, and maintains a strong focus on the organizational and financial planning and management activities that are necessary to continue to meet these targets.

1.4.1.1 FINANCIAL RESERVES

Over the years, the City Council has established some financial performance metrics for the Water Utility, including a Rate Stabilization Reserve in 1993, and Operating and Emergency Reserves in 2014. At the end of FY 2015, the Rate Stabilization Reserve Fund balance was \$2.4

million and the Emergency Reserve Fund balance was \$600,000. A 90 Day Cash Operating Reserve Fund was also created in September 2014, but was not funded until June 30, 2015.

The Council's intent in creating the Rate Stabilization Reserve² in 1993 was to "shield the Water Fund from the financial effects of extraordinary circumstances." As originally approved by the Council, the rate stabilization reserve was to be used to help the Department deal with one or a combination of the following conditions:

- 1 Increased CIP or capital outlay expenditures due to an extraordinary non-recurring need or circumstance;
- 2 A fluctuation in water consumption revenues creating an unanticipated shortfall (in supply due to drought, for example), or
- 3 Catastrophic losses as the result of a natural disaster.

In the nearly 30 years since the City Council created the original Rate Stabilization Reserve with a target funding level of \$2.3 million, infrastructure and operating costs have increased substantially, and in 2014 the Department staff recommended and the Council approved creating additional reserves. These additional reserves, one for 90 days of operating cash, and one to address natural disaster types of emergency conditions, effectively replaced the first and third purposes intended to be served by the original Rate Stabilization Reserve. Creating these more substantial reserves also began the process of moving the utility to a stronger financial position, which better prepared it to deal with future costs.

The current established reserves and target funding levels include the following:

- Rate Stabilization Reserve (Fund 713) of \$10 million;
- Water Emergency Reserve Fund (Fund 717) at minimum level of \$3 million; and
- An Operating Reserve equal to 180 days of operating expenses, with 90 days of operating cash in Water Operating Cash Reserve Fund (Fund 716), and the remaining 90 days of operating cash in the Water Operating Fund (Fund 711). The annual funding targets for these reserves are based on the Department's annual operating budget and the metric is to have both Fund 716 and Fund 711 meet the annual 90 days operating cash criterion by the fiscal year's June 30 closing date.

² See <u>http://www.cityofsantacruz.com/home/showdocument?id=3255</u>
1.4.1.2 DEBT SERVICE COVERAGE RATIO

Another key financial performance metric is a target for debt service coverage ratio (DSCR). The DSCR is a measure of net operating revenues to annual debt payments. The Water Department has issued relatively little debt over the past 20 years so hadn't formally established or used a debt service coverage ratio (DSCR) target in its financial planning until recently. The bond covenant for utility debt issued in 2006 included a 1.25 DSCR. The current minimum DSCR is 1.2, with this level being incorporated into the debt covenants for the Department's low-interest loans with the State Drinking Water Revolving Loan Fund.

A financial plan that only supports meeting the legal minimum figure can put the utility at risk of technical default on its bonds if revenues are reduced by, say, drought conditions when water use restrictions are put into place. Establishing a target that is above the minimum legal requirement is a good idea because it builds needed flexibility into the system that makes the utility more financially resilient in the face of uncertainty. The 2016 LRFP specifically included using a minimum debt service coverage ratio target of 1.5. The impact of this requirement is that annual revenues must be generated to produce at least 1.5 times the annual debt service payment requirement, with the calculation to verify compliance being made after all operating expenses have been paid.

1.4.1.3 MEETING FINANCIAL PERFORMANCE METRICS

As noted in Section 1.1 above, implementing the 2016 LRFP has allowed the Water Department to continuously meet all LRFP financial performance metrics and fully fund all of its reserves at the target levels.

1.4.2 CREDIT RATING³

The Water Department maintains its own credit rating and has investment grade credit ratings from both Standard and Poors (now S&P Global) and Fitch Rating services. In 2019, in advance of the planned bond sale which took place in December 2019, Fitch provided an A+ rating with a stable outlook. In November 2020, Fitch downgraded The Department's credit rating to A-with a negative outlook. This action is disappointing, of course, particularly so because the Department's current financial condition is strong. Fitch's explanation was that its ratings are

³ A brief primer on the factors credit rating agency considers in assigning credit ratings for utilities is provided in Appendix A.

"forward looking" and described the forward-looking challenges that drove the credit downgrade are as:

- The additional debt the Department has taken on since 2019 specifically the \$149 million Drinking Water State Revolving Fund (DWSRF) loan for the Newell Creek Inlet/Outlet and Graham Hill Water Treatment Plant (GHWTP) Concrete Tanks Replacement projects;
- The size of the capital program going forward;
- A concern about affordability of water rates; and
- The fact that the Department was at the end of our scheduled rate increase cycle and had not yet finalized recommendations on the next cycle of rate increases, and had not completed the Prop 218 public review process and Council action.

The Water Department's current financial management performance is entirely in line with the 2016 Long-Range Financial Plan, which contemplated debt financing about 75% of the needed capital reinvestment in the water system. The latest pro forma model indicates an increase in debt to 85% of capital expenditures.

With respect to affordability, Department staff shared with Fitch the Department's recently completed analysis of the affordability of water rates which was based on a more detailed data analysis and a more refined metric of affordability than Fitch's. Fitch's analysis was based on coarser metrics and staff believed it likely significantly overstates the number of customers who find existing water rates unaffordable.

Another measure of how the Water Department is viewed by the financial marketplace relates to how its water revenue bonds are being traded. Department bonds continue to trade at very favorable interest rates, with recent investors have bought the maturities ranging from 20 to 29 years for prices that yield 1.3% to 1.6%.

1.4.3 DEBT FINANCING

The 2016 LRFP included a strategy for, on average, financing 75% of capital spending with long term loans, while funding the remaining 25% with annual rate revenues. The reasoning behind using debt financing to fund a major portion of the CIP is that it provides for inter-generational equity, letting future system users who will benefit from investments in facilities with very long useful lives pay their fair share of the cost of the needed improvements. In addition, spreading these costs over time helps to moderate and stabilize near-term adjustments to water rates.

As planned, with the significant increase in capital spending, the Department is taking on quite a bit of additional long-term debt. As a result of a significant amount of careful work by staff, water rate-payers are benefitting from having the vast majority of the Department's new debt funded by DWSRF loan with a 1.4% interest rate over a 30-year term. As noted above, during FY 2020-2021, \$149.3 million in DWSRF loan funds were obtained to support implementation of the Newell Creek Inlet/Outlet Pipeline Replacement and GHWTP Concrete Tank Replacement projects.

Table 2 shows the status of the Water Department's current debt. Interest and principal payments on the Department's existing and anticipated future debt is incorporated into the financial model and is part of the current and future revenue requirements that are the basis for water rates and provide the financial resources necessary to make debt payments.

Water Department Current Debt							
Debt	Closing Date	Principal Amount	Offering Yield	Maturity			
City of Santa Cruz 2014 Revenue Refunding Bonds	7/22/14	\$ 11,260,000	0.25-3.8%	3/1/36			
IBank 2016	8/1/16	\$ 25,000,000	3.24%	8/1/46			
City of Santa Cruz 2019 Revenue Bonds (Green Bonds)	12/12/19	\$ 20,925,000	0.9-2.25%	3/1/49			
DWSRF – Newell Creek Inlet/Outlet Pipeline Replacement Project	9/23/20	\$ 103,453,000	1.4%	10/1/52			
DWSRF – Graham Hill Water Treatment Plant Concrete Tanks	4/19/21	\$ 45,900,000	1.4%	4/30/54			
Revolving Line of Credit 2021 (BOA) ⁴	6/15/21	\$ 50,000,000	Variable ⁵	6/14/2024			

Table 2Water Department Debt Obligations

⁴ Note: Short-term borrowing through a revolving line of credit is being used to assist with cash-flow issues. DWRSF loans are disbursed from the state on a reimbursable basis that requires the Department to submit claims for costs after they have been incurred. The state's turn-around time on paying claims often exceeds 60 days creating significant cash-flow issues for borrowers.

⁵ The rate is 1 Month LIBOR plus 50 basis pts for drawn funds and 22 basis pts for undrawn funds. A recent example: on September 10, 2021, the Revolving Line of Credit rate for borrowed funds was 0.6%.

One of the reasons for developing the LRFP was to be able to assess the Department's capacity to use debt financing for major elements of its CIP. A measure of the Department's financial capacity is what portion of its revenues would be used for debt service. For example, the amount of financial flexibility of an organization is substantially reduced as the percent of its revenue is dedicated to paying debt service rises.

During the next five years, the Department anticipates issuing debt totaling \$211 million. The annual average debt service is not expected to exceed 25% of annual rate revenue during the first five years, but it would continue to rise to a maximum of about 28% of annual revenues at the end of the ten-year period. These figures are obviously significantly greater than the Department's current situation in which less than 10% of its revenues being currently dedicated to debt service. Nevertheless, the Department's financial advisors are satisfied that the Department has the debt capacity needed to support implementation of the LRFP capital financing strategy, as long as the Department is able to increase rates and charges as outlined in the LRFP and able to meet key financial targets including maintaining financial reserves and meeting the 1.5 debt service coverage ratio.

1.4.4 CURRENT WATER RATE STRUCTURE

As part of the development of the 2016 LRFP, the Department recommended and Council approved a significant change to the water rate structure. Since at least 2004, water rates produced about 35% of revenue through fixed charges based on meter size and 65% of total revenue was collected through volume or commodity charges. The rate structure adopted in 2016 collected substantially more of the total revenue through volume charges, a significant change to the historical practice. The 2016 rate structure collected the roughly 10% of operating costs associated with meter reading, meter maintenance, and billing and customer service functions through a fixed charge based on meter size, with the remainder being collected in the form of charges related to the amount of water used.

The priority water pricing objectives that informed the change in rate structure were:

- 1. Revenue sufficiency;
- 2. Promotes efficiency;
- 3. Perceived to be fair by the public; and
- 4. Affordable for essential uses.

Other changes from the rate structure adopted in 2004 were: reducing tiers for residential customers from five to four; changing multi-family rates to the same tiers as single family customers, and multiplying those tier levels by the number of units in the multi-family building; and adding the Infrastructure Reinvestment Fee (IRF) to collect revenues associated with pay as you go and capital spending. The IRF wasn't exactly a new fee, as funds needed for capital

spending were always being collected as part of fixed and/or commodity charges. But with the planned expansion of the Department's capital spending, the Department recommended creating the IRF to add transparency for customers related to what they were paying for.

Revised 2016 tiered rates for single family residential customer were as follows:

- 0 5 CCF = Tier 1 (average winter use)
- 6 7 CCF = Tier 2 (average spring and fall use)
- 8 9 CCF = Tier 3 (average summer use)
- ≥ 10 CCF = Tier 4

As noted, multi-family residential rates were also tiered using the same tiers as for single family, but multiplying the tier allocations by the number of dwelling units in a master metered complex.⁶

The rate structure for landscape irrigation accounts was revised to be based on a simplified water budget system that established an allocation for each account. Usage up to that water budget allocation would be billed at tier 1 of the irrigation rates, consumption above the budgeted amount and up to 150% of the allocation would be billed at tier 2 of the irrigation rates, and all usage above 150% of the allocation would be billed at tier 3 of the landscape irrigation rates.

The rate structures for the remaining customer classes were set using uniform rates established for each class based on the Cost-of-Service Analysis. Higher water use during the peak season is one factor that is used in the Cost-of-Service Analysis to allocate costs between customer classes. So, for example, this means that UCSC, whose water use includes some seasonal peaking, would pay a higher uniform rate than those customer classes that do not peak.

The shift to generating a much larger portion of total water revenue based on water consumption introduced a number of revenue stability issues that were mitigated through a series of risk-management strategies. Section 1.4.5 below provides some information about how well the risk management approaches worked. Further information on and discussion about ongoing revenue stability-related risk management strategies for the FY 2023 – 2027 rate period is presented in section 2.5 later in this document.

⁶ Master metered systems may include irrigation or have irrigation on a separate meter. For water utility billing purposes, individually metered multi-family units are treated as single family residential properties.

1.4.5 REVENUE STABILITY

In general, water rate revenues have been stable and the Department has been able to improve and sustain its financial position during the last five years. Water sales have consistently been below the 2.5 billion gallons per year conservative estimate used in water rate development in 2016 but the financial consequences of this shortfall have been mitigated due to a fairly consistent underspending of the annual operating and capital budgets. As several large capital projects transition from pre-construction activities (planning, design, environmental review, and permitting) to construction, capital spending is becoming more aligned with annual projections of capital expenditures. Additionally, Department leadership has taken steps in recent years to better align annual budgeting with annual expenditures and, as a result, expects to have less opportunity to mitigate lower than anticipated water sales through lower annual spending.

Annual water rate increases necessary to support implementation of the 2016 LRFP were approved by City Council in August 2016 and implemented in October 2016, July 2017, July 2018, July 2019, and July 2021. The July 2021 increase was originally scheduled for July 2020 but was deferred due to the overall economic impact of the COVID 19 pandemic.

The 2016 water rate increase included the implementation of a more volume-based rate structure with about 90% of revenues coming from charges based on the amount of water consumed, and only 10% of revenues coming from fixed charges based on meter size. The Council approved an increase in the Rate Stabilization Reserve (Fund 713) from \$2.3 Million to \$10 Million, which was specifically designed to provide a hedge against non-drought related variability. \$3.8 million from the Rate Stabilization Reserve was, in fact, needed to mitigate revenue impacts due to business and UCSC pandemic-related closures during FY 2020, and additional funds may be transferred from Fund 713 to mitigate ongoing pandemic impacts in FY 2021, once year-end accounting is completed.

The increasing costs of water, particularly in the higher-use tiers for residential customers and for irrigation uses did result in customers taking steps to reduce consumption where they could. Long-term demand forecasts now indicate that customer use can be expected to remain below 2.7 billion gallons per year in total system demand, a figure that hasn't been typical in more than 45 years when the system was serving about one-half the current population. Rate increases for the FY 2023 through FY 2027 time period will reflect this water use trends, which result in higher per-unit prices for each unit of water sold because of the utility's high degree of fixed to variable costs of producing and delivering water, and the increased revenue requirements associated with the capital program.

2. 2021 LONG-RANGE FINANCIAL PLAN RECOMMENDATIONS AND PLAN IMPLEMENTATION

This LRFP has been developed based on a specific five-year forecast within a ten-year planning horizon. The purpose of using the ten-year time frame is to ensure that steps taken during the first five years don't unduly constrain future decision-making on the planned projects to augment water supply. The specific recommendations are limited to the first five years because that is as far ahead as the Department can establish rates under the limits set by California's Proposition 218.

As presented and discussed in this section, the LRFP integrates the key financial plan inputs that are used to produce multi-year revenue requirements. These revenue requirements reflect what is needed for operating the water utility, implementation of the capital financing strategy, maintaining financial reserves, and meeting a 1.5 debt service coverage target. Finally, the proposed water rates needed to support the planned operating and capital spending for FY 2023 – FY 2027 have been developed through a year-long process in collaboration with the Water Commission and the community, through community engagement that was unfortunately somewhat attenuated due to the COVID pandemic.

Working with its consultant team, Department staff has created a Financial Plan that is realistic and implementable. Details of the assumptions, recommendations and approaches needed to implement the LRFP are presented in the following sections.

2.1 CAPITAL FINANCING STRATEGY

The recommended capital financing strategy is consistent with that included in the 2016 LRFP. The major capital investments that will be made in the five-year FY 2023 – FY 2027 timeframe all have very long useful lives and will be in service and providing benefits to the community for decades to come. This means that it is entirely appropriate to finance the investments in these assets using long-term debt.

This LRFP recommends lowering the goal for the amount of capital spending covered by annual operating revenues from a multi-year average of 25% to a multi-year average of 15%. This recommendation is in response to the already significant revenue increases that are necessary to support planned capital spending for some very large projects including the Graham Hill Water Treatment Plant concrete tanks replacement and the subsequent facilities improvement project at the same location.

Implementing this capital facilities financing strategy results in increases in annual debt service, which is the major driver to the increased revenue requirements presented and discussed in

later in Section 2.3. As a result of increased debt service, in the near term, water rate revenues must increase to a much greater rate than annual inflation, and over time, customers are sure to notice the cumulative effect of these increases. To improve the City's ability to maintain equitable access to water service for low-income rate payers, the Department, along with many other state and federal interests and decision-makers, is actively exploring and supporting state and federal action on low-income water rate assistance programs.

2.1.1 DEBT FINANCING ASSUMPTIONS

In evaluating future financing needs, the LRFP includes assumptions on the initial and ongoing costs associated with issuing debt. Table 3 shows the projected current interest rate and terms for various debt issuance mechanisms that have been and would continue to be used in debt funding the planned CIP.⁷

Debt Mechanism	Assumed Interest Rate (percent)	Term (years)
Tax-Exempt Financing (Bonds)	2.25 – 2.5	30
Drinking Water State Revolving Loan Fund	1.4	30
Water Infrastructure Financing and Innovation Act Loan (WIFIA)	2.5	35+ years

Table 3Debt Mechanism Estimated Rates & Terms

For general and longer-range planning purposes, additional debt issuance is assumed to be taxexempt bonds. This assumption is used because, even though the Department has had very good success applying for and receiving low-interest financing from state programs such as the California Infrastructure and Economic Development Bank and the Drinking Water State Revolving Loan Fund, only tax-exempt water bonds are a virtually guaranteed source of funding, assuming that the Department maintains its credit-worthiness.⁸ The Department will also pursue below market Drinking Water State Revolving Loan Fund and WIFIA loans for rehabilitation and replacement projects that would score well in meeting that program's competitive criteria.

⁷ A discussion of potential grant funding options being explored and pursued is included in Section 2.7 on Plan Implementation.

⁸ See further discussion in Section 3.2 below and in Appendix A

2.2 FINANCIAL POLICIES AND RESERVE GOALS

Reserve policies are a particularly important tool to help manage risks to an agency's financial condition. In addition, they help an organization establish and maintain a good credit rating, thereby reducing the cost of borrowing.

Beginning with Council direction in 1993, the Department has built and maintained a Rate Stabilization Reserve Fund (Fund 713). In 2014, the City Council approved two additional reserve funds: a 90-Day Operating Cash Reserve Fund (716) and an Emergency Reserve Fund (717). As discussed in section 1.4 above, a major accomplishment of adopting and implementing the 2016 LRFP was fully funding all reserves. This LRFP recommends retaining the existing goals and policies related to financial reserves and goals and debt service coverage ratio.

Table 4 provides information on the recommended reserve fund goals, the financial status of each reserve at 6-30-2021 and the goal for each reserve that is indexed to operating costs at the end of the five-year rate schedule.

	Fund	Status on 6/30/2021	Target on 6/30/2027
711	Water Operations & Maintenance	90 Days Operating Cash \$8,069,637	90 Days Operating Cash \$10,109,798
713	Water Rate Stabilization Reserve ⁹	\$11,044,296	\$10,000,000
716	Water 90-Day Operating Cash Reserve	90 Days Operating Cash \$8,069,637	90 Days Operating Cash \$10,109,798
717	Water Emergency Reserve	\$3,328,320	\$3,000,000
	Debt Service Coverage Ratio	= or > than 1.5x	= or > than 1.5x

Table 4 Fund Balance Reserve and Debt Service Coverage Ratio Status and Goals (unaudited)

⁹ For a fuller discussion of the earlier status and funding history of these reserve funds and reserve goals, please see https://www.cityofsantacruz.com/home/showpublisheddocument/53794/636064174716000000.

2.3 REVENUE REQUIREMENTS

Working together with its consultants, Public Financial Management (PFM) and Raftelis Financial Consultants (Raftelis), a financial planning model was created in 2015-2016 to support the Department's ongoing efforts to project operating and capital budgets and forecast annual revenue requirements. These projections include:

- Assumption about how much utility operations will be for the coming 5-year period;
- Assumptions about how much of the capital program will be cash (pay-as-yougo funding) financed versus debt financed;
- Revenues needed to cover debt service payments for the financing expected to be used to fund capital investments; and
- Funds required to meet financial reserve and debt service coverage ratio targets.

This information is then used by the Department's 2016 and 2021 rate consultant, Raftelis Consulting, to develop proposed water rates that are also based on a comprehensive Cost-of-Service Analysis also completed by Raftelis.¹⁰

2.3.1 FINANCIAL PLAN MODEL INPUTS

The key financial planning tool being used by the Department in its financial planning work is a custom financial model created by the Department's financial advisor, PFM. This model requires a number of inputs including:

- 1. The beginning fund balance for the Department's Operating Fund (Fund 711),
- 2. Multi-year operating expenses, as modified by specific inflation factors,
- 3. Multi-year capital costs, including specific inflation factors and cost estimating provisions, and
- 4. Multi-year debt service costs, which are generated from debt financing assumptions.

¹⁰ The Cost-of-Service Analysis is completed and used as the basis of preparing water rates that comply with the requirements of Proposition 218 (give Constitutional cite reference). Proposition 218 requires that customer rates be based on the cost of serving similarly situated customers, for example, single family residential customers.

The model then produces the following outputs:

- 1. Multi-year revenue requirement projections,
- 2. Financial performance metrics related to the debt service coverage ratio and financial reserve goals,
- 3. The sizing and timing of new debt issues, and
- 4. Information necessary to identify year-over-year increases in revenues that is then used in rate-making.

The sections below describe the inputs being used in the 2021 LRFP.

2.3.1.1 PROJECTED OPERATING BUDGETS

Table 5 shows anticipated operating and capital expenses for FYs 2023 through 2027. Appendix B includes the complete ten-year Pro Forma, and the financial model that produces the Pro Forma is the source of the information presented in Table 5.

Operating Expenses	2023	2024	2025	2026	2027
Personnel	\$18,295,095	\$19,217,668	\$20,201,621	\$21,251,780	\$22,373,372
Services, Supplies & Other	16,428,430	17,249,852	18,112,344	19,017,982	19,968,860
Capital Outlay	631,575	663,154	696,311	731,127	767,683
Total Operating	\$35,355,040	\$37,130,674	\$39,010,276	\$41,000,849	\$43,109,915

Table 5Anticipated Expenses FY 2023 – 2027

Operating costs have been developed based on very modest changes to staffing and departmental operations over time. The changes in Operating costs are based on the annual inflation factors shown in Table 6. These inflation factors are based on actual historical experience and long-term industry trends.

Table 611
Operating Budget Inflation Factors

Expense Category	2023 - 2027
Salaries & Wages	3.0%
Employee Benefits	9.0%
Operating Supplies and Chemical	5.0%
Energy	5.0%
All Other Categories	3.0%

2.3.1.2 PLANNED CAPITAL INVESTMENTS

There is no question but that the major driver of the Water Department's financial planning is its need to invest and reinvest in water system infrastructure and water supply augmentation to improve the reliability of Santa Cruz's water supply. The 2016 LRFP set the stage for these efforts, and ongoing infrastructure condition assessments and subsequent capital project planning and development activities since 2016 have significantly increased staff's understanding of what work needs to be done and its likely cost.

As work on water rate development for the FY 2023 to 2027 period began in 2020, staff wanted to engage with Water Commissioners in evaluating and providing feedback on possible capital planning scenarios and their outcomes in terms of system performance and reductions of vulnerability and their potential impacts on future revenue requirements and water rates. To do this staff recommended that the Water Commission form an Ad Hoc Subcommittee to work with staff on this effort.

At the Water Commission's July 7, 2020 meeting, an Ad Hoc Subcommittee was formed to forecast revenues and develop various financial scenarios to establish revenue requirements to inform the water rate making process. Three members of the Water Commission, Doug Engfer, Walt Wadlow and Alejandro Páramo, were selected to work with Water Department staff on this assignment. The Ad Hoc Subcommittee met with staff on five different occasions to:

- Gain an understanding of the current financial model, including inputs and outputs, used by the Department;
- Review four scenarios with four different 10-year Capital Investment Plan (CIP) expenditure plans; the scenarios were a low (\$189 million), medium (\$377 million) and high (\$610 million) level of capital investment as well as a no CIP (\$0) scenario; and

¹¹ Inflation factors were developed using a combination of actual historical experience (Energy and Chemicals), City projections (salaries and benefits) and industry trends for everything else.

• Analyze a fifth scenario, as recommended by the Ad Hoc Subcommittee that rescheduled the projects in the high (\$610 million) cost scenario over 15 years to smooth spending and equalize the collective impacts on water rates.

Data reviewed by the Ad Hoc Subcommittee included CIP project priorities, projects included in each of the scenarios, a side-by-side comparison of all the scenarios, and the aggregate impact on future revenue requirements for each scenario, including projected year-over-year increases.

The final financial scenario recommended by the Water Commission and reviewed with the City Council in its April 6, 2021 work session on water financial planning and rate-making topics was used to establish revenue requirements to fund daily operations and a capital program of \$271 million for the FY 2023 – FY2027 rate period. These revenue requirements were provided to the Water Department's rate consultant, Raftelis, to use, in combination with the Cost-of-Service study, for the development of rates for each customer class.¹²

Capital projects planned for the five-year period are shown in Table 7.

¹² See Water Commission Ad Hoc Subcommittee presentation at <u>https://ecm.cityofsantacruz.com/OnBaseAgendaOnline/Meetings/ViewMeeting?id=1608&doctype=2</u>

Table 7 CIP for FY 2023 - 2027

CIP Budget Summary	Project Costs			
Project Titles	(FY23 -FY27)			
WATER SUPPLY RESILIENCY & CLIMATE ADAPTATION PROJECTS				
Water Supply Augmentation Strategy				
Beltz Wellfield Aquifer Storage and Recovery (ASR)	15,070,358			
Santa Margarita ASR and In Lieu Water Transfers and Exchanges	6,503,376			
Studies for Recycled Water, Climate Change, and ASR	230,000			
Subtotal	21,803,734			
INFRASTRUCTURE RESILIENCY AND CLIMATE ADAPTATION				
Raw Water Storage Projects				
NCD I/O Replacement Project	9,660,000			
Raw Water Diversion and Groundwater System Projects				
Laguna Creek Diversion Retrofit	10,000			
North Coast System Majors Diversion Rehab	966,927			
Tait Diversion Rehab/Replacement	1,493,513			
Felton Diversion Pump Station Improvements	1,043,986			
Raw Water Transmission				
Newell Creek Pipeline Rehab/Replacement	10,000			
Newell Creek Pipeline Felton/GHWTP	26,590,000			
Brackney Landslide Area Pipeline Risk Reduction	4,980,000			
Surface Water Treatment				
GHWTP Concrete Tanks Replacement	23,090,000			
GHWTP Facilities Improvement Project	108,017,427			
River Bank Filtration Study	5,877,851			
Distribution System Storage, Water Main and Pressure Regulation, and Meterin	ng Projects			
University Tank No. 4 Rehab/Replacement	5,280,000			
Meter Replacement Project	1,940,000			
Engineering and Distribution Main Replacement Projects	9,631,099			
Facility & Infrastructure Improvements	2,306,028			
Subtotal	200,896,831			
OTHER RISK MANAGEMENT AND RISK REDUCTION PROJECTS				
Staff Augmentation				
Water Program Administration	13,660,140			
Contingency				
Management Reserve	34,531,189			
Subtotal	48,191,329			
GRAND TOTAL	270,891,894			

The projected size and timing of planned and necessary debt issues to finance these capital projects are summarized in the Table 8 below. These figures do not include the potential benefits of additional DWSRF, WIFIA, or grant funding for projects that may defer or replace projected borrowing shown in the table. The anticipated debt issues total \$211 million over the next five years. These debt issues assume borrowing rates of 2.25% to 2.5% for 30-year debt.

 Table 8

 Size and Timing of Revenue Bond Issues Needed to Fund Capital Program

 2023
 2024
 2025
 2026
 2027

2023	2024	2025	2026	2027
\$36,887,583	\$27,536,633	\$42,763,648	\$49,662,981	\$54,144,163

Appendix C provides the details of the fifteen-year Capital Investment Plan, including both brief project descriptions and a fifteen-year plan of spending.

2.3.2 FINANCIAL PLAN MODEL OUTPUTS: REVENUE REQUIREMENTS FOR FY 2023 – FY 2027

As shown in Figure 1, a significant output of financial planning is the revenue requirements that inform the rate making process. Based on the recommendations and assumptions described elsewhere in this section, the Department calculated revenue requirements. Table 9 presents these results and the year-over-year increases from the "revenue neutral" figure developed through the Cost-of-Service Analysis.

The figures shown are the revenue requirements needed to meet operating and capital costs, pay debt service, and comply with reserve and debt service coverage policies in the five years of the financial plan period FY 2023 – FY 2027.

Annual Revenue Requirements	FY 2021 COS ¹³	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
	\$39,334,191	\$42,044,299	\$48,586,908	\$57,465,304	\$59,494,385	\$65,207,147
Unsmoothed Year over Year Increase		6.9%	15.6%	18.3%	3.5%	9.6%
Proposed Smoothed Year over Year Increase		6.9%	16.2%	16.2%	6.9%	6.9%

Table 9FY 2023 – FY 2027 Projected Revenue Requirements

Rates are being developed for the revenue requirements where year-over-year increases are smoothed for rate schedule years two and three and four and five. Smoothing is used to minimize, to the degree feasible, significant changes in annual rate increases. Due to the significant amount of capital spending in years two and three, it is not really feasible to implement the more ideal approach of smoothing rates over the entire rate period because doing so would result in inadequate resources to meet expenditures during years two and three. The year one rate increase is being left at the projected 6.9% level due to impacts to incity rate-payers of the Council-approved elimination of the surcharge on water charges for outside city rate-payers. This change results in higher rates in the initial year for inside-city rate-payers due to no longer collecting the 14.5% surcharge on outside-city rate-payers.

A complete version of this table which provides the Department's detailed Financial Pro Forma can be found in Appendix B.

2.4 WATER RATES

Water rates are the element of the LRFP that most directly impact customers. The water rate development process is heavily regulated by legal provisions in California as well as by water service industry best practices. An example of the latter is the American Water Works Association's (AWWA) M1 Manual on Water Rates, Fees and Charges.¹⁴

¹³ The FY 2021 figure is revenue neutral (collects same amount of revenue as current rates), utilizes the FY 2021 budget and cost data, and is based on customer consumption data from FY 2019. It serves as the baseline for year over year calculations of the percent revenue increase for FY 2023, the first year of the projected 5-year rate schedule.

¹⁴ See Appendix D for an excerpt of the AWWA M1 Manual on Water Rates, Fees and Charges. This appendix provides a table of contents for the 2017 edition along with chapter 1.

2.4.1 PRIORITY WATER PRICING POLICY OBJECTIVES

Policy-maker engagement in the rate-making process typically begins early in the effort with a water pricing policy objectives exercise. Table 1 in section 1.3 on the Financial Planning Conceptual Model gives a list of some water pricing policy objectives that could be considered in developing customer water rates. Both the Water Commission and the City Council worked through an exercise to prioritize water pricing policy objectives for use in designing water rates for the next five years. The selected priority objectives are:

- 1. Ensures water for essential use is affordable to all customers;
- 2. Maintains transparency and equity for capital and water reliability needs; and
- 3. Provides sufficient revenues to meet operating, capital, and customer service level needs.

2.4.2 RATE STRUCTURE OPTIONS CONSIDERED

In its deliberations about potential changes to the structure of water rates and in consideration of both the priority water pricing policy objectives and the community input received through customer engagement, the Water Commission considered four different rate structure options:

- 1. Maintaining the existing volume-based rate structure in which both the consumption charge and the Infrastructure Reinvestment Fee (IRF) are based on amounts of water used, and are based on tiered consumption.
- 2. Maintaining the volume-based rate structure for the consumption charge, and shifting the IRF to a fixed charge based on meter size.
- 3. Maintaining the volume-based rate structure for the consumption charge, and converting the IRF to a uniform charge for each unit of water consumed.
- 4. Maintaining the volume-based rate structure for the consumption charge and shifting the IRF to a fixed fee billed on the property tax based on meter size.

At its July 12, 2021 meeting, the Water Commission considered actual rates for Alternatives 1, 2, and 3, and provided direction to the consulting team about which alternative to further develop for recommendation to the City Council, as well as to present as proposed rates in the Proposition 218 notice and public process.

As anticipated, the Water Commission's discussion on the options centered on the key issue of how to fund the IRF, or perhaps more simply, how to fund the Department's capital investment program, which is basically all about reliability.

As has been demonstrated multiple times over the last decade, neither the Department's critical backbone infrastructure nor its water supply is sufficiently reliable, particularly with respect to the current and expected impacts of climate change. The Department's capital program over the next 15 years is almost entirely focused on increasing infrastructure reliability

and resilience, and improving the reliability of Santa Cruz's water supply. Regardless of how much water is used by individual customers, it is clear that all customers benefit from these improvements. This reality drives the main question related to rate structure alternatives: "What is the best way to collect the costs allocated to each customer class for these improvements?" The following choices were considered by the Water Commission:

- 1. Funding the IRF using the same tiered or uniform rate commodity structure used to collect the consumption-based costs that fund the Department's operating budget;
- 2. Funding the IRF using a uniform rate in which every unit of consumption is charged a fixed amount; or
- 3. Funding the IRF using a fixed charge based on meter size.¹⁵

Each of the options the Commission reviewed collects the projected IRF cost allocated to each customer class, they just do it in different ways. Focusing on single-family residential customers, as both the largest customer class and the group contributing the largest part of the Water Department's funding:

- Alternative 1 would collect the IRF funding from those using greater amounts of water in the rates with tiers in place for residential users, i.e., those using water in tier 3;
- Alternative 2 would collect the IRF as a uniform charge for every unit used, without increasing the cost per unit for higher users; and
- Alternative 3 would collect the IRF by spreading the cost allocated to residential customers with 5/8th inch meters equally among all 21,719 property owners in this situation.

Preliminary rates for the FY 2023 – FY 2027 rate period were presented to the Water Commission on July 12, 2021 for discussion. This information shows that in the first two options, those customers using less water will have a smaller financial impact to their future bill than would be the case if the IRF were allocated by meter size. Between the first two options, low water users would pay less under Alternative 1 than the same low water using customer would pay under Alternative 2.

2.4.3 WATER RATE STRUCTURE RECOMMENDATION

Following its July 12 and August 23, 2021 discussions, the Water Commission acted to unanimously approve a recommendation to the Council to retain its current volume-based rate structure largely because this approach does the best job of maintaining affordable access to water for essential use for all customers. In this approach, about 90% of the Department's total

¹⁵ See July 12, 2021 Water Commission Meeting Materials at <u>https://ecm.cityofsantacruz.com/OnBaseAgendaOnline/Meetings/Search?dropid=4&mtids=124</u>.

revenue comes from charges associated with the amount of water used. The remaining 10% comes from fixed charges based on meter size and is intended to recover the costs of meter reading, meter maintenance, producing and delivering bills and providing customer service.

Under the volume-based rate structure, accurate meter readings are critical for maintaining both revenue sufficiency and customer equity, and is one more reason the meter replacement program approved by Council in August 2020 is included in the Capital Investment Program.

Continued residential customer demand reductions in the peak season have resulted in a flattening of peak season demand over many years. Continued movement toward flattening the peak has been observed in consumption patterns since 2014, and he 2016 rate change likely contributed to this outcome because tiered, volume-based pricing implemented in 2016 effectively incentivizing additional water use reductions in the peak season, resulting in lower and more stable consumption patterns throughout the year by many customers.

The recommendation is for tiered rates for single and multi-family residential customers to continue because they are well aligned with the costs of the systems and facilities that ensure reliable water supply during the annual dry season when water use will tend to increase, even if less dramatically than in the past. But, the changing consumption pattern does support revising the number of tiers from four to three.¹⁶ Recommended revised tiers for single and multi-family residential customers are as follows:

- 0 5 CCF = Tier 1 (average winter use)
- 6 9 CCF = Tier 2 (average summer use)
- 10 and above CCF = Tier 3

Multi-family residential rates would also recommended to continue to be tiered using the same tiers as for single family but multiplying the tier allocations by the number of dwelling units in a master metered complex.¹⁷

No changes are recommended for landscape irrigation accounts. They are recommended continue to be billed based on a simplified water budget system that would establish an allocation for each account. Usage up to that water budget allocation would be billed at tier 1 of the irrigation rates, up to 150% of the allocation would be billed at tier 2 of the irrigation

¹⁶ The change in the number of tiers was the result of the analysis done by Raftelis Financial Consultants as part of the Cost-of-Service Study and was based on evolving water use patterns for residential customers.

¹⁷ Master metered systems may include irrigation or have irrigation on a separate meter. For water utility billing purposes, individually metered multi-family units are treated as single family residential properties.

rates, and all usage above 150% of the allocation would be billed at tier 3 of the landscape irrigation rates.

The remaining customer classes are recommended to be billed using uniform rates established for each class, based on the Cost-of-Service Analysis. For example, this means that the University of California at Santa Cruz, whose water use includes some seasonal peaking, would pay a higher uniform rate than those customer classes that do not.

2.4.4 SPECIFIC ASSUMPTIONS USED IN DEVELOPING PROPOSED WATER RATES

Once a proposed water rate structure is identified, and revenue requirements are determined, the result of the Cost-of-Service Analysis is used to allocate the proportionate share of projected costs to each customer class. The water demand forecast identifies the number of units of water (in hundreds of cubic feet or CCF) expected to be sold to each customer class for each year of the proposed rate schedule. Specific rates are then designed to recover the required amount in each of the years covered in the rate schedule. So, specifically, the inputs to the water rates being proposed for the FY 2023 – FY 2027 rate schedule period include the following assumptions:

- 1. Rate Structure:
 - Collect revenues sufficient to recover the revenue necessary to cover the cost of meter reading, meter maintenance, billing preparation and distribution, and customer service through a fixed fee based on meter size.
 - Collect all other revenues based on volume-based user rates generally split between revenues needed to recover operating costs through the commodity fee and revenues needed to cover pay-as-you-go capital spending and debt service on borrowing needed to support the capital program in the IRF.
- 2. Revenue Collection Split:
 - Revenue collection is split between the amounts to be collected through fixed charges (about 10%) and use-based charges consumption and IRF. Table 10 presents these results.

Financial Plan	COS	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
O&M	\$30,197,959	\$32,696,061	\$34,069,032	\$36,018,421	\$37,980,397	\$40,168,470
IRF	\$9,136,232	\$9,348,238	\$14,517,877	\$21,446,883	\$21,513,987	\$25,038,677
Total Rev. Req.	\$39,334,191	\$42,044,299	\$48,586,908	\$57,465,304	\$59,494,385	\$65,207,147
% Change in Total Revenue Requirement Unsmoothed		6.9%	15.6%	18.3%	3.5%	9.6%
% Change in Total Revenue Requirement Smoothed		6.9	16.2	16.2	6.9	6.9

Table 1018FY 2023 – FY 2027 Projected Revenue Requirements as Used in Rate Design

- 3. Projected Water Sales
 - For the purposes of rate development, assume that the amount of water to be sold during the five years covered by the proposed rates is 2.26 billion gallons per year growing to 2.46 billion gallons per year by 2027.¹⁹

Additional details about the recommended rate structure and water rates can be found in Appendix F.

2.4.5 RATE OPTIONS FOR NORTH COAST AGRICULTURE CUSTOMERS

As part of the development of a rate schedule for the FY 2023 – FY 2027 rate period, the City worked with Raftelis to develop reliability-based rate options for the North Coast Agriculture

¹⁸ See Table 9 for the total revenue requirements being used for the rate increase.

¹⁹ Water sales demand assumptions come from the 2020 updated demand forecast developed for the 2020 update of the Urban Water Management Plan. The summary table of that forecast is provided in Appendix E. Projected sales figures do not include system losses but do include North Coast Agricultural use. Use levels for FY 2023 and FY 2027 are interpolated between projections for FY 2020, FY 2025 and FY 2030.

customer class (North Coast), which includes a subset of customers that purchase raw water for agricultural irrigation.

Compared to all other City customers, North Coast currently has the same level of service but requires a different type of service. A customer's level of service is defined by the reliability of water delivery, whereas the type of service differs for North Coast due to the class's use of raw water instead of treated water. All other City customers use treated water.

Current North Coast's water rates include a monthly fixed readiness-to-serve charge based on meter size, with their charges being exactly the same for this portion of the bill due as all other customers. In addition, North Coast Ag customers pay a uniform commodity charge based on water usage (to recover operating costs), a uniform IRF based on water usage (to recover capital costs), and a uniform rate stabilization fee. The cost basis for their commodity and IRF charges is the water system's raw water assets and capacities, for instance, Newell Creek Dam and Loch Lomond Reservoir, the North Coast sources and both the North Coast and Newell Creek Pipelines. No costs associated with the operation, maintenance, rehabilitation or replacement of water treatment facilities or the treated water storage and distribution are allocated or North Coast users.

The two rate options developed for consideration by North Coast Ag customers involve differing levels of reliability: "maintain reliability" or "decreased reliability." Under the "maintain reliability" option, North Coast Ag customers would keep their current level of service, which is subject to curtailment when all other City customers are also curtailed. Under the "decreased reliability" option, water service for North Coast would be seasonally interruptible based on water supply conditions in Santa Cruz. North Coast rates for the "decreased reliability" option will be less than the "maintain reliability" option because the cost-allocation methodology used for the two options differs.

In the "maintain reliability" option, both North Coast and San Lorenzo River water and infrastructure assets are needed to provide the level of reliability that North Coast Ag (and all other customers) receive. Without the San Lorenzo river's supply and raw water storage assets Santa Cruz water service customers, including North Coast Ag customers, cannot be assured that they will have water during the six month long annual dry season, as these facilities are a critical component of the system's ability to provide water during those months.

In the "decreased reliability" option, the cost basis used in developing rates excludes the San Lorenzo River supply and raw water storage assets. This is possible because when water supply conditions warrant, North Coast Ag customers choosing this level of service will be completely cut off from service, so the San Lorenzo storage and water system assets will not be either available or needed to serve them.

Table 11 below shows the preliminary operating commodity charges and IRF based on the two reliability options. North Coast rates are decreasing from current rates due to a change in usage characteristics for the class; compared to the last rate study, North Coast water usage and peaking have decreased. Additionally, the methodology used to determine the IRF in the previous rate study was based on capacity; the proposed methodology in this study is based on asset benefit. The proposed methodology to allocate capital costs changed from the last study due to the availability of better asset data.

X	ample Water Rates for	North Coast Ag Cu	stomers under Two	Reliability Optio
	Reliability Options	Current FY 2022 Charge	Proposed FY 2023 Charge	Difference (\$)
	Commodity + IRF			
	Maintain Reliability	\$8.98	\$6.45	(\$2.53)
	Decreased Reliability	\$8.98	\$2.88	(\$6.10)

Table 11 Example Water Rates for North Coast Ag Customers under Two Reliability Options

The prior study used the best available data at the time the study was conducted. However, detailed asset data, particularly replacement cost information, were not available during the prior water rate study. City staff provided Raftelis with detailed asset information during the current rate study process, which was used as the framework for allocating capital costs based on asset benefit.

The proposed five-year rate schedule for North Coast Ag customers is included with other rate details in Appendix F.

2.5 RISK MANAGEMENT – MITIGATING THE POTENTIAL REVENUE STABILITY RISKS OF A HEAVILY VOLUME BASED RATE STRUCTURE

A more volume-based rate structure creates inherent revenue stability risks for a utility. In making a decision to move in this direction, Water Department staff carefully considered how this risk might influence revenues by evaluating the character and water use consumption patterns in the City's service area.

Even before the recent drought, Santa Cruz water customers were among the lowest water users in the state on both system-wide and residential gallons-per-capita-per-day metrics. During the drought, that pattern continued. Anecdotally, staff is observing some continuing shifts in water use that may reflect some long-term changes in use patterns that will ultimately be attributed to the drought becoming permanent. One very likely candidate for this kind of change is residential landscape irrigation. Revenue streams that depend on the volume of water sold are particularly susceptible to weather driven changes in consumption, and changes in consumption due to price effects. The Department's recent experiences make it keenly aware of this dynamic. The challenges of managing ongoing operations and management of the water utility while simultaneously planning for and implementing major capital improvements aren't insurmountable with a more volume-based rate structure, but certainly introduce an element of uncertainty that should be carefully considered before proceeding. This is what Department staff has done.

Rather than avoid recommending a rate structure that seems well-suited to the community's and policy maker's values and priorities, Department staff recommends planning for and implementing, as part of the rate structure, the mechanisms needed to mitigate these potential risks.

These risks come in two basic forms: drought risks, and non-drought risks. The risk mitigation approaches being recommended to address each is discussed in more detail below.

2.5.1 DROUGHT RISKS

In 2014, the Water Department instituted a drought cost recovery fee mechanism that is put in place as a fixed charge. Table 12 shows an example of the Drought Cost Recovery Fee revenue recovery target for each stage of the City's Water Shortage Contingency Plan and provides the amount charged for a typical single family residential customer using a 5/8- or 3/4-inch meter.

Drought Cost Recovery Fee for Water Shortage Contingency Plan Stage 2								
	Example I	Fixed Charge for	[•] 5/8- and 3/4-in	ich Meters				
Meter Size Proposed Proposed Proposed Proposed Proposed								
	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027			
	Charge	Charge	Charge	Charge	Charge			
5/8 inch	\$21.05	\$24.46	\$28.42	\$30.38	\$32.48			
3/4 inch	\$31.58	\$36.70	\$42.64	\$45.58	\$48.73			

Table 12

Additional Details on the Drought Cost Recovery Fees for other meter sizes and Drought Stages can be found in Appendix F

A Drought Cost Recovery Fee was levied in Santa Cruz from October 1, 2014 through June 30, 2016. Levying the fee is explicitly linked to action taken by the Santa Cruz City Council to declare a drought and establish a curtailment stage in advance of each drought year's dry season (May through October).

The Department's 2014 and 2016 Proposition 218 notice included the Drought Cost Recovery Fee Schedule. The planned 2021 Proposition 218 notice will also include publication of this proposed fee.

2.5.2 NON-DROUGHT RELATED RISKS

A heavily volume-based revenue generating approach presents a variety of risks that should be mitigated in order to protect the Water utility's financial position. The COVID 19 pandemic is a particularly relevant example of an unforeseeable event that resulted in changes in customer consumption. One example is the very dramatic reduction of water use by UCSC as a result of shutting down all (or most) in-person learning between spring of 2020 and fall of 2021.

The mitigation strategy for non-drought related risks adopted in 2016 are recommended to continue to be applied in the FY 2023 – FY 2027 rate period. Two approaches focused on acknowledging and mitigating the risks to revenue stability associated with moving to a more volume-based rate are involved:

- 1. Using a conservative assumption of water volumes to be sold at 2.26 billion gallons in FY 2023 growing to 2.46 billion gallons per year by FY 2027; and
- 2. Applying a \$1.00 surcharge per unit of water consumption (a hundred cubic feet or CCF) to maintain the Rate Stabilization Reserve at a minimum of \$10 million. In any normal water year²⁰ where water sales don't meet projections, the revenue shortfall associated with this situation would be covered by resources from this fund.²¹

Water Department staff recommend continuing to use these strategies for the next five years and then revisiting them when the LRFP is updated as part of the next water rate development process. Section 2.6 discusses terms and conditions of use of the Rate Stabilization Reserve should it grow to a level above \$10 million.

²⁰ Meaning any year where a drought emergency has not been declared and/or Drought Cost Recovery Fees have not been collected, even though they were authorized to be levied as a result of a drought emergency declaration by Council.

²¹ The Rate Stabilization Reserve Fund would be used to augment revenues during "normal" water years if the amount of water sold falls below 2.5 billion gallons. In water years where water restrictions are required due to inadequate supply, a Drought Cost Recovery charge would be used to ensure revenues are adequate to meet system costs and debt service obligations.

2.6 ALLOCATIONS OF RATE STABILIZATION REVENUES THAT ARE HIGHER THAN EXPECTED

A reasonable question is what to do if revenue stability does not turn out to be an issue because consumption is either stable at the projections being used in the LRFP or is greater than projected. The Department proposes the following conditional approach to addressing this situation if it occurs:

If....

- the minimum debt service coverage ratio target of 1.5 is being consistently met, and
- reserves are fully funded, and
- "pay-as-you-go" capital is being funded at an average over the previous 3 years of at least 15%, and
- there is no unpaid outstanding balance of short-term borrowing²² to address needs other than the cash-flow issues associated with delayed reimbursements of construction cost claims from state or federal low-interest loans reimbursement.

Then either...

- additional planned rate increases will be adjusted to the level needed to produce required revenues without any excess,²³ or
- direct additional funds to "pay-as-you-go" capital expenditures, reducing the need to issue debt, or
- At Council's direction, adjust the amount of funding in the Emergency Reserve and the Rate Stabilization Reserve to an established percent of the Operating budget, rather than using a fixed dollar amount for these reserves.

Because the Rate Stabilization Reserve produces annual revenues, the amount of annual revenue produced, but not the total Rate Stabilization Reserve fund balance, can be used in calculating the Department's annual Debt Service Coverage Ratio.

²² Sources of short-term borrowing include a revolving line of credit such as the Department's June 2021\$50M Line of Credit with Bank of America, or borrowing from other available sources.

²³ The public notices required under Proposition 218 are required to identify (and justify based on the Cost-of-Service) the maximum amount that will be charged for a service. A utility has the option of charging less than the maximum amount published in the required notices. The obverse, however, is not true, which is the major reason for building into a more heavily volumetric rate structure a mechanism to mitigate for lower than anticipated revenues due to lower than forecasted water sales.

2.7 PLAN IMPLEMENTATION

Much of the policy direction and financial performance targets of the LRFP are integrated in to the Department's ongoing operations, for example a five-year rate schedule, once it has been through the required public process and the Council has taken action on it. This means that there are relatively few items that require further direction once the plan is approved. Just two items are included here to make explicit policies or strategies that are related to the LRFP and its implementation. These two items are described below.

2.7.1 CONSIDERATIONS IN THE TIMING AND SIZING OF DEBT

In order to effectively use a debt financing approach to minimize interest costs associated with borrowing, it is necessary to actively manage the timing and sizing of debt issued to avoid paying interest on cash sitting idle in a bank account. Given this concern, when issuing debt, it makes sense to take into account the following:

- Set a minimum debt financing amount of \$15 million;²⁴
- Consider the spending rate on current and near-term capital projects;²⁵
- Consider market conditions or interest rate changes that might be more or less favorable in the future;
- Explore the potential to use one or more bridge funding mechanisms such as a bank line of credit or internal borrowing (from City reserve funds, for example) that would allow for debt issuance at a later date.

The PFM model includes a debt sizing function that is used to forecast capital expenditures and anticipate when additional borrowing is needed. The model uses both built-in parameters, such as the minimum \$15 million in borrowing, and supports the process of consciously consider the sizing and timing of debt. City staff will be actively using this model in ongoing

²⁴ The purpose for establishing a minimum issuance amount for a debt issue is based on reasoning that is similar to the advice of travel gurus regarding going to the ATM when you're on vacation in a foreign country. There are certain transaction costs associated with taking money out of the ATM that don't vary (or don't vary very much) with the size of the withdrawal. Therefore, it is more cost effective to go to the ATM fewer times and take out more money rather than doing the opposite. Issuing debt also has certain borrowing costs that accrue, and borrowing in bigger chunks helps manage and minimize the impact of some of these costs.

²⁵ The Department's CIP shows spending patterns that reflect the staff's best estimate of how the project will play out. The environmental review, right-of-way, and regulatory climate in California is complex and project spending can be greatly influenced by this reality. In sizing and timing debt issues, it will be important to use the most upto-date information about progress on projects.

financial analyses and management activities, and the timing and sizing of each debt issue may be revised based on market conditions at the time.

2.7.2 OPPORTUNITIES FOR GRANT FUNDING

In addition to borrowing, the Department will work to acquire grant funding for capital investments if and as available. Grant funds may most likely be an option to defray some of the costs of the projects included in the Water Supply Augmentation Strategy.

Appendix G includes a July 2021 summary of federal and state infrastructure funding opportunities that was developed for and provided to the Water Commission. This summary provides an overview of the many programs being considered or already approved that will provide new opportunities for infrastructure funding, including potential grants for drought response and climate resilience investments, both of which are entirely aligned with Santa Cruz Water's initiatives and needs.

2.8 REVIEW AND REVISION OF THE LRFP

The LRFP is designed to be used as an ongoing guide for the Water Department financial planning and management activities over the upcoming five- to ten-year period. The financial planning and rate models that form the analytical basis of the LRFP are effective tools to support the Department's financial decision-making, and will be used and updated as new information is available. In 2027, the Department would expect to prepare an update to the LRFP and complete a new Cost-of-Service Analysis to use in setting rates of FY 2028 through FY 2032. Using these results as well as updated information on revenue requirements, the Department will comprehensively review and revise the LFRP to guide the next five year's activities.

Glossary

- Bond covenant A legally binding term for an agreement between a bond issuer and a bond holder. Bond covenants are designed to protect the interests of both parties. Bond covenants are commitments that the City makes to the bondholders to ensure timely payment of principal and interest.
- **Capital Investment Plan** A multi-year plan that lists the rehabilitation, replacement, major maintenance, and new water system facilities and systems that are needed to maintain reliable and high-quality water service or meet regulatory requirements;
- **CCF** (One Hundred cubic feet of water) 748 gallons of water. A CCF is the unit used by the Santa Cruz Water Department as the basis for charges to customers based on water use.
- **Debt service coverage ratio** The ratio of net operating revenue to annual debt payments.
- Emergency reserve fund A reserve fund specifically designed to provide resources to address the consequences of natural disasters on water system facilities or resources or a catastrophic failure of a water system facility;
- **Pro forma** (financial statement) A pro forma financial statement is a forecast of the utility's revenues and expenditures based on certain assumptions and projections;
- Ninety-day operating cash reserve fund A reserve created to help ensure the utility's ability to meet operating expenses, provide financial stability, and resilience and support establishing and maintaining a good credit rating.
- **Operating budget** The portion of the Department's overall budget that pays for ongoing operations of the utility, including the costs related to personnel, materials and services such as water treatment chemicals, energy resources, and non-capital improvement project professional and technical services;
- **Pay-as-you-go capital funding** paying for capital improvement projects using current year or accumulated rate revenues rather than the use of short or long term debt;
- Proposition 218 a 1996 California Constitutional Amendment that established the "costof-service" requirements for utility rates as well as certain noticing and public review process requirements related to water rate increases;²⁶
- Rate structure design Characteristics of water rates that provides for the amount of revenue produced by fixed and variable charges, the use of different tiers for different amounts of water use, etc.;
- **Rate stabilization reserve** a financial reserve specifically intended to provide a hedge against revenue variability resulting from weather conditions, such as a cool wet spring that results in less water than projected being used for outdoor irrigation.

²⁶ Proposition 218 also includes other provisions that aren't relevant to water rates and finances.

- **Reimbursement resolution** A Council action that authorizes the Department to reimburse itself for funds expended on capital projects using proceeds from future debt issues.
- Water Supply Augmentation Strategy This is the plan developed by the Council appointed Water Supply Advisory Committee and accepted by the City Council for implementation in November 2015.

APPENDIX A – PRIMER ON UTILITY CREDIT RATINGS

One typical measure of a Utility's financial performance is its credit rating. Table A-1 below describes the factors considered by Credit Rating Agencies in assigning credit ratings.

Rating Agency ractors used in Assigning an Agency Credit Rating								
Rating Factor	Rating Sub-Factors & Description							
System Characteristics	 asset condition 							
	 service area wealth (median family income) 							
	 gross county product 							
	unemployment rate							
	 annual utility bill as a % of median family income 							
	 system size (O&M) 							
Financial Strength	 annual debt service coverage 							
	days cash on hand							
	 debt to operating revenues 							
	 debt to capitalization ratio 							
Management	rate management							
	 regulatory compliance 							
	 capital planning 							
	 financial planning (debt & investment policies) 							
	 operational risk (water supply adequacy) 							
Legal Provisions	rate covenant							
	 debt service reserve requirement 							

 Table A-1

 Rating Agency Factors Used in Assigning an Agency Credit Rating

Credit rating agencies consider a variety of factors in assigning a credit rating, and utilities that have the best credit ratings typically will include policies that specifically address the financial strength metrics listed in Table A-1.

Establishing the 90-Day Operating Cash Reserve Fund was an important step, however for bond rating purposes a 180-day reserve is preferable. To that end, the financial plan also envisions keeping a 90-day reserve in the operating fund (711) in addition to the 90-Day Operating Cash Reserve Fund (716). Providing a reserve equal to 180 days of operating expenses (between balances in Fund 711 and 716) is considered to be the minimum reserve to maintain a strong bond rating (AA category) and access to capital markets. Increasing these reserves above 180-days operating cash may be pursued if and when resources become available.

At 6-30-2015, this fund had increased to \$2.4 million. As noted above, the \$1/CCF surcharge will be used to help increase this fund to \$10 million, as part of the mitigation for a more volume-based rate structure.

APPENDIX B – FINANCIAL PRO FORMA

This Appendix provides a 10 year Pro Forma from the Department's financial Model.

The key financial planning tool being used by the Department in its financial planning work is a financial model created by the Department's financial advisor, PFM. This model requires a number of inputs including beginning fund balances for the Department's Operating Funds, forecasted operating and capital costs, and debt service. To pay for the projected costs, the model projects sufficient revenues, debt issues and financially prudent fund balances.

The following Financial Pro Forma spreadsheet from the financial model is used in the 2021 LRFP.

City of Santa Cruz Water Department FY 2022 – FY 2031 Financial Pro-Forma

	C	ity of Santa Cruz	Nater Department	Pro-Forma Projec	tions					
Year	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Fixed Fee Revenue	3,572,322	3,775,378	4,368,481	5,173,636	5,222,434	5,727,433	6,283,029	6,826,865	7,368,600	7,611,238
Volumetric Revenue	35,133,536	37,855,475	43,802,475	51,875,716	53,855,998	59,063,761	64,793,304	70,401,576	75,988,185	78,490,368
Elevation Surcharges.	352,788	352,788	352,788	352,788	352,788	352,788	352,788	352,788	352,788	352,788
Rate Stabilization Revenue	3,060,462	3,060,462	3,060,462	3,060,462	3,163,368	3,163,368	3,163,368	3,163,368	3,163,368	3,163,368
Manual Revenue Adjustment (Fire Service)	57,650	60,658	63,164	63,164	63,164	63,164	63,164	63,164	63,164	63,164
Total Rate Revenue	42,176,758	45,104,761	51,647,370	60,525,766	62,657,753	68,370,515	74,655,653	80,807,761	86,936,106	89,680,926
Non-Rate Revenue				1		· · · · · · · · · · · · · · · · · · ·				
Other Income	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Investment Income	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	2,50,000
Total Non-Rate Revenue	1,250,000	1,250,000	1,250,000	1,250,000	1,250,000	1,250,000	1,250,000	1,250,000	1,250,000	1,250,000
Total Revenues	43,426,758	46,354,761	52,897,370	61,775,766	63,907,753	69,620,515	75,905,653	82,057,761	88,186,106	90,930,926
Operating Expenses										
Personnel	16,479,238	18,295,035	19,217,668	20,201,621	21,251,760	22,373,372	23,572,197	24,854,473	26,226,978	27,697,076
Services, Supplies & Other	15,646,124	16,428,430	17,249,852	18,112,344	19,017,962	19,968,860	20,967,303	22,015,668	23,116,451	24,272,274
Capital Outlay	601,500	631,575	663,154	696,311	731,127	767,683	806,068	846,371	888,689	933,124
Other Operating Expenses	0	0	0	0	0.	0	0	0	0	0
Total Operating Expenses	32,726,862	35,355,040	37,130,673	39,010,276	41,000,848	43,109,915	45,345,567	47,716,512	50,232,118	52,902,473
Net Operating Revenues	10,699,896	10,999,722	15,766,697	22,765,490	22,906,904	26,510,600	30,560,086	34,341,250	37,953,988	38,028,453
Capital Expenditures	81,780,000	61,610,000	40,830,000	50,500,000	56,170,000	61,779,000	59,647,000	43,378,000	27,276,000	28,994,000
Grant Funded	0	0	ò	σ	Ó	0	0	0	o	D
SRF Funded	52,460,000	22,480,000	9,050,000	1,220,000	0	0	0	0	o	0
WIFIA Funded	0	0	0	0	0	0	0	0	o	0
Currently Funded	12,000,000	0	C	0	0	Ó	0	0	0	0
Pay-Go Funded	1,695,173	2,242,417	4,243,367	6,516,352	6,507,019	7,634,837	8,926,049	10,106,100	11,236,414	11,161,746
Debt Funded	15,624,827	36,887,583	27,536,633	42,763,648	49,662,981	54,144,163	50,720,951	33,271,900	16,039,586	17,832,254
Debt Service	4,523,072	7,105,821	10,274,509	14,930,531	15,006,968	17,403,840	20,078,377	72,589,814	24,970,751	25,023,639
NetIncome	4,481,651	1,651,483	1,248,820	1,318,607	1,392,917	1,471,923	1,555,660	1,645,336	1,746,822	1,843,069
Total Cash Balances										
Beginning Total Cash Balance	25,251,417	29,733,068	31,384,552	32,633,372	33,951,979	35,344,896	36,816,819	38,372,479	40,017,815	41,764,637
I-Bank Reimbursements	0	Q	o	0	0	0	0	D	0	0
Calculated Change to Cash Balances	4,481,651	1,651,483	1,248,820	1,318,607	1,392,917	1,471,923	1,555,660	1,645,336	1,746,822	1,843,069
Ending Total Cash Balance	29,733,068	31,384,552	32,633,372	33,951,979	35,344,896	36,816,819	38,372,479	40,017,815	41,764,637	43,607,706
Ending Cash Balances by Fund										
Fund 717 (Emergency Reserve)	3,100,000	3,100,000	3,100,000	3,100,000	3,100,000	3,100,000	3,100,000	3,100,000	3,100,000	3,100,000
Fund 713 (Rate Stabilization)	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
Fund 716 (90 Day Operating Reserve)	8,069,637	8,717,681	9,155,509	9,618,972	10,109,798	10,629,842	11,181,099	11,765,715	12,386,002	13,044,445
Fund 711 (Water Operations)	8,563,431	9,566,871	10,377,864	11,233,007	12,135,098	13,086,977	14,091,381	15,152,100	16,278,635	17,463,260
Coverage and Targets										
Debt Service Coverage Target	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Days' Cash (only Funds 711 & 716)	126	189	192	195	198	201	203	206	208	210
Days' Cash Target	180	180	180	180	180	180	180	180	180	180

APPENDIX C – 15 YEAR CIP

This Appendix includes a spreadsheet listing projects, and the project descriptions.

Water Department FY 2023 – FY 2037 Capital Investment Program

CIP Budget Summary	Project Costs (FY23 -FY27)	Project Costs (FY28 -FY32)	Project Costs (FY33 - FY37)	
Project Titles			and wear	
WATER SUPPLY RESILIENCY & CLIMATE ADAPTATION PROJECTS				
Water Supply Augmentation Strategy			2	
Beltz Wellfield Aquifer Storage and Recovery (ASR)	15,070,358	8,133,423		
Santa Margarita ASR and In Lieu Water Transfers and Exchanges	6,503,376	57,413,516		
Studies for Recycled Water, Climate Change, and ASR.	230,000	-		
Subiotal	21,803,734	65,546,939		
INFRASTRUCTURE RESILIENCY AND CLIMATE ADAPTATION				
Raw Water Storage Projects			-	
NCD I/O Replacement Project	9,660,000			
Raw Water Diversion and Groundwater System Projects	-			
Laguna Creek Diversion Retrofit	10,000	-	-	
North Coast System Majors Diversion Rehab	966,927	4,199,534	-	
Tait Diversion Rehab/Replacement	1,493,513	4,730,331	-	
Coast Pump Station Rehab/Replacement	-	9,668,360	704,981	
Felton Diversion Pump Station Improvements	1,043,986	2,866,416		
Raw Water Transmission				
Newell Creek Pipeline Rehab/Replacement	10,000	-	-	
Newell Creek Pipeline Felton/GHWTP	26,590,000		-	
Newell Creek Pipeline Felton/Loch Lomond	-	36,927,421	3,802,653	
Brackney Landslide Area Pipeline Risk Reduction	4,980,000	-	-	
North Coast Pipeline Repair/Replacement - Ph 4	-	20,110,626	33,957	
North Coast Pipeline Repair/Replacement - Ph 5		10,887,373	9,986,134	
Surface Water Treatment			-	
GHWTP Concrete Tanks Replacement	23,090,000		-	
GHWTP Facilities Improvement Project	108,017,427	26,905,780		
River Bank Filtration Study	5,877,851	15,313		
Distribution System Storage, Water Main and Pressure Regulation, and Metering Proj	jects			
University Tank No. 4 Rehab/Replacement	5,280,000		-	
Meter Replacement Project	1,940,000			
Engineering and Distribution Main Replacement Projects	9,631,099	9,385,533	11,039,751	
Facility & Infrastructure Improvements	2,306,028	2,681,580	3,154,214	
Subtotal	200,896,831	128,378,267	28,721,690	
OTHER RISK MANAGEMENT AND RISK REDUCTION PROJECTS				
Staff Augmentation				
Water Program Administration	13,660,140	3,806,930		
Contingency				
Management Reserve	34,531,189	4,088,413		
Subtotal	48,191,329	7,895,343		
GRAND TOTAL	270,891 894	201,820 540	28,721,600	

APPENDIX D – EXCERPT OF AWWA M1 MANUAL ON WATER RATES, FEES AND CHARGES
M1

Water Rates, Fees, and Charges

Seventh Edition





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Chapter **I.1**

Overview of Cost-Based Water Utility Rate-Making

Establishing cost-based rates, fees, and charges is an important component in a wellmanaged and operated water utility. Cost-based rates provide sufficient funding to allow communities to build, operate, maintain, and reinvest in the water system that provides the community with safe and reliable drinking water and fire protection. Properly and adequately funded water systems also allow for the economic development and sustainability of the local community. The purpose of this manual is to discuss standard practices in financial planning and rate-making that a utility can use to establish cost-based rates, fees, and charges to recover the full costs associated with its water system.

The methods and analyses used to establish cost-based rates, fees, and charges have a long history within the water utility industry. Operators of some of the earliest water systems recognized the need for sufficient funding and rates to properly operate, maintain, and expand their water systems. AWWA appointed the Committee on Water Rates in 1949. As time passed, the utility industry recognized the need for a manual of standard practice. Through the work of this committee, the first AWWA M1 manual, *Water Rates Manual*, was published in 1954. (For a more complete history, see Woodcock 2013.) Many of the same concepts, methodologies, and analyses used in 1954 remain relevant today. As time has passed, AWWA Manual M1 has been updated and expanded to reflect the changing industry and its current financial and rate issues. The development of this seventh edition continues the efforts of many dedicated rate professionals to provide a manual of standard practice for the development and establishment of cost-based water rates, fees, and charges.

As a manual of standard practice, AWWA advocates the use of the generally accepted cost-based principles and methodologies for establishing rates, charges, and fees contained and discussed within this manual. Establishing cost-based and equitable rates is technically challenging and requires, at some level, knowledge and understanding of finance, accounting, budgeting, engineering, system design and operations, customer service,

public outreach and communication, and the legal environment as it may relate to setting rates, fees, and charges.

OBJECTIVES OF COST-BASED RATE-MAKING

Water rates developed using the methodologies discussed in this manual, when appropriately applied, are generally considered to be fair and equitable because these rate-setting methodologies result in cost-based rates that generate revenue from each class of customer in proportion to the cost to serve each class of customer. Water rates are considered fair and equitable when each customer class pays the costs allocated to the class and, consequently, cross-class subsidies are avoided.

While recovery of the full revenue requirement in a fair and equitable manner is a key objective of a utility using a cost-of-service rate-making process, it is often not the only objective. The following list contains the typical objectives in establishing cost-based rates (Bonbright, Danielsen, and Kamerschen 1988):

- Effectiveness in yielding total revenue requirements (full cost recovery)
- Revenue stability and predictability
- Stability and predictability of the rates themselves from unexpected or adverse changes
- Promotion of efficient resource use (conservation and efficient use)
- Fairness in the apportionment of total costs of service among the different ratepayers
- Avoidance of undue discrimination (subsidies) within the rates
- Dynamic efficiency in responding to changing supply-and-demand patterns
- Freedom from controversies as to proper interpretation of the rates
- Simple and easy to understand
- Simple to administer
- Legal and defendable

GENERALLY ACCEPTED RATE-SETTING METHODOLOGY

This manual outlines the methodologies and analyses that are used to establish cost-based rates. As displayed in Figure I.1-1, the generally accepted rate-setting methodology includes three categories of technical analysis. The first is the revenue requirement analysis. This analysis examines the utility's operating and capital costs to determine the total revenue requirements and the adequacy of the utility's existing rates. Next, a cost-of-service analysis is used to functionalize, allocate, and equitably distribute the revenue requirements to the various customer classes of service (e.g., residential, commercial) served by the utility. The final technical analysis is the rate-design analysis. It uses the results from the revenue requirement and cost-of-service analyses to establish cost-based water rates that meet the overall rate-design goals and objectives of the utility.

Sections of this manual have been dedicated to providing detailed discussions of the three types of analysis. Section II of this manual discusses the various technical components of establishing a utility's revenue requirements. Section III discusses the various methodologies that may be used to conduct a cost-of-service analysis. Finally, section IV reviews the various issues and technical considerations in designing water rates.



Figure I.1-1 Analytical steps of cost-based rate-making

KEY TECHNICAL ANALYSES OF COST-BASED RATE-MAKING

In establishing cost-based water rates, it is important to understand that a cost-of-service methodology does not prescribe a single approach. Rather, as the first edition of AWWA's Manual M1 noted, "the [M1 manual] is aimed at outlining the basic elements involved in water rates and suggesting alternative rules of procedure for formulating rates, thus permitting the exercise of judgment and preference to meet local conditions and requirements" (AWWA 1954). This manual, like those before it, provides the reader with an understanding of the options that make up the generally accepted methodologies and principles used to establish cost-based rates. From the application of these options within the principles and methodologies, a utility may create cost-based rates that reflect the distinct and unique characteristics of that utility and the values of the community.

Revenue Requirement Analysis

The purpose of the revenue requirement analysis is to determine the adequate and appropriate funding of the utility. Revenue requirements are the summation of the operation, maintenance, and capital costs that a utility must recover during the time period for which the rates will be in place. Two generally accepted approaches for establishing a utility's revenue requirements are discussed in this manual: the cash-needs approach and the utility-basis approach. Section II of the manual provides a detailed discussion and numerical examples about how to establish a utility's revenue requirements using these two approaches, and this section provides a framework for determining how to select between the two approaches.

Cost-of-Service Analysis

The purpose of the cost-of-service analysis is to equitably distribute the revenue requirements between the various customer classes of service served by the utility. The costof-service analysis determines what cost differences, if any, exist between serving the various customer classes. The two generally accepted methodologies for conducting the cost-of-service analysis are called the base-extra capacity method and the commoditydemand method. The functionalization, allocation, and distribution process of the base-extra capacity and commodity-demand methodologies are generally considered fair and equitable because both approaches result in the revenue requirements being distributed to each class in proportion to each class's contribution to the system cost components. Discussions of both cost-of-service methodologies, along with numerical examples to illustrate their differences, are provided in section III of this manual.

Rate-Design Analysis

The final technical analysis is the rate-design analysis. This analysis determines how to recover the appropriate level of costs from each customer class of service. There are different rate structures that may be used to collect the appropriate level of revenues from each customer class of service. Section IV of this manual covers the selection and development of rate designs in detail.

OTHER WATER RATE ISSUES AND CONSIDERATIONS

In addition to the topics previously discussed, this manual also contains guidance on a variety of other water rate and cost recovery issues, capacity and development charges, and water rate implementation issues. These topics are discussed in sections V through VIII.

Section V provides an overview of many distinct situations and pricing considerations that utilities may need to address. It is not unusual for a utility to face situations where a customer or group of customers has unique characteristics and circumstances. These situations include reuse rates and charges, standby rates, drought and surcharge rates, low-income affordability rates, negotiated contract and economic development rates, indexed rates, price elasticity, marginal cost pricing, and miscellaneous and special charges. Regardless of the distinctive situation and pricing considerations, the cost-based principles and methodologies as discussed within this manual should be adapted for the cost analysis to provide proper support for the rates.

Section VI is devoted to the development of rates for customers outside a municipality that owns the system. It has been expanded to include an overview of setting rates for outside customers, with chapters on wholesale (or bulk) charges and retail sales.

In recent years, the cost of system expansion and customer growth has had a significant financial impact on utilities. The development of cost-based connection fees, system development charges, or dedicated capacity charges are the topics reviewed in section VII.

Finally, while cost-of-service principles for rate-making and related fees and charges rely on significant amounts of financial analysis, engineering analysis, and policy decisions, it is necessary to engage the public. These topics, along with the data needs for developing cost-based rates, are discussed in section VIII of the manual.

REFERENCES

AWWA. 1954. Manual M1. Water Rates Manual, 1st ed. Denver, Colo.: AWWA. p. 1.

- Bonbright, J.C., A.L. Danielsen, and D.R. Kamerschen. 1988. Principles of Public Utility Rates, 2nd ed. Arlington, Va.: Public Utilities Reports. pp. 383–384.
- Woodcock, C.P.N. 2013. A Brief History of Water Rates Manuals and Publications. *Journal* of the New England Water Works Association, December.

APPENDIX E – SUMMARY TABLE FROM 2021 LONG-RANGE DEMAND FORECAST

YEAR		2015	2020	2025	2030	2035	2040	2045
		Actual	Actual	Forecast	Forecast	Forecast	Forecast	Forecast
Service								
Units	Units							
SFR	Households	19,029	19,119	19,249	19,380	19,511	19,644	19,777
MFR	Households	16,146	16,861	17,991	18,584	18,857	19,052	19,173
BUS	Services	1,897	1,874	1,955	1,993	2,015	2,037	2,055
IND	Services	40	38	38	38	38	38	38
MUN	Services	217	219	219	219	219	219	219
IRR	Services	460	440	448	455	463	471	479
GOLF	Services	6	3	3	3	3	3	3
UC Coastal	Services	2	2	2	2	2	2	2
UC Main	Services	9	9	9	9	9	9	9
Avg Use	Units							
SFR	CCF/HH	59	67	66	66	66	66	66
MFR	CCF/HH	45	47	45	43	42	42	42
BUS	CCF/SVC	342	276	344	326	307	299	299
IND	CCF/SVC	1,435	1,362	1,302	1,302	1,302	1,302	1,302
MUN	CCF/SVC	214	404	329	312	289	284	284
IRR	CCF/SVC	133	233	229	203	169	164	164
GOLF	CCF/SVC	19,339	17,309	19,441	17,988	15,964	15,608	15,608
UC Coastal	CCF/SVC	2,931	2,933	6,604	10,276	13,947	17,618	17,618
UC Main	CCF/SVC	23,154	15,688	22,610	29,532	36,453	43,375	43,375
Sales	Units							
SFR	MG	835	952	954	952	958	966	974
MFR	MG	538	588	601	600	596	601	606
BUS	MG	485	388	503	485	462	456	460
IND	MG	43	39	37	37	37	37	37
MUN	MG	35	66	54	51	47	47	47
IRR	MG	46	77	77	69	59	58	59
GOLF	MG	87	39	44	40	36	35	35
UC Coastal	MG	4	4	10	15	21	26	26
UC Main	MG	156	106	152	199	245	292	292
Total	MG	2,228	2,257	2,431	2,450	2,461	2,518	2,536
MISC/LOSS	MG	223	348	197	199	200	204	206
Coastal Irr.	MG	34	6	12	12	12	12	12
Production	MG	2,486	2,612	2,640	2,660	2,673	2,734	2,753
Rounded	MG	2,500	2,600	2,600	2,700	2,700	2,700	2,800
2015 UWM	P							
Production	MG		3,385	3,350	3,389	3,442		
Rounded	MG		3,400	3,400	3,400	3,400		

APPENDIX F - PROPOSED WATER RATES AND FEES FOR FY 2023-FY 2027

The tables below are the complete set of rate tables for the 5-year rate period for FY 2023 through FY 2027. These are the rate tables that are used in the Proposition 218 Notice.

Table F-1										
Ready-to-Serve Charge										
Ready-to-Serve (\$/meter)										
Meter Size	Current	As of 7/1/22	As of 7/1/23	As of 7/1/24	As of 7/1/25	As of 7/1/26				
5/8 inch	\$11.26	\$12.38	\$14.39	\$16.73	\$17.89	\$19.13				
3/4 inch	\$11.56	\$12.61	\$14.66	\$17.04	\$18.22	\$19.48				
1 inch	\$12.44	\$13.27	\$15.42	\$17.92	\$19.16	\$20.49				
1-1/2 inch	\$13.61	\$14.15	\$16.45	\$19.12	\$20.44	\$21.86				
2 inch	\$16.85	\$16.55	\$19.24	\$22.36	\$23.91	\$25.56				
3 inch	\$40.71	\$34.33	\$39.90	\$46.37	\$49.57	\$53.00				
4 inch	\$49.55	\$40.91	\$47.54	\$55.25	\$59.07	\$63.15				
6 inch	\$70.16	\$56.26	\$65.38	\$75.98	\$81.23	\$86.84				
8 inch	\$93.73	\$73.81	\$85.77	\$99.67	\$106.55	\$113.91				
10 inch	\$120.24	\$93.57	\$108.73	\$126.35	\$135.07	\$144.39				

Ready-to-Service Charge for Fire									
Fire Ready-to-Serve (\$/meter)									
Meter Size	Current	As of 7/1/22	As of 7/1/23	As of 7/1/24	As of 7/1/25	As of 7/1/26			
3/4 inch	\$1.26	\$2.36	\$2.75	\$3.20	\$3.43	\$3.67			
1 inch	\$1.26	\$2.53	\$2.94	\$3.42	\$3.66	\$3.92			
1-1/2 inch	\$1.26	\$3.14	\$3.65	\$4.25	\$4.55	\$4.87			
2 inch	\$1.26	\$4.21	\$4.90	\$5.70	\$6.10	\$6.53			
2-1/2 inch	\$1.26	\$5.80	\$6.74	\$7.84	\$8.39	\$8.97			
4 inch	\$1.26	\$14.56	\$16.92	\$19.67	\$21.03	\$22.49			
6 inch	\$1.26	\$38.11	\$44.29	\$51.47	\$55.03	\$58.83			
8 inch	\$1.26	\$78.72	\$91.48	\$106.30	\$113.64	\$121.49			
10 inch	\$1.26	\$139.81	\$162.46	\$188.78	\$201.81	\$215.74			

Table E 2

Table F-3

Current Consumption Charge and Infrastructure Reinvestment Fees

Consumption Charge and Infrastructure Reinvestment Fee (\$/ccf)								
Customer Class	Current Quantity Charge	Current IRF						
Residential								
Tier 1 (0 to 5 ccf)	\$7.37	\$2.23						
Tier 2 (6 to 7 ccf)	\$8.24	\$3.34						
Tier 3 (8 to 9 ccf)	\$9.51	\$4.13						
Tier 4 (10 ccf and above)	\$11.28	\$5.55						
Commercial								
Uniform	\$8.43	\$3.27						
UCSC								
Uniform	\$8.60	\$3.46						
Landscape Irrigation								
Tier 1 (up to 100% of budget)	\$8.80	\$4.06						
Tier 2 (101% to 150% of budget)	\$11.74	\$6.08						
Tier 3 (151% of budget and above)	\$13.17	\$6.16						
North Coast Agriculture								
Uniform	\$4.59	\$4.39						

Table F-4 Consumption Charge

	Consumption Charge (\$/ccf)					
Customer Class	As of 7/1/22	As of 7/1/23	As of 7/1/24	As of 7/1/25	As of 7/1/26	
Residential*						
• Tier 1 (0 to 5 ccf)	\$7.68	\$8.93	\$10.38	\$11.10	\$11.87	
• Tier 2 (5 to 9 ccf)	\$10.37	\$12.05	\$14.01	\$14.98	\$16.02	
• Tier 3 (10 ccf and above)	\$12.60	\$14.65	\$17.03	\$18.21	\$19.47	
Commercial ** (Uniform)	\$8.53	\$9.92	\$11.53	\$12.33	\$13.19	
UCSC (Uniform)	\$8.78	\$10.21	\$11.87	\$12.69	\$13.57	
Landscape Irrigation***						
• Tier 1 (up to 100% of budget)	\$11.50	\$13.37	\$15.54	\$16.62	\$17.77	
• Tier 2 (101% to 150% of budget)	\$16.86	\$19.60	\$22.78	\$24.36	\$26.05	
 Tier 3 (more than 151% of budget) 	\$22.11	\$25.70	\$29.87	\$31.94	\$34.15	
North Coast Agriculture (Uniform)						
Maintain Reliability	\$5.07	\$5.90	\$6.86	\$7.34	\$7.85	
Decrease Reliability	\$2.24	\$2.61	\$3.04	\$3.25	\$3.48	
*Includes Single Family and Multi-Family, tier width is per dwelling unit						
**Includes Business, Industrial, Restaura	nt, Hotel, Golf,	Municipal, Bulk	k, Fire Service Lo	eaks, and Temp	orary	
***Tiers based on percent of water budg	et for each cust	tomer				

Inf	Infrastructure Reinvestment Fee (\$/ccf)						
Customer Class	As of 7/1/22	As of 7/1/23	As of 7/1/24	As of 7/1/25	As of 7/1/26		
Residential*							
• Tier 1 (0 to 5 ccf)	\$2.06	\$2.40	\$2.79	\$2.99	\$3.20		
• Tier 2 (5 to 9 ccf)	\$3.86	\$4.49	\$5.22	\$5.59	\$5.98		
• Tier 3 (10 ccf and above)	\$6.15	\$7.15	\$8.31	\$8.89	\$9.51		
Commercial** (Uniform)	\$2.84	\$3.31	\$3.85	\$4.12	\$4.41		
UCSC (Uniform)	\$3.29	\$3.83	\$4.46	\$4.77	\$5.10		
Landscape Irrigation***							
• Tier 1 (up to 100% of budget)	\$9.03	\$10.50	\$12.21	\$13.06	\$13.97		
• Tier 2 (101% to 150% of budget)	\$11.73	\$13.64	\$15.85	\$16.95	\$18.12		
 Tier 3 (151% of budget and above) 	\$14.21	\$16.52	\$19.20	\$20.53	\$21.95		
North Coast Agriculture Uniform							
Maintain Reliability	\$1.38	\$1.61	\$1.88	\$2.01	\$2.15		
Decrease Reliability	\$0.64	\$0.75	\$0.88	\$0.95	\$1.02		
*Includes Single Family and Multi-Family	, tier width is p	er dwelling unit	t				
**Includes Business, Industrial, Restaura	nt, Hotel, Golf,	Municipal, Bull	k, Fire Service L	eaks, and Temp	orary		

Table F-5 Infrastructure Reinvestment Fee

***Tiers based on percent of water budget for each customer

Table F-6

Elevation Surcharge

	Elevation Surcharge (\$/ccf)						
	-						
Elevation Zone*	Current	As of 7/1/22	As of 7/1/23	As of 7/1/24	As of 7/1/25	As of 7/1/26	
• Lift Zone 1	\$0.54	\$0.19	\$0.23	\$0.27	\$0.29	\$0.32	
• Lift Zone 2	\$0.54	\$0.38	\$0.45	\$0.53	\$0.57	\$0.61	
• Lift Zone 3	\$0.54	\$0.69	\$0.81	\$0.95	\$1.02	\$1.10	
*Flavettan averaliana	a awa alaawaa da						

*Elevation surcharges are charged to applicable customers only

Table F-7

Rate Stabilization Fee

Rate Stabilization Fee (\$/ccf)						
All Customers	Current	As of 7/1/22	As of 7/1/23	As of 7/1/24	As of 7/1/25	As of 7/1/26
All Accounts	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00

The following tables are for the **Drought Cost Recovery Fee** to be applied if the Council declares a water shortage and a table is provided for each stage of the Water Shortage Contingency Plan. Due to ongoing dry conditions, the new fee schedule presented in these tables would become effective upon the Council's action to adopt revised water rates for the next rate schedule period.

	Drought Cost Recovery Fee – Water Shortage Response Plan Stage 1						
		Drought Cost R	ecovery Fee (\$/	meter) - Stage 1			
Meter Size	Current	As of 1/1/22	As of 7/1/23	As of 7/1/24	As of 7/1/25	As of 7/1/26	
5/8 inch	\$2.45	\$11.90	\$13.83	\$16.07	\$17.18	\$18.37	
3/4 inch	\$2.45	\$17.85	\$20.75	\$24.11	\$25.77	\$27.55	
1 inch	\$6.13	\$29.75	\$34.57	\$40.17	\$42.95	\$45.91	
1-1/2 inch	\$12.25	\$59.50	\$69.14	\$80.34	\$85.89	\$91.81	
2 inch	\$19.60	\$95.19	\$110.62	\$128.53	\$137.40	\$146.88	
3 inch	\$36.75	\$208.23	\$241.97	\$281.17	\$300.57	\$321.31	
4 inch	\$61.25	\$374.81	\$435.53	\$506.09	\$541.01	\$578.34	
6 inch	\$122.50	\$773.40	\$898.70	\$1,044.28	\$1,116.34	\$1,193.37	
8 inch	\$281.75	\$1 <i>,</i> 665.79	\$1,935.65	\$2,249.23	\$2 <i>,</i> 404.42	\$2,570.33	
10 inch	\$347.90	\$2,498.68	\$2,903.47	\$3,373.83	\$3 <i>,</i> 606.63	\$3 <i>,</i> 855.48	

Table F-8	
ought Cost Recovery Fee – Water Shortage Response Plan	Stage 1

Table F-9

Drought Cost Recovery Fee – Water Shortage Response Plan Stage 2

Drought Cost Recovery Fee (\$/meter) - Stage 2								
Meter Size	Current	As of 1/1/22	As of 7/1/23	As of 7/1/24	As of 7/1/25	As of 7/1/26		
5/8 inch	\$6.12	\$21.05	\$24.47	\$28.43	\$30.39	\$32.49		
3/4 inch	\$6.12	\$31.58	\$36.70	\$42.65	\$45.59	\$48.73		
1 inch	\$15.30	\$52.63	\$61.16	\$71.07	\$75.97	\$81.21		
1-1/2 inch	\$30.60	\$105.25	\$122.31	\$142.12	\$151.92	\$162.41		
2 inch	\$48.96	\$168.40	\$195.69	\$227.39	\$243.08	\$259.85		
3 inch	\$91.80	\$368.37	\$428.05	\$497.39	\$531.71	\$568.40		
4 inch	\$153.00	\$663.06	\$770.48	\$895.30	\$957.07	\$1,023.11		
6 inch	\$306.00	\$1,368.21	\$1,589.87	\$1,847.42	\$1,974.89	\$2,111.16		
8 inch	\$703.80	\$2,946.91	\$3,424.31	\$3 <i>,</i> 979.05	\$4,253.61	\$4,547.11		
10 inch	\$869.04	\$4,420.37	\$5,136.47	\$5,968.58	\$6,380.41	\$6,820.66		

	Drought Cost Recovery Fee – Water Shortage Response Plan Stage 3						
		Drought Cost R	ecovery Fee (\$/	meter) - Stage 3			
Meter Size	Current	As of 1/1/22	As of 7/1/23	As of 7/1/24	As of 7/1/25	As of 7/1/26	
5/8 inch	\$9.79	\$30.20	\$35.10	\$40.78	\$43.60	\$46.60	
3/4 inch	\$9.79	\$45.30	\$52.64	\$61.17	\$65.39	\$69.90	
1 inch	\$24.48	\$75.49	\$87.72	\$101.93	\$108.97	\$116.49	
1-1/2 inch	\$48.95	\$150.98	\$175.44	\$203.86	\$217.93	\$232.97	
2 inch	\$78.32	\$241.56	\$280.70	\$326.17	\$348.68	\$372.73	
3 inch	\$146.85	\$528.40	\$614.01	\$713.47	\$762.70	\$815.33	
4 inch	\$244.75	\$951.12	\$1,105.21	\$1,284.25	\$1,372.86	\$1 <i>,</i> 467.59	
6 inch	\$489.50	\$1,962.62	\$2 <i>,</i> 280.57	\$2 <i>,</i> 650.02	\$2 <i>,</i> 832.87	\$3,028.34	
8 inch	\$1,125.85	\$4,227.17	\$4,911.98	\$5,707.72	\$6,101.55	\$6 <i>,</i> 522.55	
10 inch	\$1,390.18	\$6,340.76	\$7,367.97	\$8,561.58	\$9,152.33	\$9,783.84	

Table F-10 Drought Cost Recovery Fee – Water Shortage Response Plan Stage 3

Table F-11

Drought Cost Recovery Fee – Water Shortage Response Plan Stage 4

Drought Cost Recovery Fee (\$/meter) - Stage 4							
Meter Size	Current	As of 1/1/22	As of 7/1/23	As of 7/1/24	As of 7/1/25	As of 7/1/26	
5/8 inch	\$13.46	\$38.20	\$44.39	\$51.58	\$55.14	\$58.95	
3/4 inch	\$13.46	\$57.30	\$66.59	\$77.37	\$82.71	\$88.42	
1 inch	\$33.65	\$95.49	\$110.96	\$128.94	\$137.84	\$147.35	
1-1/2 inch	\$67.30	\$190.98	\$221.92	\$257.87	\$275.67	\$294.69	
2 inch	\$107.68	\$305.57	\$355.08	\$412.60	\$441.07	\$471.50	
3 inch	\$201.90	\$668.43	\$776.72	\$902.55	\$964.82	\$1,031.40	
4 inch	\$336.50	\$1,203.17	\$1 <i>,</i> 398.09	\$1,624.58	\$1,736.67	\$1,856.50	
6 inch	\$673.00	\$2,482.72	\$2 <i>,</i> 884.93	\$3,352.28	\$3,583.59	\$3,830.86	
8 inch	\$1,547.90	\$5,347.40	\$6,213.68	\$7,220.30	\$7,718.50	\$8,251.08	
10 inch	\$1,911.32	\$8,021.10	\$9 <i>,</i> 320.52	\$10,830.45	\$11,577.75	\$12,376.61	

Diougnit Cost Netwery i ee – water shortage nesponse Fian Stage 5								
	Drought Cost Recovery Fee (\$/meter) - Stage 5							
Meter Size	Current	As of 1/1/22	As of 7/1/23	As of 7/1/24	As of 7/1/25	As of 7/1/26		
5/8 inch	\$18.35	\$46.07	\$53.54	\$62.21	\$66.50	\$71.09		
3/4 inch	\$18.35	\$69.10	\$80.30	\$93.31	\$99.74	\$106.63		
1 inch	\$45.88	\$115.17	\$133.83	\$155.51	\$166.24	\$177.71		
1-1/2 inch	\$91.75	\$230.33	\$267.65	\$311.01	\$332.47	\$355.41		
2 inch	\$146.80	\$368.52	\$428.23	\$497.60	\$531.93	\$568.63		
3 inch	\$275.25	\$806.13	\$936.73	\$1,088.48	\$1,163.58	\$1,243.87		
4 inch	\$458.75	\$1,451.03	\$1,686.10	\$1,959.25	\$2,094.44	\$2,238.95		
6 inch	\$917.50	\$2,994.18	\$3,479.24	\$4,042.88	\$4,321.84	\$4,620.04		
8 inch	\$2,110.25	\$6,449.00	\$7,493.74	\$8,707.73	\$9 <i>,</i> 308.56	\$9 <i>,</i> 950.85		
10 inch	\$2,605.70	\$9,673.50	\$11,240.61	\$13,061.59	\$13,962.84	\$14,926.28		

Table F-12Drought Cost Recovery Fee – Water Shortage Response Plan Stage 5

APPENDIX G – JULY 2021 SUMMARY STATE AND FEDERAL INFRASTRUCTURE FUNDING INITIATIVES AND OPPORTUNITIES

Working with the Water Commission over the last year, Water Department staff has been heavily focused on financial planning and water rate development work. Together with ongoing development of the Department's Capital Investment Program (CIP) the financial planning work paints a vivid picture of the financial challenges ahead for Santa Cruz water service rate payers.

During the 2014 – 2015 Water Supply Advisory Committee (WSAC) process, the cost of water supply augmentation was certainly a focus of the Committee's discussion, but those discussions lacked the context of the system's larger need for capital investment and reinvestment. Although the April 2015 State of the Water System report introduced WSAC to the larger system's needs and infrastructure challenges, it wasn't until the June 2016 Long Term Financial Plan laid out the implications of and strategy for meeting the system's infrastructure and water supply needs that the implications for water service customer rates began to come into focus.

Weather conditions since 2014 have further and consistently demonstrated the vulnerabilities and challenges the system faces on both the infrastructure and supply reliability fronts. The current drought, the prospects of another La Nina winter coming up, as well as the sobering analysis of current customer water use characteristics and customer water use curtailment strategies developed in the process of updating the Water Shortage Contingency Plan, have further underscored the critical need to begin moving forward on supply augmentation projects as soon as we possibly can. This means funding becomes an even more critical element to supply planning, and that consideration and active pursuit of funding options is a high priority. It also means that being opportunistic is both desirable and necessary if the City is to take advantage of some of the funding resources that are or could become available through state or federal infrastructure legislation.

City Priorities for Capital Funding:

As ongoing water rate development work is clearly showing, funding for capital projects is driving water rate increases. The good news is that state and federal infrastructure initiatives are much more likely to be the source of one-time funding than ongoing funding for operations. Santa Cruz is well lined up to compete for grant or low- interest loan funding for capital projects such as the Graham Hill Water Treatment Plant Facility Improvement Project, Newell Creek Pipeline Replacement, and water supply augmentation project(s). These projects represent about \$300 M in additional capital expenditures and are the Department's highest priorities for funding. They are also projects that are highly aligned with funding opportunities by state and

federal infrastructure initiatives that focus on climate adaptation and infrastructure resiliency to extreme weather scenarios, which Santa Cruz experiences. These projects are the City's priorities for capital funding.

State and Federal Infrastructure Funding Initiatives:

Given this, Department staff has been carefully following infrastructure funding initiatives at both the state and federal level. The main purpose of this summary is to highlight those funding opportunities that could be a significant source of money to help move system improvement work for either infrastructure improvements or supply augmentation. Following are some details:

AB/SB 129 – California Legislature

Status – Passed by both the Assembly and the State Senate, based on agreement with Governor Newsom.

Provisions – Includes both 2021 as well as future year funding for drought relief, funding for COVID 19 utility bill arrearages, and other water supply reliability related work.

- \$663 million to the Department of Water Resources for the following projects and programs
 - o \$200 million for small community drought relief
 - o \$100 million for urban community drought relief
 - o \$200 million for multi-benefit projects
 - o \$60 million for SGMA implementation
 - \$100 million for conveyance projects
 - \$3 million for immediate drought support
- \$1.385 billion to the State Water Resources Control Board for the following projects and programs.
- \$650 million for drinking water projects with priority given to disadvantaged communities
- \$650 million for wastewater projects with priority given to septic-to-sewer conversions with local investment for wastewater projects
- \$85 million for groundwater cleanup and recycled water projects
- \$985 million to the State Water Board for water arrearages due to COVID-19

AB 129 also includes a section that proposes additional funding that is **contingent upon the enactment of future legislation**. This contingent proposal would appropriate \$2.5 billion from the General Fund for the following purposes:

• \$730.7 million for a water and drought resilience package

- \$440 million for a climate resilience package
- \$200 million for an agricultural package
- \$65 million for a circular economy package
- \$200 million for local parks grants
- \$258 million for a wildfire prevention and forest resilience package
- \$500 million for supporting affordable student housing projects for the University of California, the California State University, and the California Community Colleges, as well as for support of campus expansions for the University of California and the California State University
- \$4.68 million for a climate-related service program
- \$67.5 million for the California Access to Justice program

Although details of many of these initiatives are still somewhat fluid, from the details that are available, several of these programs and funding opportunities are of specific interest to the City. Whether the topic is wildfire prevention, Sustainable Groundwater Management Act implementation, water and drought resilience or climate resilience, the Water Department's CIP and Operating budgets have projects or programs that are likely eligible for funding, and more importantly, are likely more ready for implementation than many projects that may serve the purposes identified in this legislation. Santa Cruz's investment in project development and analytical work such as pilot testing ASR in the Mid-County Groundwater Basin, positions it well to move projects further along their pathway to completion.

On the federal side, the Biden administration has played an active role in development of infrastructure legislation up to this point, starting with its release of the American Jobs Plan in late March 2021.

In the Senate, negotiations on an infrastructure package are ongoing. Levels of funding for water and other infrastructure investments have been reduced from those included in American Jobs Plan, and water and wastewater elements of the legislation currently under discussion are pegged at \$55 billion. The July 26th edition of the Association of Metropolitan Water Agencies' Monday Morning Briefing includes the following report of progress:

The situation (with respect to the federal infrastructure bill) has remained fluid as negotiations (in the Senate) have continued, but congressional staff has recently said that the \$55 billion for drinking water and wastewater priorities in the bill would include, at a minimum, \$35 billion for programs approved by the Senate in April as part of the Drinking Water and Wastewater Infrastructure Act (S 914), as well as additional funds for lead service line replacement and PFAS remediation. What has remained unclear was what portion of the funding would come in the form of new above-baseline spending, as opposed to program reauthorizations that would require a subsequent appropriation to receive funding.

Excerpts of the water and wastewater focus areas and funding amounts from S 914 are appended here, and much of what is presented in these details is highly aligned with the work Santa Cruz is seeking funding for. However, clearly the \$55 billion funding level, the amount that will be available under the federal infrastructure initiative currently under discussion will be less than anticipated in either S 914 or the American Jobs Plan.

In addition to action in the Senate, the House of Representatives has also taken action on infrastructure legislation. HR 3684, Investing in a New Vision for the Environment and Surface Transportation in America Act" or the "INVEST in America Act," was approved in the House of Representatives on July 1, 2021 by a 221 to 201 vote. Details of HR 3684 are also appended following the material on the Senate approved infrastructure Act.

U.S. Senate Passes \$1.2 Trillion Infrastructure Bill: On Tuesday, August 10, the U.S. Senate voted 69 to 30 to pass the Infrastructure Investment & Jobs Act (H.R. 3684). This bill provides nearly \$1.2 trillion in funding for the nation's infrastructure and includes almost \$55 billion in water infrastructure funding and several policy provisions that will benefit the nation's water infrastructure.

The bill includes almost \$55 billion in water infrastructure funding and several policy provisions that will benefit the nation's water infrastructure. The water infrastructure section in the Senate package is fairly similar to what was passed by the Senate in April in the Drinking Water & Wastewater Infrastructure Act (<u>S. 914</u>).

Key Water Provisions

Below is a list of the key water provisions in the infrastructure package. ²⁷

- Clean Water State Revolving Fund (SRF) and Drinking Water SRF <u>each</u> receive \$11.7 billion over five years (\$2.4B/FY22; \$2.7B; \$3.0B; \$3.2B; \$3.2B)*
- \$1 billion will be provided in grants through the Clean Water SRF to address emerging contaminants.*
- \$4 billion will be provided in grants through the Drinking Water SRF to address PFAS in drinking water.
- \$15 billion in loans and grants will be provided through the Drinking Water SRF for lead service line replacement.
- The Water Infrastructure Finance and Innovation Act (WIFIA) will receive \$250 million over the next five years and facilities applying will be required to have only one ratings agency opinion letter (instead of two).*
- The U.S. Environmental Protection Agency Sewer Overflow & Stormwater Reuse Municipal Grant Program will receive \$1.4 billion over the next five years. Not less than 25% of the fund will to go to rural and financially disadvantaged communities.*
- The Alternative Source Water Pilot Program will get \$125 million over the next five years.*
- The Rural and Low-Income Water Assistance Pilot Program will establish a new U.S. Environmental Protection Agency program to provide 40 grants per year to utilities to assist low-income ratepayers.*
- The Wastewater Energy Efficiency Grant Pilot Program will get \$100 million over the next five years.*
- The Clean Water Infrastructure Resiliency and Sustainability Grant Program will get \$125 million over the next five years.*
- The Small Publicly Owned Treatment Works Efficiency Grant Program will be established with funding levels to be determined.*
- The connection of homes and communities to Publicly Owned Treatment Works Grant Program will get \$200 million over the next five years.*

²⁷ * = Water Environment Foundation supported provision

- The Water Infrastructure and Workforce Investment Grant Program will get \$25 million over the next five years. *
- The Stormwater Infrastructure Technology Program will get \$25 million to create five Stormwater Centers of Excellence and \$50 million for stormwater infrastructure planning/development and implementation grants.*
- Buy America requirements will expand in SRF and WIFIA to include "manufactured goods," in addition to the existing iron and steel Buy America requirements.

Next Steps

After the Senate passes the bill, it is unclear how the package will proceed. President Joe Biden has indicated that he might be willing to sign it without it being negotiated with the House-passed <u>INVEST Act</u>.

House Transportation & Infrastructure Committee Chair Peter Defazio (D-Ore.) has expressed a desire for a conference committee to reconcile the differences between the Senate bill and the INVEST Act, which calls for nearly double the amount of funding for water infrastructure. Speaker Pelosi will need to decide if she wants to delay the process for several months by calling for a conference committee or to move forward to get the infrastructure package done.

INVEST in America Act Provisions related to Drinking Water Infrastructure & Assistance: \$117 billion

- Authorizes \$53 billion for the Drinking Water State Revolving Fund, the primary source of federal funding for safe drinking water infrastructure.
- Authorizes \$45 billion to fully replace lead service lines throughout the nation. As many as 10 million lead service lines are currently in use, including an estimated 400,000 schools and child facilities with lead components.
- Strengthens drinking water standards and improves the Environmental Protection Agency's ability to set those standards. It directs EPA to set health-protective national standards for PFAS, 1,4-dioxane, and microcystin toxin within two years.
- Provides assistance to low-income Americans with their water bills by creating two permanent assistance programs and authorizing them at \$8 billion.
- Promotes near-term customer debt relief by authorizing \$4 billion to reduce or eliminate debt incurred since March 2020 and prohibiting water systems receiving this funding from disconnecting the service of eligible residential customers as a result of non-payment for a five-year period.
- Wastewater Infrastructure: \$51.25 billion
- Authorizes \$40 billion for the Clean Water State Revolving Fund, the primary source of federal funding for clean water infrastructure.

- Includes \$2 billion for projects to capture, treat, or reuse sewer overflows or stormwater—helping keep pollution out of local rivers and lakes—and \$2.5 billion for state water pollution control programs.
- Permanently codifies the clean water "green reserve" to prioritize investments in green infrastructure, water- and energy-efficiency, and other efforts to make utilities more resilient to climate change. Also dedicates \$1 billion toward alternative water source and water recycling projects to augment existing water supplies.
- Provides critical technical assistance to small, rural, and Tribal communities that often struggle to afford the costs of planning new infrastructure projects and to address local water quality challenges.
- Establishes a new clean water grant program to invest in communities with failing septic systems and prioritizes funding to those communities that lack access to adequate sewage treatment systems.

This bill addresses provisions related to federal-aid highway, transit, highway safety, motor carrier, research, hazardous materials, and rail programs of the Department of Transportation (DOT), and includes in separate Divisions H and I water quality and water infrastructure by incorporating the Water Quality Protection and Job Creation Act of 2020 (Division H) and the Assistance, Quality and Affordability Act of 2021 (Division I). The sub-titles of Divisions H and I are appended to this summary for your information. While not providing the kind of detail that is available from the details of S 914, the information provided on HR 3684 provides links to many of the sections of the legislation that may ultimately become sources of funding for Water Department projects.

When the final Senate infrastructure bill is adopted and it is time for a House/Senate Conference Committee, HR 3684 will be the House legislation involved in the development of an agreed upon piece of final legislation that will be considered by both houses and then sent to the President for action. **Back Cover**

APPENDIX F:

City of Watsonville (Historical Boundary Changes)

Project Number	Proposal Title	Action Date
4	Wells Fargo Property (Area 19) Annexation	1/21/1964
27	Beach Rd. (Area No. 16) Annexation	10/20/1964
28	Rodgers Addition (Area No. 21) Annexation	10/20/1964
29	Crestview (Area No. 20) Annexation	10/20/1964
57	East Lake Village (Area 22)	9/15/1965
66	All Saints Parish Church (Area 23) Annexation	2/16/1966
92	West Side Annexation (Area 24)	9/21/1966
93	East Lake Ave. Annexation (Area 25)	9/21/1966
113	Highway Annexation (Area No. 27)	8/16/1967
114	Roach Annexation (Area No. 28)	11/15/1967
115	Alta Annexation (Area No. 29)	11/15/1967
116	United Annexation (Area No. 30)	11/15/1967
120	Pinto Annexation (Area No. 31)	1/17/1968
129	Levee Annexation (Area No. 32)	4/17/1968
167	Airport (Area No. 33) Annexation	5/21/1969
168	Pacific Extrusions (Area No. 34) Annexation	5/21/1969
170	United Foods Annexation (Area No. 35)	6/18/1969
185	Pinto Lake Annexation # 2	11/19/1969
203	Holm Rd. Annexation	3/18/1970
215	Alden (Area 38) Annexation	6/17/1970
255	Airport No. 3 (Area 39) Annexation	1/20/1971

Project Number	Proposal Title	Action Date
272	Airport No. 4 (Area No. 40) Annexation	4/21/1971
279	Airport Blvd. Detachment	5/19/1971
313	Levee Two Annexation	3/15/1972
365	Riverside Annexation	7/18/1973
383	Freedom Blvd. Annexation	7/10/1974
383-A	Freedom Blvd. Annexation	8/14/1974
383-C	Freedom Blvd. Annexation Resolution Changing Terms & Conditions Imposed in Res. No. 383-A	10/9/1974
389	La Bella Vista Annexation	6/12/1974
408	Industrial Annexation	3/5/1975
423	Beach Rd. Annexation	9/3/1975
425	Airport Blvd Annexation	8/6/1975
434	KOMY Radio Annexation	9/3/1975
439	Watsonville Reorganization 1975	11/5/1975
498	Crestview Dr. Annexation	7/6/1977
499	Westside Annexation	9/7/1977
506	Interim SOI Adoption for Westside Watsonville	9/7/1977
517	Crestview Dr. Reorganization	4/5/1978
521	Sanitary Landfill Annexation	4/5/1978
529	Erta et al. Reorganization	7/12/1978
542	Westside Reorganization	2/7/1979
543	Interim SOI Adoption for Westside Watsonville	4/4/1979

Project Number	Proposal Title	Action Date
544	Westside 2 Reorganization	4/4/1979
556	Green Valley Rd. / Pennsylvania Dr. Reorganization	9/5/1979
556-B	Green Valley Rd. / Pennsylvania Dr. Reorganization	9/5/1979
568	Crestview Reorganization	11/7/1979
585	Graybeal Reorganization	12/3/1980
601	Panabaker Lane Reorganization	4/1/1981
610	Watsonville SOI	1/12/1983
624	East Lake Ave./Franich Reorganization	4/14/1994
741	Airport Blvd. / Graybeal Reorganization	11/6/1991
794	Freedom Blvd. / Foster's Freeze Reorganization	6/9/1993
805	Zivanovich / Corralitos Rd. Extraterritorial Water	1/4/1995
806	Paulsen Rd. / Diamond Estates Extraterritorial Water	1/4/1995
809	Green Valley Rd. / Carnation Reorganization	6/7/1995
815	Freedom School / Green Valley Reorganization	2/7/1996
816	Simmons / Perndergast Ln. Extraterritorial Water	9/6/1995
817	Monument Lumber / Burchell Ave. Annexation	2/7/1996
820	Gateway / Green Valley Rd. Extraterritorial Water	1/12/1996
821	Clifford / Arthur Reorganization	6/5/1996
828	Gera Subdivision Extraterritorial Water	4/3/1996
837	Hospital Reorganization	1/8/1997
838	Watsonville Sphere Amendment	10/29/1997

Project Number	Proposal Title	Action Date
838-A	Amending SOI for Watsonville City	10/29/1997
840	Hames Rd. / Olso Extraterritorial Water	4/2/1997
841	Green Valley / Mello Extraterritorial Water	4/2/1997
855	Freedom / Carey Reorganization	3/1/2000
860	Compton Terrace Extraterritorial Water	3/3/1999
862	Orchard View Extraterritorial Water	6/2/1999
863	Sunset Beach Extraterritorial Water	9/3/1999
883	Village Associates / Delta Way Reorganization	3/6/2002
884	Linden Rd. / Gonzales Extraterritorial Water	9/3/2003
895	Manabe / Burgstrom Annexation	10/19/2005
897	Cities Annexation to CSA # 53 Mosquito Abatement	5/4/2005
932	Minto Place Apts. Extraterritorial Water	1/6/2010
940	Hames Rd. / Wilson Extraterritorial Water	10/5/2011
944	Mountain View / Artau Extraterritorial Water	5/2/2012
945	Poultry / Read Extraterritorial Water	6/6/2012
952	Pippin Apartments: 56 Atkinson Lane / Mid-Pen Housing Extraterritorial Water & Sewer Service	5/7/2014
959	Extraterritorial Water Service to 525 Blakeridge Lane	3/2/2016
963	Atkinson Lane / Pippin Reorganization	8/1/2018
ESA 20-33	"Blakeridge Lane/Blake Avenue Extraterritorial Service Agreement" with City of Watsonville	2/3/2021
ESA 21-04	"Atkinson Lane/Brewington Avenue Extraterritorial Service Agreement" with the City of Watsonville	3/3/2021

APPENDIX G:

Reclamation District No. 2049 (2017 Audit: FY 2011 to 2015)



COUNTY OF SANTA CRUZ

EDITH DRISCOLL AUDITOR-CONTROLLER-TREASURER-TAX COLLECTOR 701 OCEAN STREET, SUITE 100, SANTA CRUZ, CA 95060-4073 (831) 454-2500 FAX (831) 454-2660

March 17, 2017

To the Board of Trustees of the Reclamation District No. 2049 Watsonville, California 95076

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Reclamation District No. 2049 (the District) as of and for the years ended June 30, 2015, 2014, 2013, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 17, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in our separate letter to management dated March 17, 2017, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

RECLAMATION DISTRICT NO. 2049 March 17, 2017

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies regarding financial statement preparation and capital assets described in our separate letter to management dated March 17, 2017, to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of their compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing* Standards in considering the District's internal control and compliance.

This report is intended solely for the information and use of the Board of Directors and management of the District and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Auditor-Controller-Treasurer-Tax Collector

General Information
RECLAMATION DISTRICT NO. 2049 General Information For the Years Ended June 30, 2015, 2014, 2013, 2012 and 2011

Organization

Reclamation District No. 2049 (the District) was organized 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 320 acres in the College Lake area north of Watsonville, California. The District is funded by assessments determined on the basis of benefit to the property owners.

Trustees and Officials

Board membership is limited to property owners within the boundaries of the District and continues until a member ceases to be a property owner within the District or otherwise resigns. Trustees are either elected by the property owners within the District or appointed by the Santa Cruz County Board of Supervisors in lieu of elections when the number of candidates running for election is insufficient. The following Trustees were in office June 30, 2015:

Charles Banovac, President John Diffenbaugh, Secretary Tony Lazaro, Director

Accounts and Records

The official accounting records and supporting documents are currently maintained by the District.

Minute Book

Minutes were recorded for meetings.

Budgetary Procedures

The District prepared fiscal year budgets in accordance with applicable laws and regulations.

RECLAMATION DISTRICT NO. 2049 General Information For the Years Ended June 30, 2015, 2014, 2013, 2012 and 2011

The District maintained insurance coverage for the period fiscal year ending June 30, 2011 through June 30, 2015. The District's insurance coverage for the most recent fiscal year ended June 30, 2015, was as follows:

Insurer	Coverage	Limits
American Alternative	General Liability	
Insurance Corp.	Special District Professional Activity Liability (each occurrence)	\$ 1,000,000
	Damage of Rented Premises	1.000.000
	Medical Expense	10,000
	Personal and Advertising Injury	1,000,000
	General Aggregate Products - Completed Operations	3,000,000
	Aggregate	3,000,000
	Property	406.412



COUNTY OF SANTA CRUZ

EDITH DRISCOLL AUDITOR-CONTROLLER-TREASURER-TAX COLLECTOR 701 OCEAN STREET, SUITE 100, SANTA CRUZ, CA 95060-4073 (831) 454-2500 FAX (831) 454-2660

March 17, 2017

To the Board of Trustees of the Reclamation District No. 2049 Watsonville, California 95076

Management Letter

We have performed an audit of the fiscal activities of the Reclamation District No. 2049 (the District) for the years ended June 30, 2015, 2014, 2013, 2012 and 2011.

As part of our audit we conducted a study of the District's internal control structure. Our study and evaluation would not necessarily disclose all weaknesses in the system because they were based on selective tests of accounting records and related data. However, our study and evaluation did disclose certain procedures which we believe could be changed to improve your accounting and internal controls.

Current Year Audit Recommendations

A. Purchasing Policies

The District was not in compliance with Government Code §54202, which provides that every local agency shall adopt policies and procedures, including bidding regulations, governing purchases of supplies and equipment by the local agency. Per prior year work papers (PYWP), the District adopted its purchasing policies, which primarily pertained to bidding, by resolution (97-1) on 7/2/1997. Resolution 97-1 serves as the District's policy and procedures to be followed in making purchases for the District. However, the auditor had no access to that policy and the District could not produce a copy of the policy.

We recommend that the District adopt a purchasing policy with the appropriate limitations set to reflect the controls and needs of the District's purchasing system.

B. Reimbursements and Compensation to Board Members

The District did not adopt a policy for compensating and reimbursing board members as required by GC §53232-§53232.4. This finding was reported in the prior audit. Government Code §53232-§53232.4 requires the Board to adopt a written policy, in a public meeting, specifying the types of occurrences that qualify a Board member to receive reimbursement of expenses relating to travel (including mileage), meals, lodging, and other actual and necessary expenses, and other compensation.

B. Reimbursements and Compensation to Board Members (continued)

The former Board Chair, who is no longer with the District, received \$34,612.65 in reimbursements of out-of-pocket expenses and payments for services rendered for FYE 6/30/11-6/30/15. Although the Board Chair detailed expenses and services rendered on an expense report form for payments received for FYE 6/30/11-6/30/15 except for some exceptions, the Board did not create a policy for addressing reimbursement to Board members until after the audit period.

Auditor also noted that mileage was being reimbursed at a rate of \$0.85 per mile, which is significantly higher than the Internal Revenue Service (IRS) optional standard mileage rate of \$0.55. The County of Santa Cruz uses the IRS mileage rate.

The District's bookkeeper informed the auditor via email that "in our last board meeting on 1/19/17, the Officers voted that none of the board members would accept any compensation or reimbursements". None of the current members have received any compensation during the audit period. The auditor requested a copy of the new policy.

We recommend that the district comply with GC §53232.2-53232.4 and adopt a written policy, in a public meeting, specifying the types of occurrences that qualify a member of the legislative body to receive reimbursement of expenses relating to travel, meals, lodging, and other actual and necessary expenses. This policy should include mileage reimbursement rates. If, as the bookkeeper stated, "no member of the Board of Directors will receive any compensation or reimbursement of expenses", then the auditor should be provided a resolution that shows the signatures to indicate board approval of this policy.

C. Board Minutes

The district did not provide meeting minutes for a meeting held on June 23, 2013. Auditor believes there was a meeting that day because their minutes were approved at the following meeting according to board minutes.

We recommend that the Board ensure that complete and accurate minutes are taken of all Board meetings. Copies should be distributed to Board members and property owners within the District.

D. Capitalization and Depreciation Policy and Fixed Asset Listing

The District does not have a capitalization and depreciation policy for its capital assets. The prior District Chair did not have a current fixed assets listing, including purchases, dispositions, and depreciation for the audit period. Instead, the auditor obtained the listing from the prior audit.

In addition, the District has not established a depreciation policy for its capital assets, detailing the method and estimated useful lives of the assets.

We recommend that the District create a depreciation policy for its capital assets and maintain a fixed asset listing by year.

E. AB 1234 Ethics Training

The District reimbursed the Board Chair for expenses he incurred and compensated him for services he performed, but members of the Board did not receive ethics training pursuant to CA Government Code (GC) §53235.

Assembly Bill No. 1234, Government Code §53235(a)(b) requires,

"a) If a local agency provides any type of compensation, salary, or stipend to a member of a legislative body, or provides reimbursement for actual and necessary expenses incurred by a member of a legislative body in the performance of official duties, then all local agency officials shall receive training in ethics pursuant to this article. b) Each local agency official shall receive at least two hours of training in general ethics principles and ethics laws relevant to his or her public service every two years."

The former Board Chair received compensation during the audit period, but there was no evidence that he received Ethics training per GC § 53235. However, as mentioned above in item B, the bookkeeper stated that the new Board voted not to receive any compensation or reimbursement of expenses in January 2017.

We recommend the District either comply with GC §53235 or cease reimbursing members for expenses incurred or compensating members for services performed. The Board should provide a copy of the resolution stating that no Board member will receive compensation or reimbursement of expenses, if there is one.

F. Bids

The District approved payments for ditch cleaning services and legal services performed that exceeded the \$3,000 threshold for soliciting bids. No documentation was provided to show that the District solicited bids.

We recommend that the District solicit bids for services over the \$3,000 threshold.

G. Board Approval of Expenditures

Although a Board member approved AUD-28 forms submitted with claim forms, there was no record or indication that the Board approved the expenditures. Board meeting minutes did not indicate that the Board regularly approved expenditures except for a comment that said, "approving actuals". However, even if that means the expenditures were approved by the board, no details made it impossible for the auditor to determine which expenditures were approved and which were not. Some expense reports approved by a Board member were without an approval date and one expense report was approved by a Board member after her resignation date.

G. Board Approval of Expenditures (continued)

We recommend that the District adopt a policy requiring expenditures to be approved by the Board at their regular meetings. The policy should include an expenditure threshold, which would require that all expenditures exceeding this threshold be pre-approved by the Board, expenditures below this threshold could be approved retroactively. Board approval should be documented in the Board minutes with details of amounts approved.

H. Expenditure Documentation

The District had the following internal control weaknesses regarding expenditures:

- a. Two out of 46 (4.3%) expenditures tested during FYE 6/30/13 and 6/30/14 did not have supporting documentation.
- b. In three out of 46 (6.5%) transactions, the hours did not add up correctly. On three occasions, a board member was paid for one extra hour that was not in the hourly details. And in one transaction (2.2%) for FYE 2015, the rate paid to the board member was changed from \$30 to \$45 for one hour, although all other invoices were paid at the \$30 per hour rate.
- c. Travel logs did not contain enough detail to verify correct mileage or start and end destinations.
- d. Thirteen out of 46 expenditures (28.3%) tested were posted to the incorrect GL Object during the audit period.
- e. Thirteen out of 46 expenditures (28.3%) were paid in prior or subsequent periods as indicated in expenditure testing spreadsheets and/or expenditure cut-off testing

We recommend that the District require invoices or receipts before payment can be made and that all supporting documents (e.g., claim forms, invoices, receipts) be maintained for a period of time consistent with California Government Code Section 60200-60204.

I. Calculating Property Tax Assessments

The District did not calculate assessments based on the Valuation Assessment Role of \$30 per \$1,000 assessed value as confirmed by the Santa Cruz County Board of Supervisors on January 4, 1988.

The Santa Cruz County Board of Supervisors confirmed the Valuation Assessment Role at \$30 per \$1,000 of assessed valuation on January 4, 1988. Additionally, CA Water Code requires,

51326. "The assessment valuations shall be used as a basis for levying assessments against the parcels described in the operation and maintenance assessment roll for the purpose of raising funds for the maintenance, repair and operation of the district reclamation works, the payment of incidental expenses thereof, and for the construction of reclamation works supplemental to, or in replacement of, those already possessed, when in the opinion of the board, such works are necessary for carrying out the original or any supplemental plan of the district."

I. Calculating Property Tax Assessments (continued)

51346. "The operation and maintenance assessment roll shall be used for the purposes specified in Section 51326 until the board, or landowners representing at least 15 percent of the district lands, petition the board of supervisors for an order directing the valuation assessment commissioners who made the original operation and maintenance assessment roll or new valuation assessment commissioners, to be named in the order, to prepare a new operation and maintenance assessment roll."

This has been an ongoing issue that has been enumerated in past Management Letters.

We recommend that the District's Board comply with CA Water Code and calculate assessments according to the Valuation Assessment Role confirmed by The Santa Cruz County Board of Supervisors on January 4, 1988.

J. Financial Statement Preparation

The District did not prepare, or have controls in place that would assure the preparation of internal financial statements including related note disclosures in accordance with Statements on Auditing Standards No. 112.

It is uncommon for organizations of this size to have the personnel with the skills to prepare financial statements, including the related notes in accordance with generally accepted accounting principles. As part of the audit process we drafted the financial statements and related disclosures, as well as performed procedures to ensure that the related disclosures were complete. Draft financial statements were submitted to the District for review and approval.

We recommend that the District review this material weakness on an annual basis and provide Board oversight in this area.

Status of Prior Year Audit Recommendations

Prior Year Recommendation #A - Election of Board Member and Appointment of Officers

We recommended that the District comply with all pertinent sections of the WC and GC pertaining to the election and appointment of members to the District's Board. We further recommend that the Board elect a president and a secretary and ensure that the secretary performs all duties to be performed by the secretary according to WC §50631.

Status: Partially Implemented. The District's Board did elect a Secretary as stated in the minutes of the 8/14/2015 board meeting, by passing a resolution. A letter from the Reclamation District to the Santa Cruz County Board of Supervisors dated October 11, 2013 shows the appointment of 2 board members. But after one resigned, the auditor could find no records indicating how the replacement board member was appointed.

Prior Year Recommendation #B - Brown Act Violations

We recommended that the District comply with the Brown Act and establish the time and place for its regular meetings by ordinance, resolution or by-law, and post Board meeting agendas accordingly. We further recommended that at the end of each fiscal year, the District prepare a schedule of the regular Board meetings to be held during the coming fiscal year, and provide the meeting schedule to property owners within the District to enable their attendance at Board meetings.

Status: Partially Implemented. According to Board minutes for 03/04/2012 meeting, the board stated that meeting notices had been posted at the pump station 72 hours prior to the meeting. However, there are no indications that the district established a time and place for its regular meetings by ordinance, resolution or by-law, and posted Board meeting agendas. Also, no evidence that at the end of each fiscal year, the District prepared a schedule of the regular Board meetings to be held during the coming fiscal year, and provided the meeting schedule to property owners within the District to enable their attendance at Board meetings.

Prior Year Recommendation #C - Ethics Training for Board Members

We recommended that the District either comply with GC §53235 regarding ethics training, information and recordkeeping, or cease compensating Board members for services rendered and reimbursing members for expenses incurred.

Status: Partially Implemented. There were payments to the chairman during the audit period and the chairman did not receive ethics training. It is noted that the chairman is no longer serving the district. The District bookkeeper states that the Board passed a resolution that no Board member receive compensation or reimbursement of expenses, however, Auditor does not have a copy of this resolution. See current year audit recommendation E.

Prior Year Recommendation #D - Calculating Property Tax Assessments

We recommended that the Board comply with WC §51320-51332.2. This includes petitioning the Board of Supervisors to appoint valuation assessment commissioners to fix upon the District land an assessment valuation per acre for each parcel according to the benefits derived by each parcel owner from the operation of the District's reclamation works, and consistently apply the assessment valuation and the assessment rate for each parcel in the District.

Status: Not Implemented. See current year audit recommendation I.

Prior Year Recommendation #E - Accuracy and Completeness of Board Minutes

We recommended that the Board ensure that complete and accurate minutes are taken of all Board meetings. We further recommended that the Board review minutes for accuracy prior to approval, and that the Board's approval of meeting minutes be documented in the next meeting's minutes. Copies should be distributed to Board members and made available to property owners within the District and other interested parties upon request.

Prior Year Recommendation #E - Accuracy and Completeness of Board Minutes (continued)

Status: Partially Implemented. The minutes provided by the district were more complete. However, the district did not provide meeting minutes for the June 23, 2013 meeting. Some of the minutes (08/28/10, 08/07/11, 02/19/11) still contained "Confidential, Protected under California Evidence Code Section 1157." Location was unlisted for the 03/23/16 meeting and 11/17/2013 meeting was conducted over the phone/email. Location meeting still varied for each meeting, but it appears there still was proper notice for each meeting. See current year audit recommendation C.

Prior Year Recommendation #F - Expenditures

We recommended that the Board adopt a policy requiring all expenditures to be approved by the Board at regular meetings and that the Board's approval be documented in the minutes.

Status: Partially Implemented. The auditor is not aware of a formal policy that was adopted requiring all expenditures to be approved by the board at regular meetings. However, the minutes submitted by the board indicate that the board regularly approved current invoices, with exceptions.

Prior Year Recommendation #G - Reimbursements and Compensation to Board Members.

We recommended that the District adopt a written policy for compensating and reimbursing Board members as required by WC §50605 and GC §53232-§53232.4.

Status: Partially Implemented. The auditor is not aware of a written policy for compensating and reimbursing Board members as required by WC §50605 and GC §53232-§53232.4. However, in minutes to meeting 08/07/2011, the board approved mileage for board chair to \$0.55/mile (per IRS allowance) plus 40 cents. Logs were submitted with claims for payments performed on behalf of the district. Mileage logs did not include starting location or destination, so Auditor could not determine the accuracy of miles traveled during fieldwork.

Bookkeeper states that the Board approved a resolution on January 19, 2017 that no Board Member will be compensated or reimbursed for expenses. See current year audit recommendation B.

Prior Year Recommendation #H - Compliance with District Purchasing Policy-Use of Competitive Bidding

We recommended that the District comply with its Purchasing Policy, Resolution 97-1, and solicit competitive bids for contractual services or commodities exceeding \$3,000. This process, including the awarding of the bid, should be documented in the Board minutes.

Prior Year Recommendation #H - Compliance with District Purchasing Policy-Use of Competitive Bidding (continued)

Status: No documentation was provided to show that the District solicited bids for services that exceeded the \$3,000 threshold. According to the 3/12/12 meeting minutes, three job bidders were requested for work on ditch maintenance, but there was no evidence in the minutes to indicate whether the actual bidding process was carried out and properly approved.

Prior Year Recommendation #I - Expenditure Documentation

We recommended that the District require invoices or receipts before payment can be made and that all supporting documents (e.g., claim forms, invoices, receipts) be maintained for a period of time consistent with GC §60200-60204. We again recommended that the District submit supporting documentation to the Auditor-Controller along with the claims for payment and deposits into the County Treasury to ensure records are maintained.

Status: Partially Implemented. Former Chairman, Harryman, provided invoices and supporting documents. However, backup documentation consisted of pages of handwritten notes, with hours and miles that were on one occasion, illegible, and on 2 occasions, did not add up to the hours claimed. As previously noted, mileage claims did not include starting location or destination.

Prior Year Recommendation #J - Conflict-of-Interest Code & Statement of Economic Interest

We recommended that the District adopt a unique conflict-of-interest code in accordance with GC § 87300.

Status: Not Implemented.

Prior Year Recommendation #K - Financial Statement Preparation

We recommended that the District review this material weakness on an annual basis and provide Board oversight in this area.

Status: Not Implemented. The Board does not have sufficient resources or staff to prepare its statements. This is not unusual for a special district. See current year audit recommendation J.

Prior Year Recommendation #L - Capitalization and Depreciation Policies

We recommended that the District revise its capitalization policy to include estimated useful lives for its capital assets. We further recommended that the District adopt a depreciation policy for its capital assets.

Status: Not Implemented. See current year audit recommendation D.

We hope these suggestions will be helpful in improving the District's accounting, reporting and internal control systems. If you have any questions, or if we can be of service in implementing these recommendations, please call our office.

This information is intended for the use of the Board of Trustees and management of the District. This restriction is not intended to limit distribution of this letter, which is a matter of public record.

Sincerely,

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Edith Driscoll Auditor-Controller-Treasurer-Tax Collector

COUNTY OF SANTA CRUZ

REPORT ON AUDIT OF RECLAMATION DISTRICT NO. 2049

FOR THE YEARS ENDED JUNE 30, 2015, 2014, 2013, 2012 AND 2011

> Prepared By: County of Santa Cruz Auditor-Controller-Treasurer-Tax Collector

> > March 2017

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COUNTY OF SANTA CRUZ

EDITH DRISCOLL AUDITOR-CONTROLLER-TREASURER-TAX COLLECTOR 701 OCEAN STREET, SUITE 100, SANTA CRUZ, CA 95060-4073 (831) 454-2500 FAX (831) 454-2660

March 17, 2017

To the Board of Trustees of the Reclamation District No. 2049 Watsonville, California 95076

AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Reclamation District No. 2049 (the District) as of and for the fiscal years ended June 30, 2015, 2014, 2013, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements whether due to fraud or error.

Auditor's Responsibilities

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risks assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Reclamation District No. 2049 Auditor's report March 17, 2017

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of the accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

Management has not adopted a useful lives policy for capital assets. Accounting principles generally accepted in the United States of America require that a useful lives policy be established for capital assets. The amount by which the departure would affect the assets and expenses is not reasonably determinable.

In connection with our audit contained herein, there are certain disclosures that are necessary pursuant to *Government Auditing Standards* sections 3.20 through 3.30. As required by various statutes within the California Government Code, County Auditor-Controllers are mandated to perform certain accounting, auditing and financial reporting functions, and are statutorily obligated to maintain accounts for departments, districts or funds that are contained within the County Treasury. These activities, in themselves, necessarily impair independence with respect to *Government Auditing Standards*. Paragraph .16 of AU-C Section 705 states, "When the auditor is not independent but is required by law or regulation to report on the financial statements, the auditor should disclaim an opinion and should specifically state that the auditor is not independent." We are not independent with respect to the District as of and for the fiscal years ended June 30, 3015, 2014, 2013, 2012 and 2011 due to statutory obligations to the District as mandated by California Government Code. Because of our lack of independence as described in the preceding paragraph, we do not express an opinion on the District's financial statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. In accordance with auditing standards generally accepted in the Unites States of America, we have applied certain limited procedures to the budgetary comparison information, which consisted of inquiries of management about the methods used to prepare the information, and comparing the information for consistency with management's responses to our inquiries, the basic financial statements. We do not express an opinion on or provide any other assurance on the information or provide any assurance.

Reclamation District No. 2049 Auditor's report March 17, 2017

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2017, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District.

Sincerely,

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Edith Driscoll Auditor-Controller-Treasurer-Tax Collector

Management's Discussion and Analysis (Required Supplementary Information)

Reclamation District No. 2049 was formed to provide drainage for approximately 320 acres of agricultural land in the College Lake area north of Watsonville, California. The District is funded by assessments determined on the basis of benefit to the property owners.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: (1) Government-wide financial statements, (2) Fund financial statements, and (3) Notes to the basic financial statements.

Government-wide Financial Statements

Government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all District assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether or not the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods such as expenses for general capital assets and other related capital asset adjustments.

Both of these government-wide financial statements would distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The District has no business-type activities.

Fund Financial Statements

The fund financial statements are designed to report information about groupings of related accounts, which are used to maintain control over resources that have been segregated for specific activities or objectives. The District, like state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are classified as governmental funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. These statements, however, focus on (1) how cash and other financial assets can readily be converted to available resources and (2) the balances left at year end that are available in the near future to finance the District's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar

Fund Financial Statements (continued)

information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains one governmental fund, a general fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance for the general fund, which is considered to be a major fund. There are no non-major governmental fund accounts.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided to demonstrate compliance with this budget.

Annual Report of Financial Transactions to State Controller

The combining financial statements are presented as required supplementary information for State Controller's Annual Report of Financial Transactions.

GOVERNMENT-WIDE FINANCIAL ANALYSYS

	Gov	Net Po vernment	sitic al A	on .ctivities						
		2015		2014		2013		2012		2011
Assets										
Cash	\$	48,290	\$	39,526	\$	26,672	\$	7,809	\$	14,345
Assessments receivable		5,892		4,326		3,449		10,210		12,124
Capital assets	-	-	1			1,253		2,603	+	3,953
Total assets		54,182		43,852		31,374		20,622		30,422
Liabilities		the start	P.T.				Distance of		-	
Accounts payable		14,737		20,043		10,226		-		11.380
Deferred credits	-	5,892	_	4,326		3,449		10,210		12,124
Total net assets		20,629	5	24,369		13,675		10,210		23,504
Net Position	1 200		Metro contractor				Al-Sheers			
Net Investment in Capital Assets		-				1,253		2,603		3.953
Unrestricted	_	33,553		19,483		16,446		7,809		2,965
Total Net Position	S	33,553	\$	19,483	\$	17,699	\$	10,412	\$	6,918

Analysis of Net Position

As noted earlier, net position may serve as a useful indicator of a government's financial position. The schedule on page 7 illustrates the District's net position at June 30, 2015, 2014, 2013, 2012 and 2011. The District's assets exceeded its liabilities for each fiscal year during the audit period. For the fiscal year ended June 30, 2015, the District's assets exceeded its liabilities by \$33,553.

Changes in Net position

|--|

	2015	2014	2013	2012	2011
Functions/Programs					
Governmental activities					
General Government	\$ (34,899)	\$ (43,531)	\$ (33,651)	\$ (37,231)	\$ (24,225)
Total Governmental Activities	(34,899)	(43,531)	(33,651)	(37,231)	(24,225)
General Revenues					
Assessments	47,493	45,240	35,625	40,373	26,546
Interest income	137	75	42	48	52
Penalties	1,339		5,271	304	
Total General Revenues	48,969	45,315	40,938	40,725	26,598
Excess (deficiency) of revenues					
over (under) expenses	14,070	1,784	7,287	3,494	2,373
Change in Net Position	14,070	1,784	7,287	3,494	2,373
Net position - Beginning	19,483	17,699	10,412	6,918	4,545
Net Position - Ending	\$ 33,553	\$ 19,483	\$ 17,699	\$ 10,412	\$ 6,918

Analysis of Change in Net Position

The District's net assets have increased steadily at June 30, 2015, 2014, 2013, 2012 and 2011, as illustrated in the schedule above, primarily due to revenue growth. Referring to the most recent fiscal year end, June 30, 2015, expenses exceeded revenues for governmental activities by \$14,070, which increased the District's net assets to \$33,553.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The District's governmental fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail.

At June 30, 2015, the District's governmental fund reported an ending fund balance of \$33,553, due to steadily increasing revenues from assessments.

For the most recent fiscal year end, June 30, 2015, revenues for governmental functions amounted to \$48,969, most of which were assessments, and expenditures for governmental functions amounted to \$34,899. Expenditures for governmental functions exceeded revenues for governmental functions by \$14,070.

The excess/(deficiency) of revenues over/(under) expenditures for the years ended June 30, 2015, 2014, 2013, 2012 and 2011 is presented below:

Statement of Revenues, Expenditures, and Changes in Fund Balance Governmental Funds

	2015	2014	2013	2012	2011
Revenues	\$ 48,969	\$ 45,315	\$ 40,938	\$ 40,725	\$ 26,598
Expenditures	34,899	42,278	32,301	35,881	22,875
Net change in fund balance	14,070	3,037	8,637	4,844	3,723
Fund balance, beginning		16,446	7,809	2,965	(758)
Fund balance, ending	\$ 33,553	\$ 19,483	\$ 16,446	\$ 7,809	\$ 2,965

CAPITAL ASSETS

The District's investment in capital assets for its governmental activities decreased during the audit period commensurate with the increase in the accumulated depreciation for the capital assets. The value of the District's capital assets were completely depreciated at fiscal year ended June 30, 2015, from \$3,953 at fiscal year ended June 30, 2011. The District's investment in capital assets includes structures and improvements and equipment (machinery). Refer to Note 4 for additional information on capital assets.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The District is funded by assessments on property owners within its boundaries, based on anticipated and unanticipated expenditures. Although total budgetary expenditures are expected to be consistent with prior years, the Board of Trustees and the property owners are aware of the possibility of unanticipated expenditures resulting in an additional assessment. The 2015-16 budget for property tax assessments was decreased by more than \$10,000 from 2014-15, possibly due to a planned reduction in expenditures.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Board of Trustees or District Chairman.

Basic Financial Statements– Government-wide Financial Statements

RECLAMATION DISTRICT NO. 2049 Statement of Net Position June 30, 2015, 2014, 2013, 2012 and 2011

	100	2015	2014	4 2013 2012		2011			
Assets				-		-			
Cash	\$	48,290	\$ 39,526	\$	26,672	\$	7,809	\$	14,345
Assessments Receivable		5,892	4,326		3,449		10,210		12,124
Capital assets	_				1,253		2,603		3,953
Total assets	\$	54,182	\$ 43,852	\$	31,374	\$	20,622	\$	30,422
Liabilities									
Current									
Accounts payable	\$	14,737	\$ 20,043	\$	10,226	\$	-	\$	11.380
Deferred Credits	_	5,892	4,326		3,449		10,210		12.124
Total Liabilities	\$	20,629	\$ 24,369	\$	13,675	\$	10,210	\$	23,504
Net Position									
Net investment in capital assets	\$		\$ -	S	1,253	\$	2,603	\$	3 953
Unrestricted		33,553	19,483		16,446		7,809		2.965
Total Net Position	\$	33,553	\$ 19,483	\$	17,699	\$	10,412	\$	6,918
Total liabilities and Net Position	\$	54,182	\$ 43,852	\$	31,374	\$	20,622	\$	30,422

The accompanying notes are an integral part of these financial statements.

RECLAMATION DISTRICT NO. 2049 Statement of Activities June 30, 2015, 2014, 2013, 2012 and 2011

	2015	2014	2013	2012	2011
Functions/Programs					
Governmental activities					
General Government	\$ (34,899)	\$ (43,531)	\$ (33,651)	\$ (37,231)	\$ (24,225)
Total Governmental Activities	(34,899)	(43,531)	(33,651)	(37,231)	(24,225)
General Revenues					
Assessments	47,493	45,240	35,625	40,373	26.546
Interest income	137	75	42	48	52
Penalties	1,339		5,271	304	
Total General Revenues	48,969	45,315	40,938	40,725	26,598
Excess (deficiency) of revenues					
over (under) expenses	14,070	1,784	7,287	3,494	2,373
Change in Net Position	14,070	1,784	7,287	3,494	2,373
Net position - Beginning	19,483	17,699	10,412	6,918	4,545
Net Position - Ending	\$ 33,553	\$ 19,483	\$ 17,699	\$ 10,412	\$ 6,918

The accompanying notes are an integral part of these financial statements.

Basic Financial Statements– Fund Financial Statements

RECLAMATION DISTRICT NO. 2049 Balance Sheet June 30, 2015, 2014, 2013, 2012 and 2011

	2015	2014	2013	2012	2011	
Assets						
Cash	\$ 48,290	\$ 39,526	\$ 26,672	\$ 7.809	\$ 14.345	
Assessments Receivable	5,892	4,327	3,449	10,210	12,124	
Total Assets	\$ 54,182	\$ 43,853	\$ 30,121	\$ 18,019	\$ 26,469	
Liabilities						
Accounts Payable	\$ 14,737	\$ 20,043	\$ 10,226	s -	\$ 11,380	
Deferred Credits	5,892	4,327	3,449	10.210	12,124	
Total Liabilities	20,629	24,370	13,675	10,210	23,504	
Fund Balances						
Unassigned	\$ 33,553	\$ 19,483	\$ 16,446	\$ 7.809	\$ 2,965	
Total Fund Balance	33,553	19,483	16,446	7,809	2,965	
Total Liabilities and Fund Balance	\$ 54,182	\$ 43,853	\$ 30,121	\$ 18,019	\$ 26,469	

Reconciliation of the Governmental Fund Balance to the Government-wide Statement of Net Position-Governmental Activities

Fund Balance- Total Governmental Fund	\$ 33,553	\$ 19,483	\$ 16,446	\$ 7,809	\$ 2,965
Amounts reported for governmental activities in the Statement of Net Position are different because:					
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds					
		1.1-1	1,253	2,603	3,953
Net Position of Governmental Activities	\$ 33,553	\$ 19,483	\$ 17,699	\$ 10,412	\$ 6,918

The accompanying notes are an integral part of these financial statements.

RECLAMATION DISTRICT NO. 2049 Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Fund For the Year Ended June 30, 2015, 2014, 2013, 2012 and 2011

		2015		2013		2012	2011	
Revenues		10.0			-			
Assessments	\$	47,493	\$ 45,240	\$ 35,625	\$	40.373	\$ 26.546	
Interest income		137	75	42		48	52	
Penalties		1,339		5,271		304		
Total Revenues		48,969	45,315	40,938		40,725	26,598	
Expenditures								
Services and supplies		34,899	42,278	32,301		35,881	22,875	
Total Expenditures		34,899	42,278	32,301		35,881	22,875	
Excess (deficiency) of Revenues								
Over (Under) Expenditures	<u> </u>	14,070	3,037	8,637	_	4,844	3,723	
Net Change in Fund Balance		14,070	3,037	8,637		4,844	3,723	
Fund Balance - Beginning		19,483	16,446	7,809	_	2,965	(758)	
Fund balance - Ending	\$	33,553	\$ 19,483	\$ 16,446	\$	7,809	\$ 2,965	

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to Government-wide Statement of Net Position-Governmental Activities

Net Change in Fund Balance	\$ 14,070	\$ 3,037	\$ 8,637	\$ 4,844	s	3,723
Amounts reported for governmental activities in the statement of activities are different because:						
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. Expenditure for general capital assets and other related capital asset adjustment		(1,253)	(1,350)	(1,350)		(1,350)
Change in Net Position of Governmental Activities	\$ 14,070	\$ 1,784	\$ 7,287	\$ 3,494	\$	2,373

The accompanying notes are an integral part of these financial statements.

Basic Financial Statements – Notes to the Financial Statements

RECLAMATION DISTRICT NO. 2049 Notes to the Financial Statements For the Years Ended June 30, 2015, 2014, 2013, 2012 and 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Reclamation District No. 2049 (the District) was organized 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 320 acres in the College Lake area north of Watsonville, California, and is governed by a three-member board of trustees. The District is funded by assessments based on benefit to the property owners, and does not have any component units for which it is financially accountable.

B. Basis of Presentation

Government-Wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the primary government. These statements include the financial activities of the overall government except for fiduciary activities. The District does not have fiduciary activities. Eliminations would have been made to eliminate the double counting of internal service fund activities but the District has no internal service fund activities. Governmental activities are normally supported by special levy assessments.

The Statement of Activities presents a comparison between direct expenses and revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with the District. Revenues include assessments, interest and other income, which are presented as general revenues.

When both net investment in capital assets, restricted and unrestricted are available, unrestricted resources are used only after the restricted resources are depleted.

RECLAMATION DISTRICT NO. 2049 Notes to the Financial Statements For the Years Ended June 30, 2015, 2014, 2013, 2012 and 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. Basis of Presentation (continued)

Fund Financial Statements

Fund financial statements are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary, and fiduciary. Separate statements for each fund category would be presented if applicable. The emphasis of fund financial statements is on major governmental and enterprise funds rather than reporting funds by type. Each major fund is presented in a separate column. The internal service fund is presented in a single column in the proprietary fund financial statements. The District has no proprietary or fiduciary funds, only governmental funds. Therefore, only one statement is prepared.

Governmental Funds

The District reports only one governmental fund, which is the general fund. The general fund is the general operating fund of the District. It is used to account for all financial resources.

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

The government-wide, proprietary, and fiduciary financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This differs from the manner in which governmental fund financial statements are prepared. Therefore, if applicable, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between government-wide statements and the statements for governmental funds. The District has no proprietary or fiduciary funds.

The accounting objectives of the economic resources measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Fund equity is classified as net position.

RECLAMATION DISTRICT NO. 2049 Notes to the Financial Statements For the Years Ended June 30, 2015, 2014, 2013, 2012 and 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Measurement Focus and Basis of Accounting (continued)

Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred or economic assets used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

The governmental fund financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting.

In the current financial resources measurement focus, only current financial assets and liabilities are generally included on the balance sheets. The operating statements present sources and uses of funds available for financial resources during a given period. The fund balance is used as the measure of available financial resources at the end of the period.

Under the modified accrual basis of accounting, revenues are recognized when measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Available means having been earned and collectible within the current period. Expenditures (including capital outlay) are recorded when the related liability is incurred.

New Accounting Pronouncements

The following GASB Statements have been implemented in the current financial statements:

Government Accounting Standards Board Statement No. 62

GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, improves financial reporting by contributing to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source.

Government Accounting Standards Board Statement No. 63

GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position provides financial guidance for deferred outflows of resources and deferred inflows of resources.

C. Measurement Focus and Basis of Accounting (continued)

Upcoming Accounting Pronouncements

Government Accounting Standards Board Statement No. 65

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, provides guidance to determine which balances, previously reported as assets and liabilities, should be reported as deferred outflows of resources and deferred inflows of resources.

Government Accounting Standards Board Statement No. 66

The objective of GASB Statement No. 66, *Technical Corrections*, is to resolve conflicting guidance between GASB Statement No, 54 and 10 and between GASB Statement No. 62, 13 and 4

Government Accounting Standards Board Statement No. 68

The primary objective of GASB Statement No. 68, Accounting and Financial Reporting for Pensions, is to improve accounting and financial reporting by state and local governments for pensions. Application of the statement is effective for the District's fiscal year ending June 30, 2015.

Government Accounting Standards Board Statement No. 69

GASB Statement No. 69, Government Combinations and Disposals of Government Operations is intended to improve accounting and financial reporting for U.S. state and local governments' combinations and disposals of government operations. The requirements of this Statement are effective for the District's fiscal year ending June 30, 2015.

Government Accounting Standards Board Statement No. 71

The objective of GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment to GASB Statement No. 68, is to address an issue related to amounts associated with contributions, if any, made to a defined benefit pension plan after the measurement date of the governments beginning net pension liability. The requirements of this statement are effective for the District's fiscal year ending June 30, 2015.

C. Measurement Focus and Basis of Accounting (continued)

Upcoming Accounting Pronouncements (continued)

Government Accounting Standards Board Statement No. 72

GASB Statement No. 72, Fair Value Measurement and Application, addresses accounting and financial reporting issues related to fair value measurements. The requirements of this statement are effective for fiscal year beginning after June 15, 2015.

Government Accounting Standards Board Statement No. 73

GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68, is intended to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. The provisions of this statement are effective for fiscal years beginning after June 15, 2015, except those provisions that address employers and governmental non-employer contributing entities for pensions that are not within the scope of GASB Statement No. 68, which are effective for fiscal years beginning after June 15, 2015.

Government Accounting Standards Board Statement No. 74

GASB Statement No. 74, Financial Reporting of Postemployment Benefit Plans Other Than Pension Plans, is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB). The requirements of this statement are effective for fiscal year beginning after June 15, 2016.

Government Accounting Standards Board Statement No. 75

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, addresses accounting and financial reporting requirements for postemployment benefits other than pensions (other postemployment benefits or OPEB). The requirements of this statement are effective for fiscal year beginning after June 15, 2017.

C. Measurement Focus and Basis of Accounting (continued)

Upcoming Accounting Pronouncement-continued

Government Accounting Standards Board Statement No. 76

GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, is intended to identify the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with generally accepted accounting principles in the United States (GAAP) and the framework for selecting those principles. The requirements of this statement are effective for fiscal year beginning after June 15, 2015.

Government Accounting Standards Board Statement No. 77

1

GASB Statement No. 77, *Tax Abatement Disclosures*, requires governments that enter into tax abatement agreements to disclose certain information about the agreements. The requirements of this statement are effective for fiscal year beginning after June 15, 2015.

Government Accounting Standards Board Statement No. 78

GASB Statement No. 78, Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans, impact the implementation on financial statements has not been fully judged. The requirements of this statement are effective for fiscal year beginning after June 15, 2015.

Government Accounting Standards Board Statement No. 80

GASB Statement No. 80, Blending Requirements for Certain Component Units. The requirements of this statement are effective for the fiscal year beginning after June 15, 2016.

Government Accounting Standards Board Statement No. 82

GASB Statement No. 82, Pension Issues. The requirements of this statement are effective for the fiscal year beginning after June 15, 2016.

D. Property Taxes

The District is primarily funded through assessments on property owners within its boundaries based on anticipated and unanticipated expenditures. Assessments are determined on the basis of benefit to the property owners. Property owners are assessed annually at a rate of \$30 per \$1,000 of total assessed value, and may be subject to an additional assessment for unexpected expenditures.

The District furnishes a list of property owners and the amounts to be assessed to the County each year. The County bills and collects the assessments and remits them to the District as collected, less a collection fee equal to 1% of the collected assessments. Assessments are billed November 1 and February 1 and are delinquent if not paid by December 10 and April 10, respectively. The lien dates are January 1 for Secured and Unsecured taxes and the levy dates are July 1 for both secured and unsecured taxes. Property assessments are governed by Proposition 218, which requires that assessments to operate the District be put to a vote of the property owners within the District.

E. Capital Assets and Depreciation

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Equipment	3-15 years			
Buildings and structures	30 years			

NOTE 2. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following at June 30, 2015, 2014, 2013, 2012 and 2011:

	2015		2014		<u>2013</u>		2012		2011	
Assessments Receivable	\$	5,892	\$	4,326	s	3,449	\$	10,210	\$12,124	
Total Accounts Receivable	\$	5,892	\$	4,326	\$	3,449	\$	10,210	\$ 12,124	
NOTE 3. CASH AND INVESTMENTS

Cash balances of the District's funds are deposited with the County of Santa Cruz where the available balances beyond immediate needs are invested in various securities by the County Treasurer. Pooled balances are restricted to legally stipulated investments consistent with state statutes and the County's Investment Policy. In accordance with GASB Statement No. 31, the County calculated the fair value of all investments included in the pooled investments based on quoted market prices. Any material unrealized gains or losses are reported along with investment income (interest). At June 30, 2015, the unrealized losses applicable to the District are considered to be immaterial and therefore no adjustments have been made to the financial statements.

NOTE 4. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2015, was as follows:

	Balance 7/1/14		Additions		Deletions		Balance <u>6/30/15</u>	
Capital assets								
Structures/Improvements	\$	1,400	\$		\$	1.	\$	1,400
Equipment	_	73,470				-		73,470
Total capital assets		74,870		-				74.870
Less accumulated depreciation for								
Structures/Improvements		1,400						1,400
Equipment	-	73,470		-	_		-	73,470
Total accumulated depreciation	-	74,870		-		*		74,870
Total capital assets, net	\$	-	\$	-	S	-	\$	-

Capital assets activity for the fiscal year ended June 30, 2014, was as follows:

Balance <u>7/1/13</u>	Additions	Deletions	Balance 6/30/14	
\$ 1,400	\$ -	\$ -	\$ 1,400	
73,470			73,470	
74,870	÷		74.870	
1,400	1.1.1		1,400	
72,217	1,253		73,470	
73,617	1,253	-	74,870	
\$ 1,253	\$ (1,253)	\$ -	\$ -	
	Balance 7/1/13 \$ 1,400 73,470 74,870 1,400 72,217 73,617 \$ 1,253	Balance $7/1/13$ Additions $7/1/13$ Additions \$ 1,400 \$ - $73,470$ - $74,870$ - $1,400$ - $72,217$ $1,253$ $73,617$ $1,253$ \$ 1,253 \$ (1,253)	Balance $7/1/13$ Additions Deletions $7/1/13$ Additions Deletions \$ 1,400 \$ - \$ - $73,470$ - - $74,870$ - - $74,870$ - - $1,400$ - - $72,217$ $1,253$ - $73,617$ $1,253$ - \$ 1,253 \$ (1,253) \$ -	

NOTE 4. CAPITAL ASSETS, Continued

	Balance <u>7/1/12</u>		A	dditions	Deletions		Balance 6/30/13	
Capital assets								
Structures/Improvements	\$	1,400	\$		\$	-	\$	1,400
Equipment	-	73,470	-		-	-		73,470
Total capital assets		74,870		- 2		4		74,870
Less accumulated depreciation for								C. Sec. C.
Structures/Improvements		1,310		90		-		1,400
Equipment	-	70,957	_	1,260		-		72,217
Total accumulated depreciation		72,267	_	1,350		-	1	73,617
Total capital assets, net	S	2,603	\$	(1,350)	\$	-	\$	1,253

Capital assets activity for the fiscal year ended June 30, 2013, was as follows:

Capital assets activity for the fiscal year ended June 30, 2012, was as follows:

E	Balance					E	Balance
1 Q	7/1/11	Additions		Deletions		6/30/12	
\$	1,400	\$	4	\$		\$	1,400
	73,470		-	-			73,470
	74,870		1.00		-	-	74,870
	1,216		94				1,310
	69,701	_	1,256	-	÷		70,957
	70,917	_	1,350				72,267
\$	3,953	\$	(1;350)	\$	i Geo	\$	2,603
	\$	Balance <u>7/1/11</u> \$ 1,400 <u>73,470</u> 74,870 1,216 <u>69,701</u> <u>70,917</u> \$ 3,953	Balance <u>7/1/11</u> A <u>\$ 1,400</u> <u>\$</u> <u>73,470</u> 74,870 <u>1,216</u> <u>69,701</u> <u>70,917</u> <u>\$ 3,953</u> <u>\$</u>	Balance $\underline{7/1/11}$ Additions \$ 1,400 \$ - 73,470 - 74,870 - 1,216 94 69,701 1,256 70,917 1,350 \$ 3,953 \$ (1,350)	Balance $\underline{7/1/11}$ Additions Delete $\underline{7/1/11}$ Additions Delete \$ 1,400 \$ - \$ $\underline{73,470}$ - - $\underline{73,470}$ - - $\underline{74,870}$ - - 1,216 94 - 69,701 1,256 - $\overline{70,917}$ 1,350 - \$ 3,953 \$ (1;350) \$	Balance $7/1/11$ Additions Deletions \$ 1,400 \$ - \$ - 73,470 - - 74,870 - - 1,216 94 - 69,701 1,256 - 70,917 1,350 - \$ 3,953 \$ (1,350) \$ -	Balance H $7/1/11$ Additions Deletions 6 \$ 1,400 \$ - \$ - \$ $73,470$ - - - $73,470$ - - - $74,870$ - - - $1,216$ 94 - - $69,701$ $1,256$ - - $70,917$ $1,350$ - - \$ 3,953 \$ (1,350) \$ - \$

Capital assets activity for the fiscal year ended June 30, 2011, was as follows:

	Balance <u>7/1/10</u>		A	dditions	Deletions		Balance 6/30/11	
Capital assets								1000
Structures/Improvements	\$	1,400	\$		\$	-	\$	1,400
Equipment	-	73,470		-	-	-		73,470
Total capital assets		74,870		9	-	2		74.870
Less accumulated depreciation for		0.000						,
Structures/Improvements		1,122		94				1,216
Equipment	-	68,445	_	1,256		- e.,		69,701
Total accumulated depreciation		69,567		1,350		-		70,917
Total capital assets, net	\$	5,303	\$	(1,350)	\$	-	\$	3,953

Required Supplementary Information (Other than MD&A)

RECLAMATION DISTRICT NO. 2049 Budgetary Comparison Schedule - General Fund For the Year Ended June 30, 2015, 2014, 2013, 2012 and 2011

		2015		2014			2013			
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance	
Budgetary Balances - Beginning	\$ 19,483	\$ 19,483	\$ -	\$ 16,446	\$ 16,446	s -	\$ 7,809	\$ 7,809	s -	
Resources (Inflows)										
Property Taxes	50,043	48,832	1,211	46,019	45,240	779	37,112	40,896	(3,784)	
Use of Money and Property	<u> </u>	137	(35)	42		(33)	5	42	(37)	
Amounts Available for Appropriation	50,085	48,969	1,116	46.061	45,315	746	37,117	40,938	(3,821)	
Charges to appropriations (Outflows)										
Services and supplies	64,797	34,899	29,898	60,162	42,278	17,884	44,925	32,301	12,624	
Total Charges to Appropriation	64,797	34,899	29,898	60,162	42,278	17,884	44,925	32,301	12,624	
Budgetary Balances - Ending	\$ 4,771	\$ 33,553	\$ (28,782)	\$ 2,345	\$ 19,483		<u>\$ 1</u>	\$ 16,446	\$ (16,445)	
		2012			2011					
	Budget	Actual	Variance	Budget	Actual	Variance				
Budgetary Balances - Beginning	\$ 2,965	\$ 2,965	\$ -	\$ (758)	\$ (758)	\$ -				
Resources (Inflows)										
Property Taxes Use of Money and Property	35,152	40,677	\$ (5,525) \$ (48)	29,910	26,546 52	\$ 3,364 \$ (52)				
Amounts Available for Appropriation	35,152	40,725	(5,573)	29,910	26,598	3,312				
Charges to appropriations (Outflows)										
Services and supplies	46,617	35,881	10,736	40,895	22,875	18,020				
Total Charges to Appropriation	46,617	35,881	10,736	40,895	22,875	18,020				
Budgetary Balances - Ending	\$ (8,500)	\$ 7,809	\$ (16,309)	\$ (11,743)	\$ 2,965	\$ (14,708)				

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

APPENDIX H:

San Lorenzo Valley Water District (Historical Boundary Changes)

Project Number	Proposal Title	Action Date
3	Storm & Hooper Property / W. Zayante Rd. Annexation to SLVWD	12/17/1963
8	Stewart / Hihn Rd. Annexation to SLVWD	3/17/1964
32	King's Creek Annexation to SLVWD	11/17/1964
35	Belardi & Mitchell / Graham Hill Annexation to SLVWD	12/15/1964
42	Brown & Bracesco / W. Zayante Annexation to SLVWD	2/16/1965
44	Bahr / W. Zayante Rd. Annexation to SLVWD	4/20/1965
100	University Village Subdivision Tank Site / Hihn Rd. Annexation to SLVWD	1/18/1967
165	East Zayante Annexation to SLVWD	6/18/1969
166	East Zayante Annexation to SLVWD	5/21/1969
169	East Zayante Annexation to SLVWD	6/18/1969
177	East Zayante Annexation to SLVWD	8/20/1969
190	Camp Wastahi / Lompico Rd. Annexation to SLVWD	1/21/1970
237	Quail Hollow Annexation to SLVWD	9/16/1970
304	Graham / Scotts Valley Dr. Detachment from SLVWD	4/19/1972
334	East Zayante Annexation to SLVWD	7/19/1972
361	Graham Reorganization to SLVWD	6/20/1973
366	East Zayante Annexation to SLVWD	7/18/1973
374	Hidden Glen / Graham Hill Rd. Detachment from SLVWD	2/20/1974
407	Big Basin Water Co. Detachment from SLVWD	2/4/1976
415	Greene / Hihn Rd. Annexation to SLVWD	4/2/1975
451	Juvenile Hall Annexation to SLVWD	2/4/1976
486	University Village et al. Annexation to SLVWD	7/6/1977
504	San Lorenzo Valley Annexation to SLVWD	8/17/1977
510	Ferrari / E. Zayante Annexation to SLVWD	1/4/1978
600	Harvard Dr. Annexation to SLVWD	3/5/1981
617	Crow's Nest Dr. / Sykes Detachment from SLVWD	1/3/1982
579-A	Galleon Hts. Detachment from SLVWD	8/5/1981
643	East-West Zayante Rd./Myer Annexation to SLVWD	6/1/1983

Project Number	Proposal Title	Action Date
650	East Zayante Rd./Olympia Station Rd. Annexation to SLVWD	6/1/1983
647-B	SLVWD SOI	10/16/1985
705	Hihn Rd. / Kim Way Annexation to SLVWD	3/5/1986
717	Whispering Pines Dr. Reorganization	4/2/1986
739	East Zayante Rd. Annexation to SLVWD	6/6/1990
792	Valley Gardens Golf Course Reorganization	5/5/1993
792-A	SOI Amendment to SLVWD	5/5/1993
793	West Zayante Rd. Annexation to SLVWD	5/5/1993
798	West Zayante / El Alamein Annexation to the SLVWD	4/14/1994
804	East Zayante Rd. Annexation to SLVWD	3/23/1995
814	East Creek Rd. Annexation to SLVWD	8/2/1995
814-A	Amending the SOI for SLVWD	8/2/1995
835	Crow / East Zayante Exterritorial Water Services SLVWD	10/2/1996
861	West Zayante / Broberg Annexation	4/7/1999
867	Amending SOI to SLV Water District	12/1/1999
875	Trout Farm Annexation to SLV Water District	11/1/2000
887	El Alamein Annexation to SLVWD	8/7/2002
890	Felton Amendment to SLVWD	9/3/2003
891	Morrison West Zayante Annexation to SLVWD	4/7/2004
896	Hippert/Locatelli Annexation to SLVWD	2/2/2005
901	Manana Woods Annexation to SLVWD	2/1/2006
906	Amendment to SLVWD SOI	6/26/2006
927	Eggleson / Amos Annexation to SLVWD	12/8/2008
936	Olympia Mutual Water Company Annexation to SLVWD	8/1/2012
936	Olympia Mutual Water Company Annexation to SLVWD	8/1/2012
954	West Zayante / Reason Annexation to SLVWD	11/5/2014
955	West Zayante / Butler Annexation to SLVWD	1/7/2015
953	Lompico Reorganization	8/6/2016

APPENDIX I:

Scotts Valley Water District (Historical Boundary Changes)

Project Number	Proposal Title	Action Date
60	Jud Annexation to SVWD	11/17/1965
67	Molina Annexation to SVWD	2/16/1966
68	Gregson Annexation to SVWD	2/16/1966
95	Stevens, Seuss, Martin, Gordon, PG & E Annexation to SVWD	9/21/1966
108	Sandhill Annexation No. 1 to SVWD	5/24/1967
132	Green Valley Annexation to SVWD	8/21/1968
145	Ow Annexation to SVWD	11/20/1968
146	Gordon Annexation to SVWD	11/20/1968
219	Glenwood Acres Annexation to SVWD	6/17/1970
248	Montevalle Annexation to SVWD	10/21/1971
249	Steinberg Annexation to SVWD	12/16/1970
304	Graham Annexation to SVWD	4/19/1972
305	Monteith / Church Annexation	3/15/1972
325	Mt. Hermon Rd. Annexation to SVWD	9/20/1972
330	Watkins-Johnson Annexation to SVWD	7/19/1972
341	Fox Annexation to SVWD	10/18/1972
348	Baker Annexation to SVWD	11/15/1972
361	Graham Reorganization from SLVWD to SVWD	6/20/1973
380	Bean Creek Detachment from SVWD	5/8/1974
398	Scottsborough Annexation to SVWD	9/11/1974
404	Lakin Annexation to SVWD	11/13/1974

Project Number	Proposal Title	Action Date
416	Rodriguez Annexation to SVWD	4/2/1975
431	Koon Annexation to SVWD	9/3/1975
445	Fontenay Annexation to SVWD	11/5/1975
516	Casa Way / Highgate Rd. Annexation to SVWD	2/1/1978
520	Kirkorian Annexation to SVWD	4/5/1978
537	Buse Annexation to SVWD	12/6/1978
560	Hatten Annexation to SVWD	7/11/1979
573	Crescent Court (B) Reorganization	7/2/1980
634	Granite Creek Annexation	12/19/1983
647	Interim SOI	10/16/1985
652	Hacienda Dr. / Mills No. 652 Reorganization	12/19/1983
717	Whispering Pines Dr. Reorganization	4/2/1986
743	Granite Creek / Wright Annexation	3/1/1989
782	Making Determinations & Authorizing Proceedings to Reorganize Territory Designated as Green Hills Reorganization	2/5/1992
791	Skypark Reorganization	3/10/1994
792	Valley Gardens Golf Course Reorganization	5/5/1993
792	SOI Amendment to SVWD	5/5/1993
831	Latos Reorganization & Subsequent Sphere Amendment	12/4/1996
923	3132 Glen Canyon Road Extraterritorial Water Service from SVWD	1/9/2008
965	Cumbre Lane Reorganization	3/6/2019
966	Heritage Parks Annexation to SVWD	1/9/2019

APPENDIX J:

Soquel Creek Water District (Historical Boundary Changes)

Project Number	Proposal Title	Action Date
24	Aptos Seascape Annexation	8/18/1964
33	Soquel Highlands Subdivision (aka Hilltop) Annexation	11/17/1964
47	Hilltop Rd. No. 2 Annexation	4/20/1965
55	Aptos Beach Pines Annexation	7/21/1965
65	Aptos Valley, Tract No. 461, Annexation	2/16/1966
119	Tract 400 Country Club Park No. 12 Annexation	11/15/1967
149	Aptos Seascape Annexation	1/15/1969
149-A	Resolution Authorizing & Directing Soquel Creek Water District to Proceed with Annexation of Aptos Seascape No. 2	3/19/1969
294	Park-Wilshire / Vienna Woods Annexation	10/20/1971
294-A	Amendment to Res. No. 294	6/20/1973
303	La Selva Beach Annexation	1/19/1972
312	Seacliff Annexation	4/19/1972
333	Glenwood Annexation	9/20/1972
335-A	Canon del Sol Annexation	8/16/1972
377	Alta Verdi Annexation	2/2/1974
469	Freedom Blvd. / Carol Way Reorganization within Central & Soquel Creek Water Districts	10/6/1976
616	Old San Jose Rd. / Cornwall Annexation	1/13/1982
682	Country Estates Annexation	10/17/1984
696-A	SOI for Soquel Creek Water District	11/12/1986
696-B	SOI for Central Water District	11/12/1984
771	Bonita / San Andreas Annexation	12/5/1990

Project Number	Proposal Title	Action Date
789	Sand Dollar Beach Annexation	1/6/1993
790	Place de Mer Annexation	1/6/1990
810-A	SOI Amendment	10/4/1995
810-B	Capitola / Soquel / Cornwell / Cathedral Annexation	10/4/1995
839	Sumrall / Burns Annexation	1/8/1997
842	San Andreas / Denny Annexation	6/4/1997
844	SOI Amendment	2/4/1998
846	Sand Dollar / Price Request for Extraterritorial Water from SC Water District	10/1/1997
848	SOI Amendment	2/4/1998
854	San Andreas / Silldorf Request for Extraterritorial Water	6/3/1998
866	Anna Jeans Cummings Park Annexation	1/5/2000
880	Amending SOI for Soquel Creek Water District	3/6/2002
880-A	Hilltop Rd. / Thomas Annexation	3/6/2002
898	Sand Dollar/Linda Vista Annexation	8/3/2005
919	41st Ave. Clares Detachment	9/5/2007
922	PureSource Extraterritorial Water	8/1/2007
926	Trout Gulch Extraterritorial Water	10/1/2008
934	San Andreas Road / Tut SOI Amendment	5/5/2010
934-A	San Andreas Road / Tut Annexation	5/5/2010
961	Wharf Road / Wright Annexation	6/7/2017