



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

701 Ocean Street, #318-D
Santa Cruz, CA 95060
Phone Number: (831) 454-2055
Website: www.santacruzlafco.org
Email: info@santacruzlafco.org

REGULAR MEETING AGENDA

Wednesday, May 3, 2023 at 9:00am

(hybrid meeting may be attended remotely or in-person)

Attend Meeting by Internet: <https://us02web.zoom.us/j/85888035676>
(Password 770150)

Attend Meeting by Conference Call: **Dial 1-669-900-6833 or 1-253-215-8782**
(Webinar ID: 858 8803 5676)

Attend Meeting In-Person: **Board of Supervisors Chambers**
(701 Ocean Street, Room 525, Santa Cruz CA 95060)

HYBRID MEETING PROCESS

Santa Cruz LAFCO has established a hybrid meeting process in accordance with Assembly Bill 2449:

- a) Commission Quorum: State law indicates that a quorum must consist of Commissioners in person pursuant to AB 2449.
- b) Public Comments: For those wishing to make public comments remotely, identified individuals will be given up to 3 minutes to speak. Staff will inform the individual when one minute is left and when their time is up. For those attending the meeting remotely, please click on the "Raise Hand" button under the "Reactions Tab" to raise your hand. For those joining via conference call, pressing *9 will raise your hand. The 3 minute limit also applies to virtual public comments.
- c) Accommodations for Persons with Disabilities: Santa Cruz LAFCO does not discriminate on the basis of disability, and no person shall, by reason of a disability, be denied the benefits of its services, programs, or activities. If you are a person with a disability and wish to attend the meeting and you require special assistance in order to participate, please contact the staff at (831) 454-2055 at least 24 hours in advance of the meeting to make arrangements. Persons with disabilities may request a copy of the agenda in an alternative format.

1. ROLL CALL

2. EXECUTIVE OFFICER'S MESSAGE

The Executive Officer may make brief announcements in the form of a written report or verbal update, and may not require Commission action.

a. Hybrid Meeting Process

The Commission will receive an update on the hybrid meeting process.

Recommended Action: No action required; Informational item only.

b. City Seat Rotation Schedule Update

The Commission will receive an update on the rotation schedule and will welcome Shebreh Kalantari-Johnson as the new city alternate member on LAFCO.

Recommended Action: No action required; Informational item only.

3. ADOPTION OF MINUTES

The Commission will consider approving the minutes from the April 5, 2023 Regular LAFCO Meeting.

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

4. ORAL COMMUNICATIONS

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

5. PUBLIC HEARINGS

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

a. City of Watsonville Service & Sphere Review

The Commission will consider the adoption of a service and sphere of influence review for the City of Watsonville.

Recommended Actions:

- 1) Find, pursuant to Section 15061(b)(3) of the State CEQA Guidelines, that 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, that LAFCO is required to develop and determine a sphere of influence for the City of Watsonville, and review and update, as necessary;

- 3) Determine, pursuant to Government Code Section 56430, that LAFCO 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 LAFCO Resolution (No. 2023-11) approving the 2023 Service and Sphere of Influence Review for the City of Watsonville with the following conditions:
 - a. Reaffirm the City's current sphere of influence; and
 - b. Direct the Executive Officer to distribute a copy of this adopted service and sphere review to the City of Watsonville and any other interested or affected agency identified in the service review.

b. Draft Budget for Fiscal Year 2023-24

The Commission will consider the adoption of a draft budget for the upcoming year.

Recommended Action: Adopt the draft resolution (No. 2023-12) approving the draft budget for Fiscal Year 2023-24.

6. OTHER BUSINESS

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

a. Comprehensive Quarterly Report – Third Quarter (FY 2022-23)

The Commission will receive an update on active proposals, upcoming service reviews, latest budgetary performance, and other staff activities.

Recommended Action: No action required; Informational item only.

7. WRITTEN CORRESPONDENCE

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

8. PRESS ARTICLES

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

a. Press Articles during the Months of March and April

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

Recommended Action: No action required; Informational item only.

9. COMMISSIONERS' BUSINESS

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

10. ADJOURNMENT

LAFCO's next regular meeting is scheduled for Wednesday, June 14, 2023 at 9:00 a.m.

ADDITIONAL NOTICES:

Campaign Contributions

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

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

Contributions and Expenditures Supporting and Opposing Proposals

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

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

Accommodating People with Disabilities

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

Late Agenda Materials

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



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

DRAFT MINUTES

LAFCO REGULAR MEETING AGENDA

Wednesday, April 5, 2023

Start Time - 9:00 a.m.

1. ROLL CALL

Chair Yvette Brooks called the meeting of the Local Agency Formation Commission of Santa Cruz County (LAFCO) to order at 9:01 a.m. and welcomed everyone in attendance. She asked staff to conduct the roll call.

The following Commissioners were present:

- Chair Yvette Brooks
- Vice-Chair John Hunt
- Commissioner Jim Anderson
- Commissioner Roger Anderson
- Commission Zach Friend
- Commissioner Rachél Lather
- Alternate Commissioner Ed Banks
- Alternate Commissioner Allan Timms

Alternate Commissioner Allan Timms will be a voting member on behalf of Commissioner Eduardo Montesino (City Representative).

The following LAFCO staff members were present:

- Executive Officer Joe Serrano
- Legal Counsel, Joshua Nelson
- Administrative Aide, Juliette Burke (*Temporary County Support*)

2. EXECUTIVE OFFICER'S MESSAGE

2a. Virtual meeting Process

Executive Officer Joe Serrano announced that the Commission Meeting is being conducted through a hybrid approach with Commissioners and staff attending in-person while members of the public have the option to attend virtually or in-person. Mr. Serrano noted that Legal Counsel is participating remotely in accordance with state law.

3. ADOPTION OF MINUTES

Chair Yvette Brooks requested public comments on the draft minutes. **Executive Officer Joe Serrano** noted no public comments. **Chair Yvette Brooks** closed public comments.

Chair Yvette Brooks called for the approval of the draft minutes. **Commissioner Roger Anderson** motioned for approval of the March 1st Meeting Minutes and **Commissioner Jim Anderson** seconded the motion.

Chair Yvette Brooks called for a voice vote on the approval of the draft minutes with no changes.

MOTION: Roger Anderson

SECOND: Jim Anderson

FOR: Jim Anderson, Roger Anderson, Yvette Brooks, Zach Friend, Rachél Lather, and Allan Timms.

AGAINST: None

ABSTAIN: None

MOTION PASSED: 6-0

4. ORAL COMMUNICATIONS

Chair Yvette Brooks requested public comments on any non-agenda items. **Executive Officer Joe Serrano** indicated that there were no requests to address the Commission.

Chair Yvette Brooks closed public comments and moved on to the next agenda item.

5. PUBLIC HEARINGS

Chair Yvette Brooks indicated that there was one public hearing item for Commission consideration today.

5a. "Scotts Valley Water District Sphere Annexation"

Chair Yvette Brooks requested staff to provide a presentation on the proposed multi-parcel annexation into the water district.

Executive Officer Joe Serrano provided an extensive overview of the District's historical sphere boundary and the two recent service reviews requesting that the District consider annexation based on its existing sphere. Mr. Serrano explained that the District's board of directors unanimously adopted a resolution to initiate the annexation of all the parcels within its sphere boundary, including the parcels already being served. He stated that residents will have the option to connect into the District's infrastructure for water service, if desired, without the need for future LAFCO action. He also noted that the District requested a fee waiver since the application was directly tied to the recommendations LAFCO made in the 2021 Service & Sphere Review for the Scotts Valley Water District and the 2022 Countywide Water Service & Sphere Review. Staff recommended that the Commission approve the annexation request.

Chair Yvette Brooks opened the floor for Commission discussion.

Commissioner Roger Anderson inquired whether existing water sources, such as wells, would be required to be discontinued post-annexation. **SVWD General Manager David McNair** clarified that the District does not have a moratorium on private wells as a condition to connecting into their water system.

Chair Yvette Brooks noted no further Commission discussion and requested public comments on the proposal. **Executive Officer Joe Serrano** indicated that there were two requests to address the Commission.

Ryan Morper expressed support towards staff's recommendation and asked whether the proposed annexation would also allow residents to connect to the City of Scotts Valley's sewer system. **Executive Officer Joe Serrano** explained that the City of Scotts Valley and the Scotts Valley Water District are two separate governmental entities and the proposed annexation only involves the water district.

Unnamed landowner asked how their property on El Rancho Drive was included in the District's sphere and expressed interest in removing said property from the proposed annexation. **Commissioner Jim Anderson** noted that if the property is omitted from the annexation and if the property owner later reconsiders connecting to the District for water service, that they would be subject to the LAFCO process and associated fees. Commissioner Jim Anderson further explained that this annexation would save them time and money but recommended that they coordinate with LAFCO staff for further discussion.

Chair Yvette Brooks closed public comments and called for a motion. **Commissioner Zach Friend** motioned for approval of the annexation and **Commissioner Allan Timms** seconded the motion.

Chair Yvette Brooks called for a voice vote on the motion based on staff's recommendation: **Adopt the draft resolution (No. 2023-08) approving the 184-parcel annexation into the Scotts Valley Water District.**

MOTION: Zach Friend

SECOND: Allan Timms

FOR: Jim Anderson, Roger Anderson, Yvette Brooks, Zach Friend, Rachél Lather, and Allan Timms.

AGAINST: None

ABSTAIN: None

MOTION PASSED: 6-0

6. OTHER BUSINESS

Chair Yvette Brooks indicated that there were four business items for Commission consideration today.

6a. Special Districts Regular Member Seat – 2023 Election Results

Chair Yvette Brooks requested staff to provide a presentation on the election results.

Executive Officer Joe Serrano explained that state law requires LAFCO to conduct the appointment process when there is a vacancy on the Commission. Mr. Serrano summarized the process and indicated that two candidates were identified in mailed-in ballots: Rachél Lather (Soquel Creek Water District) and James Joseph Gallagher (Pajaro Valley Health Care District). He noted that Rachél Lather was selected based on the submitted ballots. Staff recommended that the Commission adopt the draft resolution to certify the election results.

Chair Yvette Brooks opened the floor for Commission discussion.

Chair Yvette Brooks noted no Commission discussion and requested public comments on the proposal. **Executive Officer Joe Serrano** indicated that there were no requests to address the Commission.

Chair Yvette Brooks closed public comments and called for a motion. **Commissioner Jim Anderson** motioned for approval of the election results and **Commissioner Zach Friend** seconded the motion.

Chair Yvette Brooks called for a voice vote on the motion based on staff's recommendation: **Adopt the draft resolution (No. 2023-09) ratifying the results of the recent election process.**

MOTION: Jim Anderson

SECOND: Zach Friend

FOR: Jim Anderson, Roger Anderson, Yvette Brooks, Zach Friend, Rachél Lather, and Allan Timms.

AGAINST: None

ABSTAIN: None

MOTION PASSED: 6-0

6b. Employee Performance Evaluation

Chair Yvette Brooks requested staff to provide a presentation on the recent performance evaluation of LAFCO's Executive Officer.

Executive Officer Joe Serrano explained that in accordance with the Commission's adopted policies, the Commission conducts an annual performance evaluation and considers amending staff's salary if warranted. Mr. Serrano noted that based on the Commission's closed session discussion in March and the recommendations made by LAFCO's Personnel Committee, staff is subject to a salary adjustment. Staff recommended that the Commission adopt the draft resolution approving the salary change based on staff's performance during the 2022 calendar year.

Chair Yvette Brooks opened the floor for Commission discussion.

Chair Yvette Brooks noted no Commission discussion and requested public comments on the proposal. **Executive Officer Joe Serrano** indicated that there were no requests to address the Commission.

Chair Yvette Brooks closed public comments and called for a motion. **Commissioner Roger Anderson** motioned for approval of the salary adjustment and **Commissioner Rachél Lather** seconded the motion.

Chair Yvette Brooks called for a voice vote on the motion based on staff's recommendation: **Adopt the draft resolution (No. 2023-10) approving the salary adjustment for LAFCO's Executive Officer.**

MOTION: Roger Anderson

SECOND: Rachél Lather

FOR: Jim Anderson, Roger Anderson, Yvette Brooks, Zach Friend, Rachél Lather, and Allan Timms.

AGAINST: None

ABSTAIN: None

MOTION PASSED: 6-0

6b. LAFCO Staffing – Current Consultants and Potential Analyst

Chair Yvette Brooks requested staff to provide a presentation on the current and proposed staffing structure.

Executive Officer Joe Serrano summarized the importance of LAFCO's current consultants for legal counsel and other professional services. Mr. Serrano noted that the Commission would benefit from having a second full-time employee. He explained that a search for an analyst began in November 2022 and resulted in three potential candidates. He stated that three separate interviews were held and Francisco Estrada was determined to be the best candidate by LAFCO's Executive Officer and Personnel Committee. Staff recommended that the Commission approve the contractual agreement to hire Francisco Estrada as the new LAFCO Analyst.

Chair Yvette Brooks opened the floor for Commission discussion.

Chair Yvette Brooks noted no Commission discussion and requested public comments on the proposal. **Executive Officer Joe Serrano** indicated that there was one request to address the Commission.

Francisco Estrada thanked the Commission for the opportunity to become LAFCO's newest employee. Mr. Estrada is thrilled to be back in local government to help the public receive the best level of municipal service possible under LAFCO's jurisdiction.

Chair Yvette Brooks closed public comments and called for a motion. **Commissioner Zach Friend** motioned for approval of the contractual agreement and **Commissioner Allan Timms** seconded the motion.

Chair Yvette Brooks called for a voice vote on the motion based on staff's recommendation: **Approve the draft contractual agreement to hire a new LAFCO Analyst with a starting date of April 10, 2023.**

MOTION: Zach Friend

SECOND: Allan Timms

FOR: Jim Anderson, Roger Anderson, Yvette Brooks, Zach Friend, Rachél Lather, and Allan Timms.

AGAINST: None

ABSTAIN: None

MOTION PASSED: 6-0

6d. Legislative Update

Chair Yvette Brooks requested staff to provide a presentation on the latest news regarding this year's legislative session.

Executive Officer Joe Serrano explained that there are 22 LAFCO-related bills currently in circulation. Mr. Serrano notes that of those 22 bills, staff is closely monitoring three bills. He summarized that Assembly Bill 1753 is the annual omnibus bill that addresses minor edits to the Cortese-Knox-Hertzberg Act. Staff recommended that the Commission adopt a "Support" position for AB 1753.

Chair Yvette Brooks opened the floor for Commission discussion.

Chair Yvette Brooks noted no Commission discussion and requested public comments on the proposal. **Executive Officer Joe Serrano** indicated that there were no requests to address the Commission.

Chair Yvette Brooks closed public comments and called for a motion. **Commissioner Jim Anderson** motioned for approval of the support position and **Commissioner Zach Friend** seconded the motion.

Chair Yvette Brooks called for a voice vote on the motion based on staff's recommendation: **Take a "Support" position on AB 1753 and direct the Executive Officer to submit a letter to the bill's author declaring the Commission's position.**

MOTION: Jim Anderson

SECOND: Zach Friend

FOR: Jim Anderson, Roger Anderson, Yvette Brooks, Zach Friend, Rachél Lather, and Allan Timms.

AGAINST: None

ABSTAIN: None

MOTION PASSED: 6-0

7. WRITTEN CORRESPONDENCE

Chair Yvette Brooks inquired whether there was any written correspondence submitted to LAFCO. **Executive Officer Joe Serrano** indicated that there were none. **Chair Yvette Brooks** moved to the next item since no Commission action was required.

8. PRESS ARTICLES

Chair Yvette Brooks requested staff to provide a presentation on the press articles. **Executive Officer Joe Serrano** indicated that this item highlights LAFCO-related articles recently circulated in local newspapers. **Chair Yvette Brooks** moved to the next item since no Commission action was required.

9. COMMISSIONERS' BUSINESS

Chair Yvette Brooks inquired whether any Commissioner would like to share any information. There were no comments. **Chair Yvette Brooks** moved to the next item since no Commission action was required.

10. ADJOURNMENT

Chair Yvette Brooks adjourned the Regular Commission Meeting at 9:39 a.m. to the next regular LAFCO meeting scheduled for Wednesday, June 14, 2023, at 9:00 a.m.

YVETTE BROOKS, CHAIRPERSON

Attest:

JOE A. SERRANO, EXECUTIVE OFFICER



Santa Cruz Local Agency Formation Commission

Date: May 3, 2023
To: LAFCO Commissioners
From: Joe Serrano, Executive Officer
Subject: **Service and Sphere Review for the City of Watsonville**

SUMMARY OF RECOMMENDATION

LAFCO periodically performs municipal service reviews and sphere of influence updates for each agency subject to LAFCO's boundary regulations. As part of the Commission's Multi-Year Work Program, LAFCO staff has drafted a service and sphere review for the City of Watsonville ("City") and scheduled a public hearing.

It is recommended that the Commission take the following actions:

1. Find, pursuant to Section 15061(b)(3) of the State CEQA Guidelines, that 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, that LAFCO is required to develop and determine a sphere of influence for the City of Watsonville, and review and update, as necessary;
3. Determine, pursuant to Government Code Section 56430, that LAFCO 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 LAFCO Resolution (No. 2023-11) approving the 2023 Service and Sphere of Influence Review for the City of Watsonville with the following conditions:
 - a. Reaffirm the City's current sphere of influence; and
 - b. Direct the Executive Officer to distribute a copy of this adopted service and sphere review to the City of Watsonville and any other interested or affected agency identified in the service review.

EXECUTIVE OFFICER'S REPORT:

State law requires LAFCO to periodically review and update the services and spheres of all cities and special districts. In accordance with the Commission's adopted Multi-Year Work Program, LAFCO staff has prepared a service and sphere review for the City (refer to **Attachment 1**). Key findings and recommendations are presented in the *Executive Summary* of the attached report. The service and sphere review also includes an analysis of the City's ongoing operations, current financial performance, existing governance structure, ability to provide services, and its importance within its jurisdictional area. The attached report concludes with determinations required by State law. This staff report summarizes the service and sphere review's findings, as shown in the following page.

Purpose & Key Findings

The goal of this analysis is to accomplish the Commission's direction to complete a service and sphere review for the City under the Multi-Year Work Program and fulfill the service and sphere determinations under the Cortese-Knox-Hertzberg Act. The following are the main conclusions of the report:

1. The City provides multiple services to over 54,000 constituents.

Watsonville provides a full range of services including but not limited to police and fire protection, water treatment and distribution, solid waste collection and disposal, sanitary sewer collection and treatment, street construction and maintenance. In 2020, the City's population was estimated to be 65,000. LAFCO staff projects that the City's population will reach approximately 70,000 constituents by 2040.

2. The City provides water services beyond its jurisdictional boundary.

Watsonville currently provides water services to approximately 65,000 people within 21 square miles, most of which extends beyond the city limits. Watsonville offers six type of water services: Agriculture Water, Retail Potable Water, Recycled Water, Wastewater (Sewer), Water Treatment, and Water Conservation. At present, it has approximately 15,000 connections through 190 miles of pipeline.

3. The City is financially stable.

Watsonville's financial performance has experienced a surplus in the past six years. Audited financial statements from 2016 to 2022 indicate that the City's annual surplus ranged from approximately \$1.7 million to \$14 million. As of June 30, 2022, the City was operating with a net position of approximately \$265 million.

4. The City has a transparent website.

Watsonville's website has an assortment of useful information and is transparent. The website is also embedded with recent news and announcements, including information about the recent flooding. Based on LAFCO's assessment, the City met 16 out of the 18 transparency benchmarks evaluated in this service review. Overall, the City has an exceptionally transparent website.

5. The City has developed long-term plans.

The City adopts a strategic plan every two years to align the Council's priorities and community needs with their biennial budget process. The 2021-23 Strategic Plan includes seven long range priorities, including infrastructure. The City has adopted a Climate Action and Adaptation Plan to address climate change and flooding impacts on the environment.

6. The City's sphere of influence is larger than its jurisdictional boundary.

Watsonville's original sphere boundary was established on January 12, 1983. At present, the current sphere goes beyond City limits and includes 4,628 parcels totaling approximately 9,400 acres. The last sphere update occurred in August 2022 which expanded the sphere boundary to reflect the City's water service area. LAFCO staff is not recommending any changes to its existing sphere at this time.

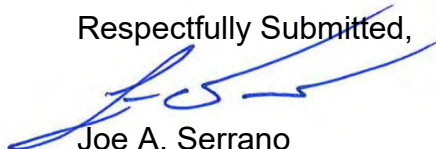
Environmental Review

LAFCO staff has conducted an environmental review for the draft service and sphere review in accordance with the California Environmental Quality Act (CEQA). Staff has determined that the service and sphere review is exempt because it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, and the activity is not subject to CEQA (Section 15061[b][3]). A Notice of Exemption, as shown in **Attachment 2**, will be recorded after Commission action.

Agency Coordination and Public Notice

A hearing notice for this draft service review was published in the April 11th issue of the Santa Cruz Sentinel (**Attachment 3**). The draft service and sphere review is attached to this staff report. An administrative draft of the report was also shared with René Mendez, Watsonville's City Manager. This allowed the City an opportunity to review LAFCO staff's findings and provide corrections and/or feedback before the report was finalized. The assistance of Mr. Mendez and his staff in completing this service review was greatly appreciated. In conclusion, staff is recommending that the Commission adopt the attached resolution (refer to **Attachment 4**) approving the service and sphere review.

Respectfully Submitted,



Joe A. Serrano
Executive Officer

Attachments:

1. Service and Sphere Review – Administrative Draft
2. Environmental Determination – Categorical Exemption
3. Public Hearing Notice
4. Draft Resolution No. 2023-11

cc: René Mendez, Watsonville City Manager

City of Watsonville

Service and Sphere of Influence Review



Draft Version (April 21, 2023)

Local Agency Formation Commission of Santa Cruz County

701 Ocean Street, Room 318-D Santa Cruz, CA 95060

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EXECUTIVE SUMMARY

Introduction

This Service and Sphere of Influence Review provides information about the services and boundaries of the City of Watsonville (“City”). This report will be used by the Local Agency Formation Commission to conduct a statutorily required review and update process. The Cortese-Knox-Hertzberg Act requires that the Commission conduct periodic reviews and updates of Spheres of Influence for all cities and special districts in Santa Cruz County (Government Code Section 56425). It also requires LAFCO to conduct a review of municipal services before adopting sphere updates (Government Code Section 56430). The City’s last service review was adopted on May 2, 2018.

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

Service and sphere reviews are informational documents and are generally exempt from environmental review. LAFCO staff has conducted an environmental review of the City’s existing sphere 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]).

City Overview

The City of Watsonville was incorporated on March 30, 1868, and operates as a charter city pursuant to the laws of the State of California. Watsonville’s city limits encompass approximately six square miles and has a population estimated at 54,000. The City provides an array of services, including but not limited to, water, wastewater collection, parks and recreation, law enforcement, and land use. A full review of all services is covered within this report. A vicinity map, depicting the City’s current jurisdictional and water service area, is shown as **Figure 1** on page 5.

Sphere of Influence

Santa Cruz LAFCO adopted the City’s first sphere of influence on January 12, 1983. The current sphere includes areas outside the City’s jurisdictional boundary. The last sphere update in August 2022 expanded the sphere boundary to reflect the City’s water service area. LAFCO staff is recommending that the sphere boundary be reaffirmed, as shown in **Figure 8** on page 23.

Key Findings

The following are key findings of the 2023 Service and Sphere of Influence Review for the City of Watsonville:

1. The City provides multiple services to over 54,000 constituents.

Watsonville provides a full range of services including but not limited to police and fire protection, water treatment and distribution, solid waste collection and disposal, sanitary sewer collection and treatment, street construction and maintenance. In 2020, the City's population was estimated to be 65,000. LAFCO staff projects that the City's population will reach approximately 70,000 constituents by 2040.

2. The City provides water services beyond its jurisdictional boundary.

Watsonville currently provides water services to approximately 65,000 people within 21 square miles, most of which extends beyond the city limits. Watsonville offers six type of water services: Agriculture Water, Retail Potable Water, Recycled Water, Wastewater (Sewer), Water Treatment, and Water Conservation. At present, it has approximately 15,000 connections through 190 miles of pipeline.

3. The City is financially stable.

Watsonville's financial performance has experienced a surplus in the past six years. Audited financial statements from 2016 to 2022 indicate that the City's annual surplus ranged from approximately \$1.7 million to \$14 million. As of June 30, 2022, the City was operating with a net position of approximately \$265 million.

4. The City has a transparent website.

Watsonville's website has an assortment of useful information and is transparent. The website is also embedded with recent news and announcements, including information about the recent flooding. Based on LAFCO's assessment, the City met 16 out of the 18 transparency benchmarks evaluated in this service review. Overall, the City has an exceptionally transparent website.

5. The City has developed long-term plans.

The City adopts a strategic plan every two years to align the Council's priorities and community needs with their biennial budget process. The 2021-23 Strategic Plan covers seven long range priorities, including infrastructure. The City has adopted a Climate Action and Adaptation Plan to address climate change and flooding impacts on the environment.

6. The City's sphere of influence is larger than its jurisdictional boundary.

Watsonville's original sphere boundary was established on January 12, 1983. At present, the current sphere goes beyond City limits and includes 4,628 parcels totaling approximately 9,400 acres. The last sphere update occurred in August 2022 which expanded the sphere boundary to reflect the City's water service area. LAFCO staff is not recommending any changes to its existing sphere at this time.

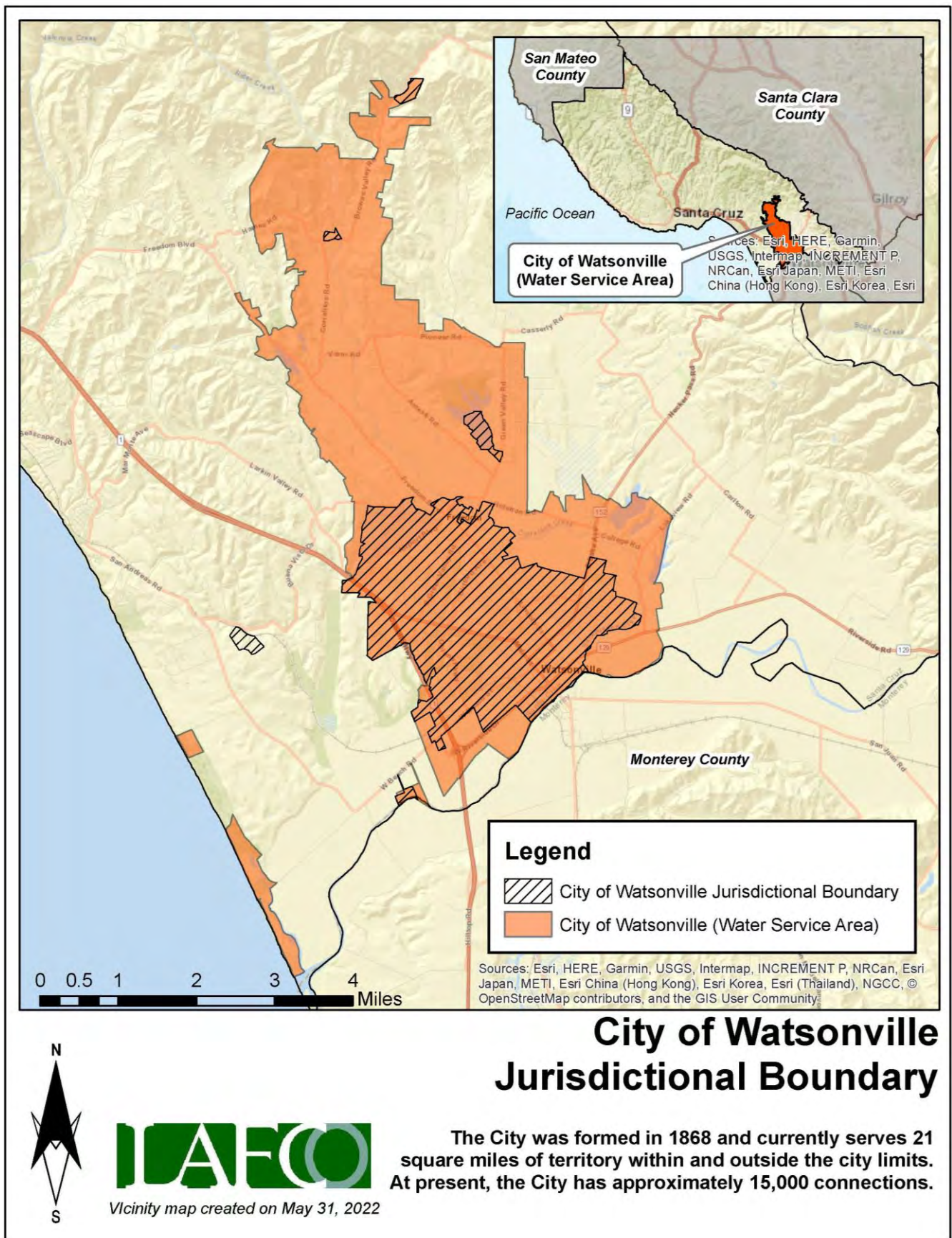
Recommended Actions

Based on the analysis and findings in the 2023 Service and Sphere of Influence Review for the City of Watsonville, the Executive Officer recommends that the Commission:

1. Find, pursuant to Section 15061(b)(3) of the State CEQA Guidelines, that LAFCO determined that the 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, that LAFCO is required to develop and determine a sphere of influence for the City of Watsonville, and review and update, as necessary;
3. Determine, pursuant to Government Code Section 56430, that LAFCO 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 LAFCO Resolution (No. 2023-11) approving the 2023 Service and Sphere of Influence Review for the City of Watsonville with the following conditions:
 - a. Reaffirm the City's current sphere of influence; and
 - b. Direct the Executive Officer to distribute a copy of this adopted service and sphere review to the City of Watsonville and any other interested or affected agency identified in the service review.



Figure 1: Vicinity Map



CITY OVERVIEW

History

Watsonville was incorporated as a city on March 30, 1868, and encompasses an area of approximately six square miles with a population of approximately 54,000. **Appendix A** provides a timeline of all the boundary changes approved by LAFCO (75 boundary changes in total). The last boundary change involving the City was back in 2021. Watsonville is a working class community in south county bordering the counties of Monterey and Santa Cruz, as shown on page 5. At present, the City has a number of land use designations including single family residential, mixed-use village, community commercial, and open space. **Appendix B** provides the City's latest zoning map.

Services & Operations

The City of Watsonville provides a full range of services including police and fire protection; water treatment and distribution; solid waste collection and disposal; sanitary sewer collection and treatment; airport facilities; building inspection, planning, economic development, housing rehabilitation, and general government services; library; recreation; parks; street construction and maintenance; and general administration. The following pages summarize the ten city departments: (1) Airport, (2) Community Development, (3) Economic Development, (4) Finance, (5) Fire, (6) Human Resources, (7) Library, (8) Parks & Community Services, (9) Police, and (10) Public Works & Utilities.

Airport

The Watsonville Municipal Airport is the only airport within Santa Cruz County. Watsonville Municipal Airport does not serve any airline, air cargo, or air taxi operations. The major airline operations for the area are served by the San Francisco Bay Area airports of San Jose, Oakland, and San Francisco, and by the Monterey Municipal Airport. It is expected that these airports will continue to serve the airlines.

The Watsonville Municipal Airport principally serves the general aviation fleet ranging from jet aircraft to twin-engine and single-engine non-jet aircraft varying in size. The City's website includes a number of useful information about the Watsonville Municipal Airport, including but not limited to an Airport Master Plan, various maps, economic analysis, the Watsonville Airport Advisory Committee meetings, and other airport-related reports.

Community Development

The Community Development Department is responsible for the review of development and building activity within the jurisdiction to ensure compliance with zoning and building codes, General Plan policies, the California Environmental Quality Act (CEQA), and community values. The Department's functions include activities related to development services and long-range community planning, such as land use plans, affordable housing, and development-related permitting.

Economic Development

The Economic Development Department assists residents, businesses, and others with their efforts to grow within the City in a safe and orderly manner that respects Watsonville's heritage while also sustaining opportunity for present and future generations. For example, the City features local businesses in a "Business Spotlight" segment on the City's social media accounts and website. Featured businesses are those that have chosen Watsonville as their home and whose story highlights the benefits of locating in Watsonville. The goal of the program is to showcase local businesses and foster pride in the City's thriving business community and strong local economy.

Finance

The Finance Department's primary objective is to ensure that fiscal resources are properly accounted for, used, and maximized by the City and made available for provision of services to the public. Links to detailed annual budgets and audited financial statements are also available on the City's website. A detailed evaluation of the City's financial performance is covered on page 10 of this report.

Fire

The Watsonville Fire Department is charged with protecting the City residents. Additionally, Watsonville provides services around the city as part of mutual aid and auto aid with neighboring fire agencies and the County. The City currently has two fire stations strategically located within the City limits. A detailed evaluation of the City's fire services was analyzed as part of LAFCO's Countywide Fire Protection Service & Sphere Review. A link to the 2021 report is available on LAFCO's website: https://santacruzlafco.org/wp-content/uploads/2021/11/Countywide-Fire-Service-Sphere-Review-10-13-21-Adopted-Version_.pdf

Human Resources

The Watsonville Human Resources Department's purpose is to provide a connection between management and employees in an effort to enhance morale and productivity, limit job turnover, support a responsive and innovative workforce as well as help the City deliver services in a fiscally sound and efficient manner. The City has approximately 421 full-time employees.

Library

The Watsonville Public Library provides a variety of information, materials, and services in a welcoming and trusted place where people come to gather, learn, and celebrate their multi-cultural community. The City's library was first built in 1905. A new and larger library building replaced the original in 1973, and in 2008 it was moved to its current location at the Civic Plaza. Additionally, the Freedom Branch Library became part of the Watsonville Public Library in 1996. Architects Noll and Tam remodeled the old Freedom Firehouse at 2021 Freedom Boulevard to house the branch in the year 2000. In accordance with Watsonville's charter, the City has a seven-member board of trustees to oversee the libraries' budget and operation. Bylaws for the board has also been adopted by the City to ensure proper oversight and management.

Parks & Community Services

The Watsonville Parks & Community Services Department develops and implements quality programs that encourage healthy lifestyles, preserve the City's heritage, provide recreational experiences, and strengthen community bonds. In accordance with Watsonville's charter, the City has a seven-member commission to oversee the budget and operation of the City's park and recreation services. Bylaws for the board have also been adopted by the City to ensure proper oversight and management. Additionally, the Parks & Community Services Department developed a strategic plan in 2019 for the City Plaza and Ramsay Park areas. A comprehensive community input process was used to create the 2020 Parks and Recreation Strategic Plan¹ that identifies priorities for the Department for the next 5-10 years.

Police

The Watsonville Police Department dates back to 1868 and remains committed to providing public safety through engagement, education, enforcement, and professional development. In addition to police services, the Watsonville Police Department participates in various community partnerships, including but not limited to Caminos Hacia el Éxito, Agua con la Chota, and Pink Patch Project. The Caminos Hacia el Éxito is a diversion program for Watsonville youth who commit a first-time offense (misdemeanor) that had a 91% success rate in 2022. The program uses evidence-based approaches to hold youth accountable for their actions in a timely and appropriate manner. Agua con la Chota or "Water with a Cop" is an educational program that engages local farmworkers to speak about the topics that matter to them. The Watsonville Police Pink Patch Project campaign raises funds to help local families who cannot afford breast cancer treatment/services.

Public Works & Utilities

The Public Works & Utilities Department operates and maintains nearly all of the City's infrastructure while also providing many of the City services that residents use on a daily basis. As the City's largest department, the Public Works and Utilities Department operates and maintains the City's regional potable water system, the sanitary and storm sewer systems, the wastewater treatment and water recycling plant, the collection of garbage and recyclables from residents and businesses through curbside collection and the Harvest Drive Public Drop-Off Center. Public Works accomplishes these responsibilities all while also ensuring that the City complies with all regulatory requirements and helping to advance the city's sustainability and climate action goals.

Water Service Area

Watsonville's water service area encompasses nearly 21 square miles of territory including the entire City of Watsonville and adjoining unincorporated areas of Santa Cruz County. There are approximately 15,000 connections within the City's water service area (totaling approximately 13,000 acres). A detailed evaluation of the City's water services was analyzed as part of LAFCO's Countywide Water Service & Sphere Review. A link to the 2022 report is available on LAFCO's website: <https://santacruzlafco.org/wp-content/uploads/2022/09/Countywide-Water-MSR-Adopted-Version.pdf>

¹ 2020 Parks & Rec Strategic Plan: <https://www.cityofwatsonville.org/DocumentCenter/View/12311/Watsonville-Strategic-Plan---Final?bidId=>

Population and Growth

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. In general, the Coastal Region is anticipated to have a slow growth over the next twenty years. Based on staff's analysis, the population for the City of Watsonville in 2020 was estimated to be around 54,000. **Table 1** shows the City's anticipated population over the next twenty years. The City's average rate of change is 2.78%. Under this rate, projections indicate that the entire population of Watsonville will be approximately 60,000 by the year 2040. In addition, the City of Watsonville provides water to areas outside its jurisdictional boundary. The total population within the City's water service area is expected to reach approximately 70,000 by the year 2040.

Table 1: Projected Population

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

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

Disadvantaged Unincorporated Communities

State law requires LAFCO to identify and describe all "disadvantaged unincorporated communities" (DUCs) located within or contiguous to existing spheres of influence for cities and special districts that provide fire protection, sewer, and/or water services. DUCs are defined as inhabited unincorporated areas within 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, staff's analysis indicates that there are no disadvantaged unincorporated communities within the City's sphere.

Pajaro Community

As previously mentioned, Watsonville's sphere does not include any DUCs. However, the unincorporated community of Pajaro may be categorized as a disadvantaged community – but such a determination should be made by the principal LAFCO (Monterey). Pajaro is located in Monterey County on the south bank of the Pajaro River and has approximately 3,000 residents. It receives municipal services, such as domestic water and fire protection, from the Pajaro / Sunny Mesa Community Services District ("PSMCSD")². The recent flooding has devastated the community and the rebuilding process is still underway. Although the community is located in a different county and receives public services from the corresponding governmental entities, there is an ever-present connection and a shared sense of community found between Watsonville and Pajaro. For example, the City of Watsonville provided water services to the community until 1986, when PSMCSD's predecessor purchased the water system and became its primary function.

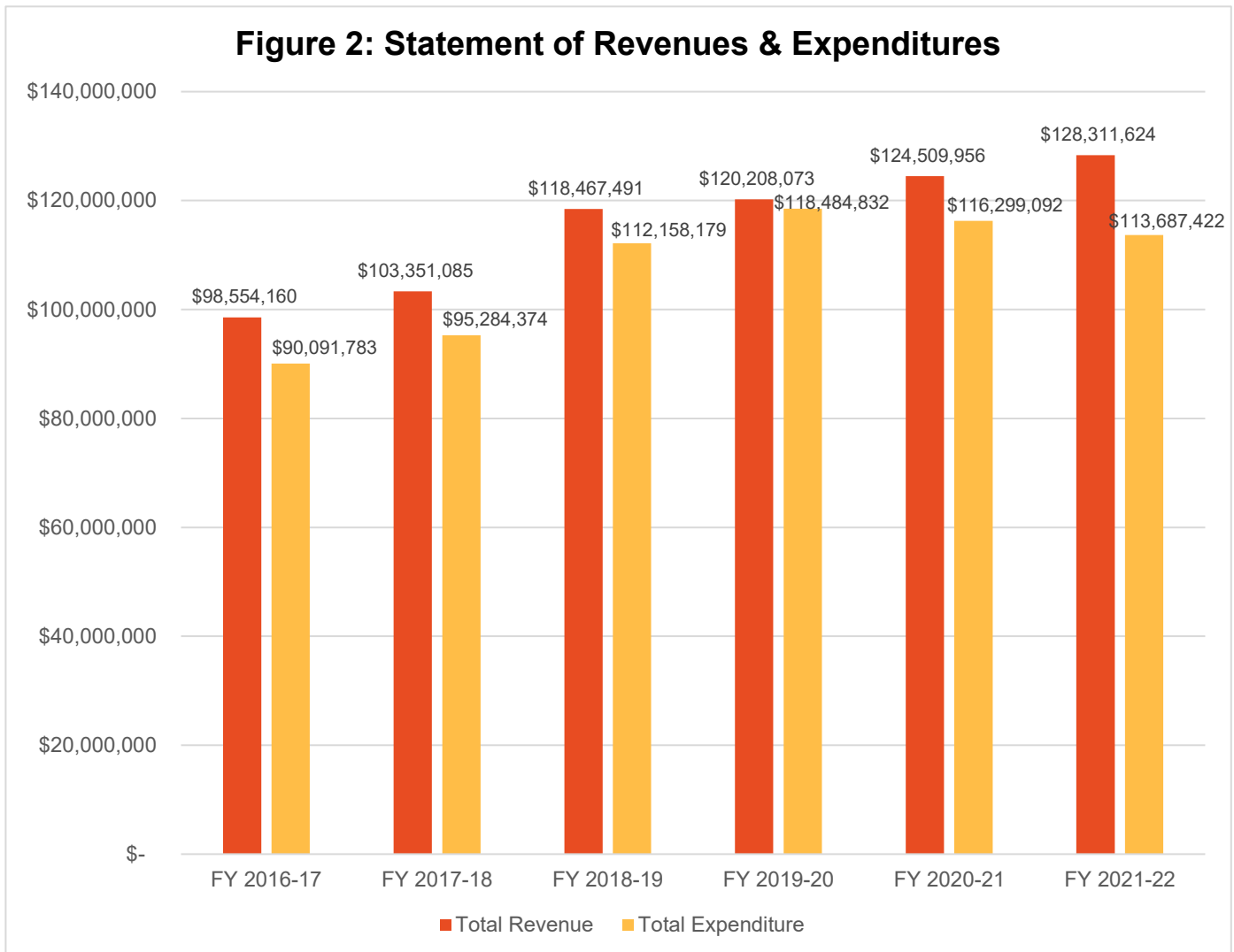
² Monterey LAFCO 2015 Report: <https://www.co.monterey.ca.us/home/showpublisheddocument/72930/636851479006670000>

FINANCES

This section will highlight the City’s financial performance during the most recent fiscal years. Fiscal Year 2021-22 is the latest audited financial statement available. LAFCO evaluated the City’s financial health from 2016 to 2022. A comprehensive analysis of the City’s financial performance during the past six years is shown in **Tables 5 and 6** on pages 14 and 15. LAFCO extracted the financial data from the City’s Comprehensive Annual Financial Reports located on the City’s website³.

At the end of Fiscal Year 2021-22, total revenue collected was approximately \$128 million, representing a 3% increase from the previous year (\$125 million in FY 20-21). Total expenses for FY 2021-22 were approximately \$114 million, which decreased from the previous year by 2% (\$116 million in FY 20-21). The City experienced an annual surplus during each fiscal year since 2017, as shown in **Figure 2**. LAFCO staff believes that this positive trend may continue based on the six-year performance and the current management practices.

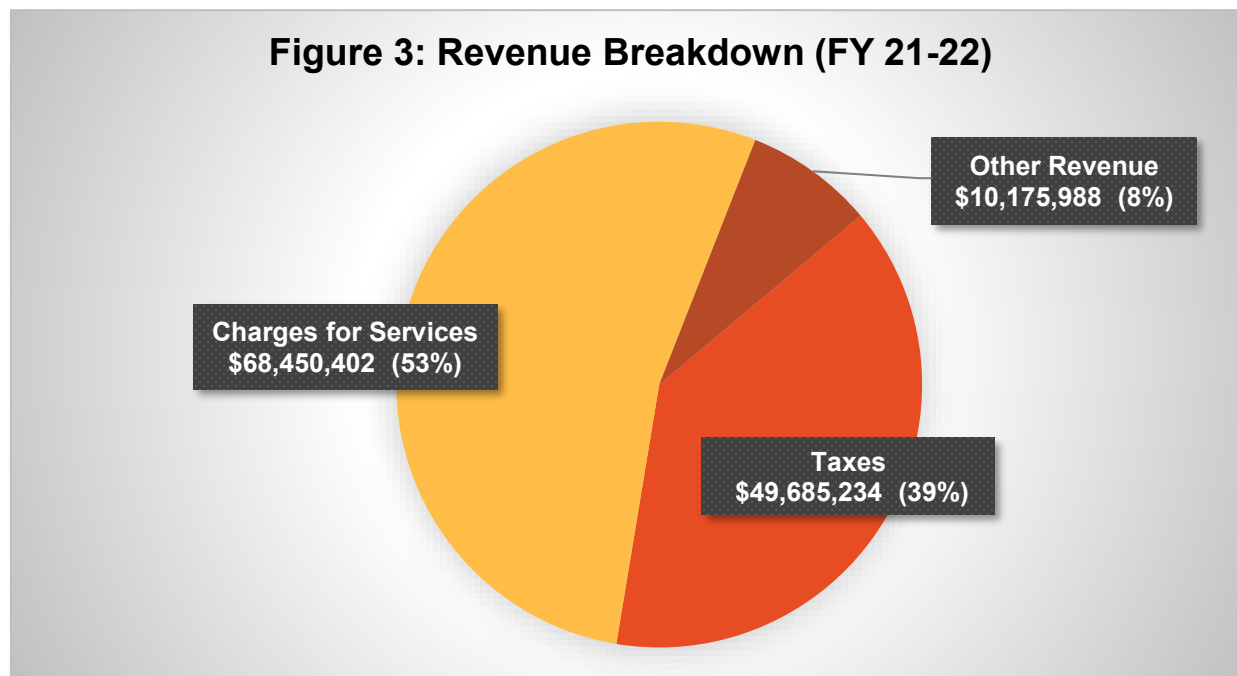
Figure 2: Statement of Revenues & Expenditures



³ CAFRS Webpage: <https://www.cityofwatsonville.org/1494/Annual-Comprehensive-Financial-Report-AC>

Revenues

The City provides various municipal services to the Watsonville community. The City's revenue stream can be categorized into three groups: (1) Taxes, (2) Charges for Services, (3) Other Revenue. Charges for services, such as water and sewer, represents the primary source of revenue for the City, as shown in **Figure 3**.



Assets

The City's financial assets are comprised of cash or items that will eventually be turned into cash. Land for resale and long-term investments are examples of items that will eventually be turned into cash. Watsonville has approximately \$414 million in total assets. Approximately 52% of the City's total assets are from capital assets, such as land, buildings, and infrastructure. A breakdown of the City's total assets is shown in **Table 3**.

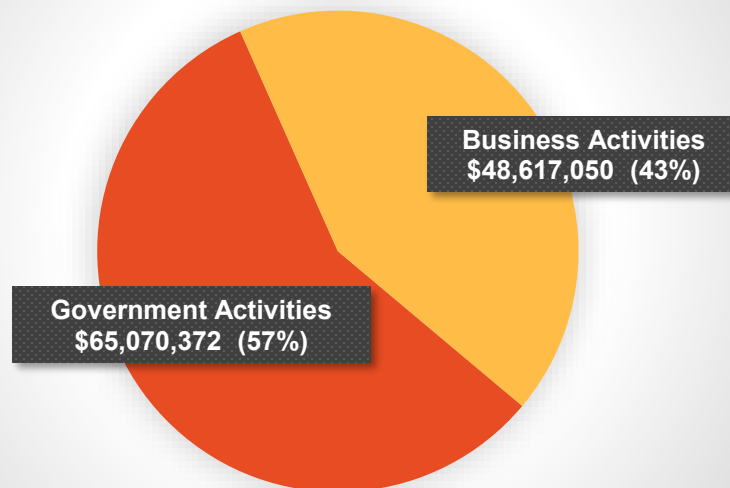
Table 2: Total Assets (FY 2021-22)

	Amount (\$)	Percentage (%)
Capital Assets	\$215,017,541	51.92%
Cash & Investments	\$127,021,076	30.67%
Loans Receivable	\$26,442,304	6.39%
Other Current Assets	\$22,015,937	5.32%
Deferred Outflow of Resources	\$19,211,308	4.64%
Other Non-Current Assets	<u>\$4,398,282</u>	<u>1.06%</u>
Total Assets	\$414,106,308	100.00%

Expenditures

The City's expenses are split into two categories or "activities": Government and Business. Government activities for the City of Watsonville include general government services, public safety, housing, infrastructure, and culture and recreation. The business-type activities of the City of Watsonville include water, sewer, solid waste, airport, and fiber optic activities. As **Figure 4** shows, Government Activities represent more than half of the City's total expenses during Fiscal Year 2021-22.

Figure 4: Expense Breakdown (FY 21-22)



Liabilities

The City's liabilities are financial obligations from past events or transactions. This can take the form of future payments to vendors, future provision of services, or future transfer of assets. Examples of liabilities include outstanding principal balances on bond issues, future costs for capital projects, or pension payments for retirees. Watsonville has approximately \$149 million in total liabilities, which can be categorized into three groups: (1) Current Liabilities, (2) Non-Current Liabilities, and (3) Deferred Inflows of Resources. A breakdown of the City's three main categories is shown in **Table 3**.

Table 3: Total Liabilities (FY 2020-21)

	Amount (\$)	Percentage (%)
Current Liabilities	\$35,043,733	23.51%
Non-Current Liabilities	\$77,188,947	51.78%
Deferred Inflows of Resources	<u>\$36,846,488</u>	<u>24.71%</u>
Total Liabilities	\$149,079,168	100%

Net Position

As of June 30, 2022, the total net position balance ended with approximately \$265 million. The following table highlights the fund balance from 2016 to 2022. As shown in **Table 4**, the City's net position balance experienced an increase each year. This healthy balance of \$265 million will be critical in the event that Watsonville faces unintended expenses, major capital improvement projects, or emergency repairs.

Table 4: Net Position (2016 to 2022)

	FY 16-17 (Audited)	FY 17-18 (Audited)	FY 18-19 (Audited)	FY 19-20 (Audited)	FY 20-21 (Audited)	FY 21-22 (Audited)
Net Investments in Capital Assets	\$207,290,664	\$204,674,411	\$202,329,039	\$206,779,073	\$202,511,225	\$207,221,834
Restricted Funds	\$16,496,122	\$19,848,385	\$19,803,251	\$22,227,741	\$24,412,285	\$27,012,308
Unrestricted Funds	<u>\$2,229,634</u>	<u>\$9,560,335</u>	<u>\$18,260,153</u>	<u>\$13,108,870</u>	<u>\$23,479,568</u>	<u>\$30,793,138</u>
Total Net Position	\$226,016,420	\$234,083,131	\$240,392,443	\$242,115,684	\$250,403,078	\$265,027,280
Difference (\$)		\$8,066,711	\$6,309,312	\$1,723,241	\$8,287,394	\$14,624,202
Difference (%)		4%	3%	1%	3%	6%

**Figure 5: Net Position from 2017 to 2022
(Ending Balance)**

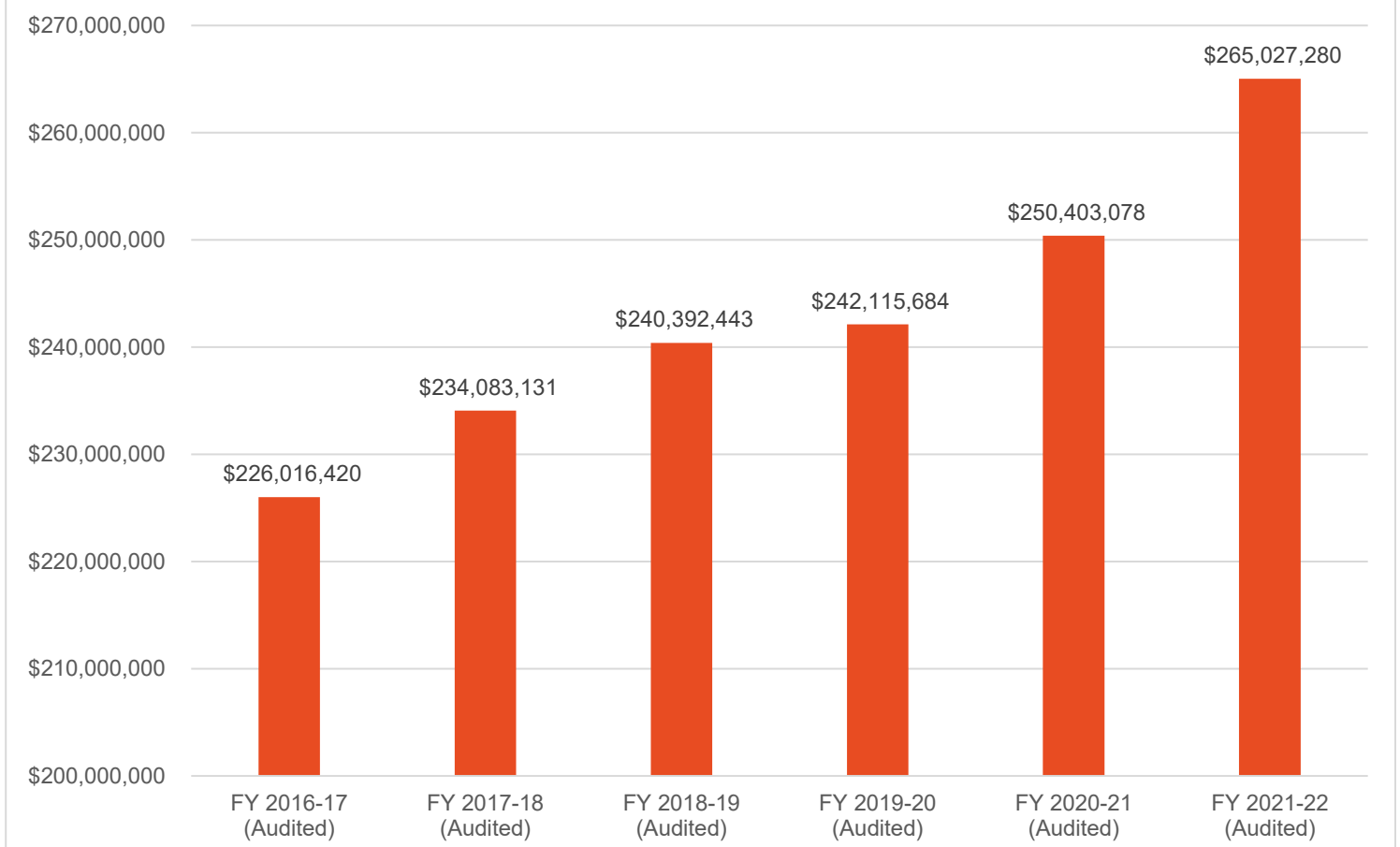


Table 5: Total Revenue & Expenditure (FY 2016-17 to FY 2021-22)

	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22
REVENUE						
Taxes	\$ 35,325,423	\$ 38,343,754	\$ 42,634,173	\$ 42,947,287	\$ 45,568,506	\$ 49,685,234
Charges for Services	\$ 54,008,997	\$ 57,187,871	\$ 66,156,894	\$ 64,947,438	\$ 67,693,439	\$ 68,450,402
Grants & Contributions	\$ 5,787,004	\$ 3,759,006	\$ 4,611,227	\$ 6,947,788	\$ 5,939,167	\$ 4,056,519
Intergovernmental Revenues	\$ 1,008,627	\$ 1,048,488	\$ 1,020,772	\$ 1,138,755	\$ 1,434,584	\$ 1,726,996
Unrestricted Investment Earnings	\$ 2,424,109	\$ 3,011,966	\$ 4,044,425	\$ 4,226,805	\$ 2,600,219	\$ 3,096,485
Misc Revenue	\$ -	\$ -	\$ -	\$ -	\$ 1,274,041	\$ 1,295,988
Total Revenue	\$ 98,554,160	\$103,351,085	\$ 118,467,491	\$ 120,208,073	\$ 124,509,956	\$ 128,311,624
EXPENDITURE						
<u>Governmental Activities</u>						
General Government	\$ 8,256,541	\$ 7,032,109	\$ 15,142,733	\$ 13,811,792	\$ 8,599,026	\$ 12,246,164
Public Safety	\$ 27,381,496	\$ 30,971,490	\$ 31,221,043	\$ 35,811,260	\$ 35,608,066	\$ 33,148,975
Housing	\$ 2,317,620	\$ 1,158,246	\$ 2,289,191	\$ 2,059,378	\$ 428,762	\$ 3,255,731
Streets	\$ 6,348,402	\$ 5,974,114	\$ 8,560,388	\$ 6,930,559	\$ 8,652,278	\$ 6,050,361
Culture & Recreation	\$ 7,817,448	\$ 8,591,233	\$ 9,152,007	\$ 9,850,117	\$ 9,201,007	\$ 10,263,815
Interest on Long Term Debt	\$ 145,991	\$ 157,799	\$ 491,217	\$ 115,978	\$ 166,747	\$ 105,326
Total Governmental Activities	\$ 52,267,498	\$ 53,884,991	\$ 66,856,579	\$ 68,579,084	\$ 62,655,886	\$ 65,070,372
<u>Business-Type Activities</u>						
Water	\$ 13,850,899	\$ 12,038,108	\$ 13,995,792	\$ 19,378,355	\$ 15,960,144	\$ 16,094,802
Sewer	\$ 10,272,037	\$ 13,174,860	\$ 14,194,742	\$ 14,099,357	\$ 14,190,155	\$ 13,633,454
Solid Waste	\$ 10,976,284	\$ 12,758,011	\$ 11,925,744	\$ 12,566,758	\$ 19,189,328	\$ 14,354,900
Airport	\$ 2,683,886	\$ 3,381,917	\$ 5,117,640	\$ 3,802,681	\$ 4,234,989	\$ 4,469,655
Fiber Optic	\$ 41,179	\$ 46,487	\$ 67,682	\$ 58,597	\$ 68,590	\$ 64,239
Total Business-Type Activities	\$ 37,824,285	\$ 41,399,383	\$ 45,301,600	\$ 49,905,748	\$ 53,643,206	\$ 48,617,050
Total Expenditure	\$ 90,091,783	\$ 95,284,374	\$ 112,158,179	\$ 118,484,832	\$ 116,299,092	\$ 113,687,422
Surplus/(Deficit)	\$ 8,462,377	\$ 8,066,711	\$ 6,309,312	\$ 1,723,241	\$ 8,210,864	\$ 14,624,202
FUND BALANCE						
Beginning Balance	\$ 217,554,043	\$ 226,016,420	\$ 234,083,131	\$ 240,392,443	\$ 242,192,214	\$ 250,403,078
Ending Balance	\$226,016,420	\$234,083,131	\$ 240,392,443	\$ 242,115,684	\$ 250,403,078	\$ 265,027,280

Table 6: Total Assets & Liabilities (FY 2016-17 to FY 2021-22)

	FY 2016-17 (Audited)	FY 2017-18 (Audited)	FY 2018-19 (Audited)	FY 2019-20 (Audited)	FY 2020-21 (Audited)	FY 2021-22 (Audited)
ASSETS						
<u>Current Assets</u>						
Cash & Investments	\$ 49,035,050	\$ 64,530,694	\$ 76,340,717	\$ 84,818,442	\$ 105,717,459	\$ 127,021,076
Cash & Investments With Fiscal Agent	\$ 40,518	\$ 59,140	\$ 40,462	\$ -	\$ -	\$ -
Restricted Cash	\$ 1,594,637	\$ 1,594,637	\$ 1,594,637	\$ 1,383,563	\$ 3,435,119	\$ 1,728,614
Receivables						
Interest	\$ 1,815,316	\$ 2,117,533	\$ 2,287,174	\$ 2,202,428	\$ 2,152,017	\$ 2,354,090
Taxes	\$ 4,255,381	\$ 4,092,801	\$ 4,496,203	\$ 4,590,800	\$ 4,792,074	\$ 5,490,562
Assessments	\$ 98,000	\$ 49,000	\$ -	\$ -	\$ -	\$ -
Accounts	\$ 3,631,964	\$ 3,780,129	\$ 5,284,209	\$ 6,224,354	\$ 7,106,684	\$ 8,709,400
Intergovernmental	\$ 1,303,290	\$ 2,547,636	\$ 4,265,591	\$ 2,936,583	\$ 4,178,388	\$ 3,733,271
Total Current Assets	\$ 61,774,156	\$ 78,771,570	\$ 94,308,993	\$ 102,156,170	\$ 127,381,741	\$ 149,037,013
<u>Non-Current Assets</u>						
Loans Receivable	\$ 31,139,125	\$ 29,697,281	\$ 27,569,095	\$ 25,772,479	\$ 27,811,905	\$ 26,442,304
Inventories	\$ 569,546	\$ 658,944	\$ 822,626	\$ 878,212	\$ 323,337	\$ 609,355
Deposits	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000
Land Held for Resale	\$ 1,177,012	\$ 1,177,012	\$ 439,500	\$ 150,000	\$ 150,000	\$ 150,000
Lease Receivable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,578,927
Capital Assets						
Land & Improvements	\$ 32,174,355	\$ 32,485,787	\$ 28,118,361	\$ 31,239,138	\$ 31,239,138	\$ 31,239,138
Buildings	\$ 139,425,856	\$ 133,941,224	\$ 135,198,244	\$ 130,353,672	\$ 124,978,537	\$ 120,949,441
Machinery & Equipment	\$ 7,516,333	\$ 7,860,460	\$ 9,186,037	\$ 12,914,431	\$ 14,290,882	\$ 13,525,623
Infrastructure	\$ 22,577,602	\$ 23,044,878	\$ 26,073,698	\$ 27,804,229	\$ 33,593,577	\$ 34,982,141
Contruction in Progress	\$ 10,037,775	\$ 11,445,438	\$ 10,871,627	\$ 10,402,498	\$ 9,497,469	\$ 14,321,198
Total Non-Current Assets	\$ 244,677,604	\$ 240,371,024	\$ 238,339,188	\$ 239,574,659	\$ 241,944,845	\$ 245,858,127
TOTAL ASSETS	\$ 306,451,760	\$ 319,142,594	\$ 332,648,181	\$ 341,730,829	\$ 369,326,586	\$ 394,895,140
<u>Deferred Outflows of Resources</u>						
Deferred Outflows Related to Pension	\$ 16,789,505	\$ 22,222,165	\$ 17,585,129	\$ 17,381,517	\$ 17,789,355	\$ 19,211,308
Total Deferred Outflows of Resources	\$ 16,789,505	\$ 22,222,165	\$ 17,585,129	\$ 17,381,517	\$ 17,789,355	\$ 19,211,308
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ 323,241,265	\$ 341,364,759	\$ 350,233,310	\$ 359,112,346	\$ 387,115,941	\$ 414,106,448
LIABILITIES						
<u>Current Liabilities</u>						
Accounts Payable	\$ 3,114,397	\$ 4,263,669	\$ 5,523,151	\$ 4,276,208	\$ 3,635,881	\$ 5,422,401
Accrued Personnel Costs	\$ 2,144,999	\$ 2,109,149	\$ 2,290,423	\$ 3,085,935	\$ 3,273,553	\$ 3,493,730
Insurance Claims Payable	\$ 3,069,452	\$ 3,826,517	\$ 3,097,588	\$ 4,571,611	\$ 3,650,569	\$ 3,792,529
Interest Payable	\$ 43,239	\$ 39,289	\$ 47,592	\$ 43,436	\$ 19,462	\$ 12,273
Retentions Payable	\$ 231,809	\$ 186,558	\$ 297,458	\$ 239,696	\$ 169,094	\$ 141,601
Unearned Revenue	\$ 103,478	\$ 1,451,959	\$ 2,514,315	\$ 2,322,461	\$ 10,759,744	\$ 20,231,192
Deposits Payable	\$ 1,013,592	\$ 577,411	\$ 577,977	\$ 505,400	\$ 1,776,002	\$ 1,950,007
Total Current Liabilities	\$ 9,720,966	\$ 12,454,552	\$ 14,348,504	\$ 15,044,747	\$ 23,284,305	\$ 35,043,733
<u>Non-Current Liabilities</u>						
Due Within One Year	\$ 1,189,227	\$ 926,458	\$ 1,104,682	\$ 1,067,949	\$ 1,757,414	\$ 1,752,378
Due In More Than One Year	\$ 81,974,434	\$ 91,390,706	\$ 91,662,796	\$ 97,593,341	\$ 109,633,172	\$ 75,436,569
Total Non-Current Liabilities	\$ 83,163,661	\$ 92,317,164	\$ 92,767,478	\$ 98,661,290	\$ 111,390,586	\$ 77,188,947
TOTAL LIABILITIES	\$ 92,884,627	\$ 104,771,716	\$ 107,115,982	\$ 113,706,037	\$ 134,674,891	\$ 112,232,680
<u>Deferred Inflows of Resources</u>						
Leases Related	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,541,687
Deferred Inflows Related to Pensions	\$ 4,340,218	\$ 2,428,912	\$ 2,634,885	\$ 3,290,625	\$ 2,037,972	\$ 33,304,801
Total Deferred Inflows of Resources	\$ 4,340,218	\$ 2,428,912	\$ 2,634,885	\$ 3,290,625	\$ 2,037,972	\$ 36,846,488
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	\$ 97,224,845	\$ 107,200,628	\$ 109,750,867	\$ 116,996,662	\$ 136,712,863	\$ 149,079,168
NET POSITION						
Net Investment in Capital Assets	\$ 207,290,664	\$ 204,674,411	\$ 202,329,039	\$ 206,779,073	\$ 202,511,225	\$ 207,221,834
Restricted For:						
Debt Service	\$ 89,111	\$ 84,482	\$ 81,254	\$ 238,493	\$ 246,758	\$ 245,989
Impact Fee	\$ 4,326,716	\$ 5,383,942	\$ 5,729,984	\$ 6,045,657	\$ 7,304,369	\$ 8,149,285
Housing	\$ 3,151,590	\$ 3,527,418	\$ 3,869,318	\$ 4,414,262	\$ 3,390,756	\$ 3,475,432
Grants, Contributions & Fees for Specific Purpose	\$ 8,928,705	\$ 10,852,543	\$ 10,122,695	\$ 11,529,329	\$ 13,470,402	\$ 15,141,602
Restricted Funds	\$ 16,496,122	\$ 19,848,385	\$ 19,803,251	\$ 22,227,741	\$ 24,412,285	\$ 27,012,308
Unrestricted Funds	\$ 2,229,634	\$ 9,560,335	\$ 18,260,153	\$ 13,108,870	\$ 23,479,568	\$ 30,793,138
Total Net Position	\$ 226,016,420	\$ 234,083,131	\$ 240,392,443	\$ 242,115,684	\$ 250,403,078	\$ 265,027,280
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, & NET POSITION	\$ 323,241,265	\$ 341,283,759	\$ 350,143,310	\$ 359,112,346	\$ 387,115,941	\$ 414,106,448

GOVERNANCE

Legal Authority

The City of Watsonville operates under California Charter City Law (Article XI, section 3(a) of the California Constitution for the purpose of establishing and enforcing local ordinances in the Watsonville community. The California Constitution gives cities the power to become charter cities. The distinction between general law and charter cities is that charter cities have superseding authority over certain “municipal affairs.” Examples of municipal affairs include election matters, land use designations, and budgetary practices. Cities that have not adopted a charter are general law cities. General law cities are bound by the State’s general law, even with respect to municipal affairs. Based on LAFCO staff’s analysis, there are 482 cities in California – 361 or 75% are general law cities and 121 or 25% are charter cities.

Local Accountability & Structure

The City of Watsonville is governed by an elected seven-member City Council. The Council is responsible for the establishment of policy relative to Watsonville’s mission, goals, and operations. The Council has the authority to establish all laws and regulations with respect to municipal affairs, subject to limitations of the City Municipal Code and State legislation. The City Council’s current composition is as follows:

Table 7: Watsonville City Council

Board Member	Term of Office
District 1 – Eduardo Montesino	First Elected: 2020 Current Term Ends: 2024
District 2 – Vanessa Quiroz-Carter	First Elected: 2020 Current Term Ends: 2024
District 3 – Maria Orozco	First Elected: 2022 Current Term Ends: 2026
District 4 – Kristal Salcido	First Elected: 2022 Current Term Ends: 2026
District 5 – Casey K. Clark	First Elected: 2022 Current Term Ends: 2026
District 6 – Jimmy Dutra	First Elected: 2020 Current Term Ends: 2024
District 7 – Ari Parker	First Elected: 2018 Current Term Ends: 2026

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.

Website Transparency

Recent laws have passed requiring more transparency for local governments, including Senate Bill 929 for independent special districts. Since 2020, LAFCO has been analyzing agencies' websites as part of the service review process by evaluating various benchmarks. **Table 8** summarizes staff's findings on whether the website is meeting the transparency benchmark. At present, the City meets all benchmarks, excluding one. The only item that is not found in the City's website is LAFCO's adopted service reviews. Overall, the City has a transparent website filled with useful information and resources that are easily accessible.

Table 8: Website Transparency

Website Components	Status (Yes = X)
1. Names and Contract Information of Board Members	X
2. Board Member Term Limits	X
3. Names of Key Staff, including City Manager	X
4. Contract Information for Staff	X
5. Election / Appointment Procedure & Deadlines	X
6. Board Meeting Schedule	X
7. Mission Statement	-
8. Description of City's Functions & Service Area	X
9. Authorizing Statute / Enabling Act	X
10. Adopted Annual Budgets	X
11. Audited Financial Statements / Financial Audits	X
12. Archive of Board Meeting Agendas & Minutes	X
13. Policies & Procedures / Bylaws	X
14. Home Page Link to Agendas / Meetings	X
15. SB 272 – Compliance-Enterprise Catalogs	X
16. Machine Readable / Searchable Agendas	X
17. Recipients of Grant Funding or Assistance	X
18. Link or Copies of LAFCO's Service & Sphere Reviews	-
Total Score	16 (89%)

Opportunities and Challenges

Watsonville has been a city for 155 years and it has endured significant events such as economic recessions and natural disasters. The City is now experiencing another round of economic downturn and is still recovering from the aftermath of the COVID pandemic and the recent floodings. Such unanticipated events place a stress test on local agencies, including cities. While cities struggle to maintain the same level of service to its residents, there are also opportunities to be explored during these challenging times. The following sections detail opportunities that Watsonville can incorporate to maximize efficiencies, increase strategic partnerships, and/or identify possible cost-savings for the residents.

Strategic Plan – Natural Disasters

The purpose of long-term planning, such as strategic plans and capital improvement plans, are 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 five-plus years of growth and change. The City recently prepared a five-year strategic plan that outlines over 150 projects. This plan identified projects between FY 2022-23 to FY 2026-27 that would repair or improve various areas in Watsonville, including but not limited to existing roads, parks, and recreational facilities. The plan also identified the funding source for each project. One project scheduled for FY 2022-23 was the Levy Embankment Stabilization Project. This project will install sheet piles in the Pajaro River Levee section that borders the Wastewater Treatment Plant (“WWTP”) to help stabilize the levee embankment and reduce seepage to protect one of the City's most valuable assets in the case of Pajaro River flooding. This project also includes estimated costs for relocating the WWTP electrical service which is currently located on the levee. The City may have to prioritize this project and other flood-related projects to address the significant impacts to the City's infrastructure but more importantly to affected communities. Watsonville may also have to utilize the City's unrestricted funds to complete these important projects.

LAFCO Staff Recommendation: *Watsonville should provide an update to LAFCO by June 2023 summarizing how the City addressed the recent flooding repairs.*

Extraterritorial Service Agreements

The Cortese-Knox-Hertzberg Act (“LAFCO Law”) authorizes LAFCO to consider the extension of municipal services beyond the jurisdictional boundary of a local agency, where the subject territory is outside an agency's service or sphere boundaries (Government Code Section 56133). The Commission has also adopted a policy to set clear standards for applying state and local laws governing the extension of services beyond the jurisdictional boundaries of a city or special district, which are known in Santa Cruz County as extraterritorial service agreements (“ESAs”).

At present, the City of Watsonville has 17 ESAs involving 152 parcels for a total of approximately 209 acres. The first ESA was approved in 1995 to provide water services to a single parcel totaling 10 acres. 14 of the next 16 ESAs involved single parcels and were approved between 1995 to 2021 (ranging from 0.2 to 14 acres). In 1995, the Commission approved an ESA allowing the City to provide water services to the Diamond Estates community (54 parcels totaling 19 acres). In 1999, the Commission also approved an ESA allowing the City to provide adequate water to the Sunset Beach Mutual Water

Company (83 parcels totaling 132 acres). **Figure 6** on page 20 shows the location of the active ESAs. As the map shows, 16 ESAs are located outside the City's jurisdictional limits but within the City's water service area. The last ESA approved by LAFCO involves one parcel (APN: 048-221-09) and is within the City's sphere boundary and substantially surrounded by the City, as shown in Figure 7 on page 21. The 2021 ESA was approved by the Commission through the adoption of a resolution which included language stating, *"An application for an ESA was submitted to LAFCO on February 3, 2021, with the anticipation of an annexation application being submitted within one (1) year of final occupancy of the entire development located in the subject area."* In addition to the upcoming annexation, the City should also consider annexing the other active ESAs, if possible. That is why in September 2021, LAFCO requested that the City develop an annexation plan (refer to **Appendix C**).

LAFCO Staff Recommendation: *Watsonville should analyze and consider annexation of existing extraterritorial service agreements.*

Measure U – Urban Limit Line (20 Year Extension)

In November 2002, the Watsonville City voters approved Measure U. This measure established a twenty-year westerly urban limit lines around the City, and directed growth into several unincorporated areas—primarily the Buena Vista, Manabe-Burgstrom, and Atkinson Lane areas adjacent to the current City boundary. The Measure was designed to protect commercial agricultural lands and environmentally sensitive areas while providing a measure of surety to the City on its ability to address housing needs and job creation. The Measure was extended for another twenty-years following the 2022 November Election. During the November election, there were two competing Measure-U related ballots, one from the City (Measure S) and the other from the Committee for Planned Growth and Farmland Protection (Measure Q). It may be beneficial for the two parties to explore commonalities and improve their working relationships to jointly address current and future issues related to preservation of farmlands and future growth before the expiration of the current boundary.

LAFCO Staff Recommendation: *Watsonville should consider establishing a stakeholder group to address the City's future growth as part of the 2050 general plan update.*

Shared Services – Strategic Partnerships

While the City is fiscally stable, areas near Watsonville, are facing significant financial impacts due to the recent flooding and levee failure. One area in particular is the unincorporated community of Pajaro, which is immediately adjacent to Watsonville but located in Monterey County. LAFCO encourages Watsonville to explore cost-saving opportunities and ways to improve the overall delivery of services within and surrounding the City by collaborating with neighboring local agencies. Examples of joint efforts include creating joint powers authorities, sharing resources through contractual agreements, considering boundary changes (i.e., fire reorganizations), or simply sharing costs with joint procurements. Such coordination may assist unserved/underserved communities by focusing on efficiencies beyond borders.

LAFCO Staff Recommendation: *Watsonville should explore shared services opportunities and other strategic partnerships with neighboring agencies.*

Figure 6: Active Extraterritorial Service Agreements

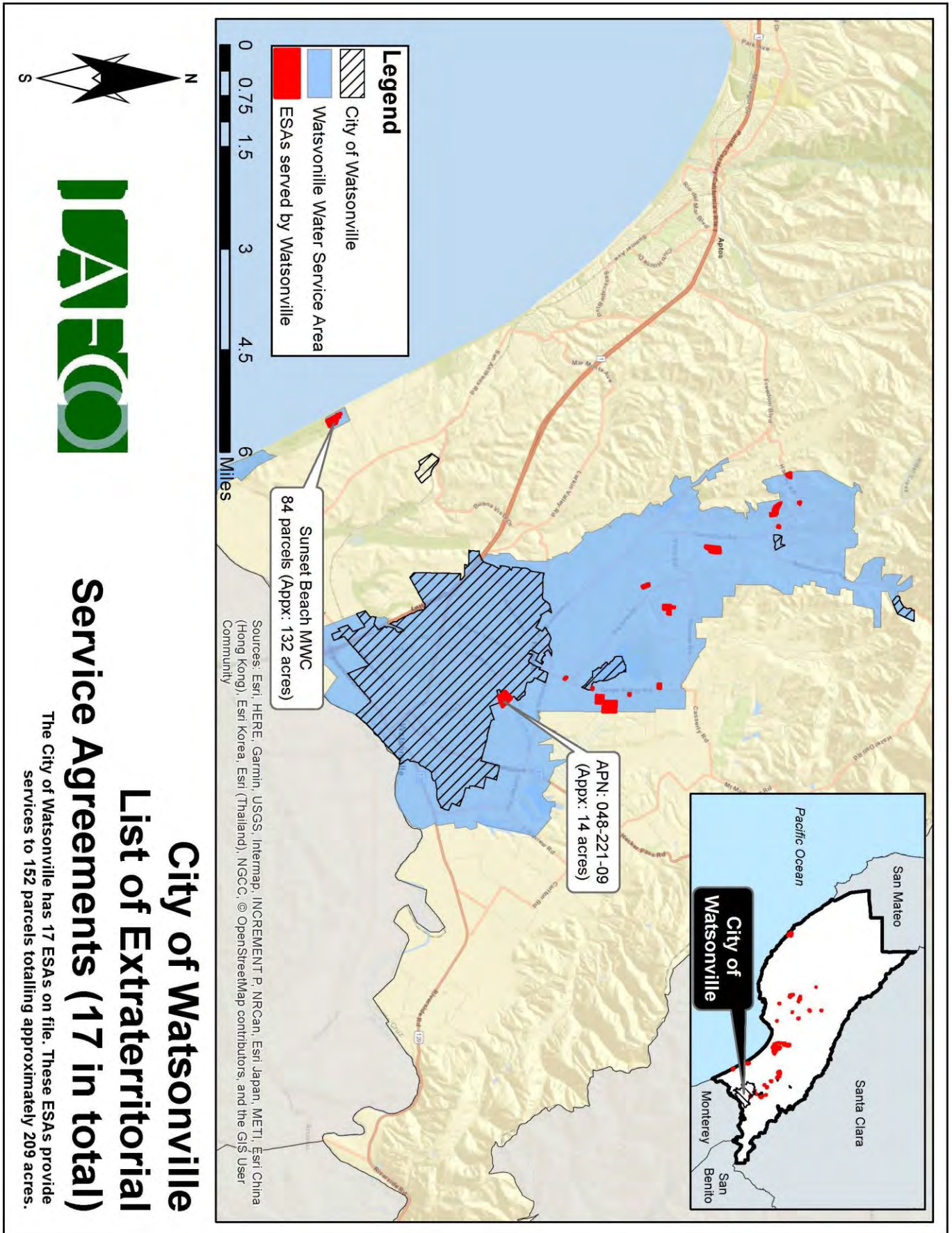
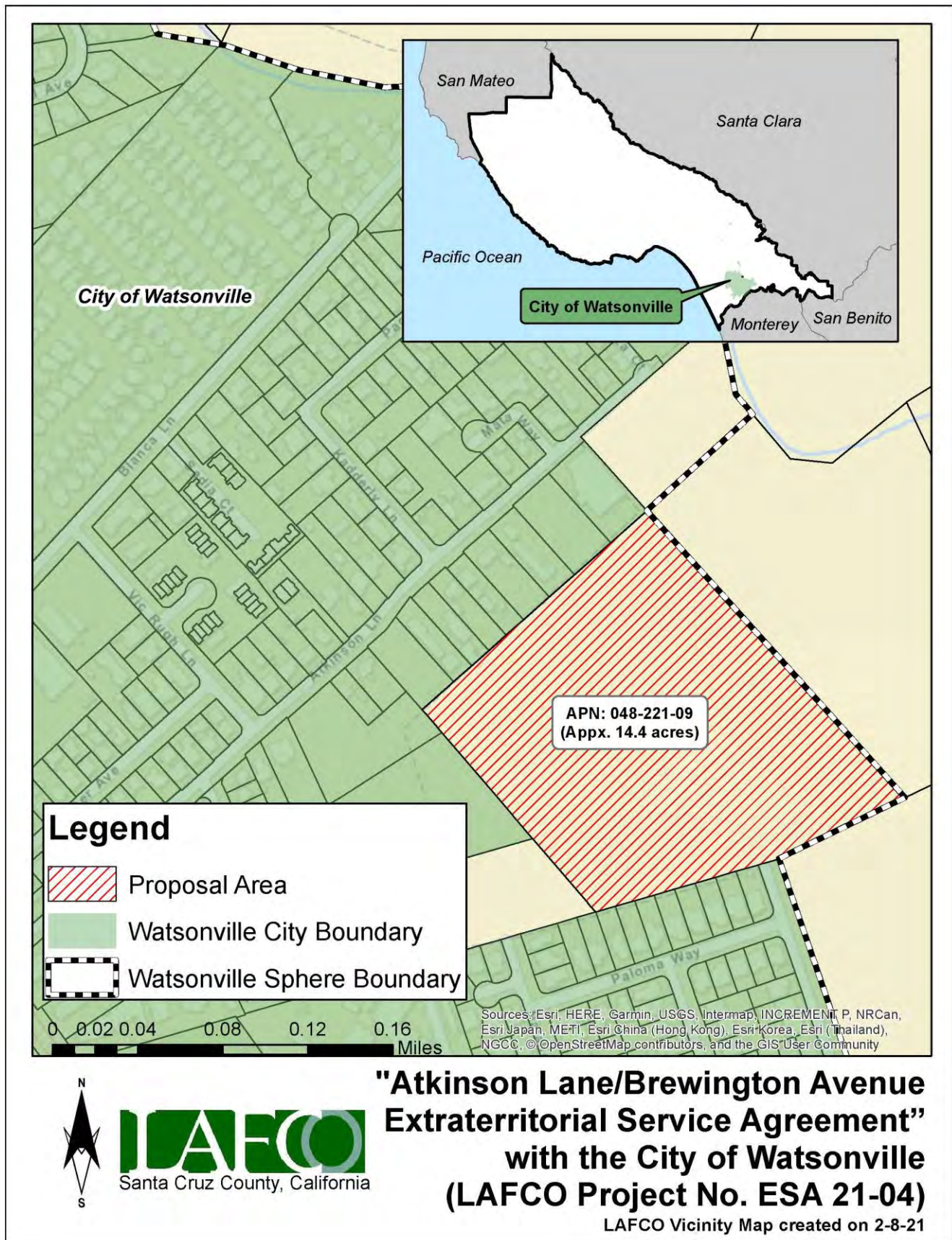


Figure 7: Most Recent Extraterritorial Service Agreement



SPHERE OF INFLUENCE

Cortese-Knox-Hertzberg Act

City and special district spheres of influence define the probable physical boundaries and service area of a local agency, as determined by the Commission (Government Code Section 56076). The law requires that spheres be updated at least once every five years either concurrently or subsequent 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, as analyzed on page 26.

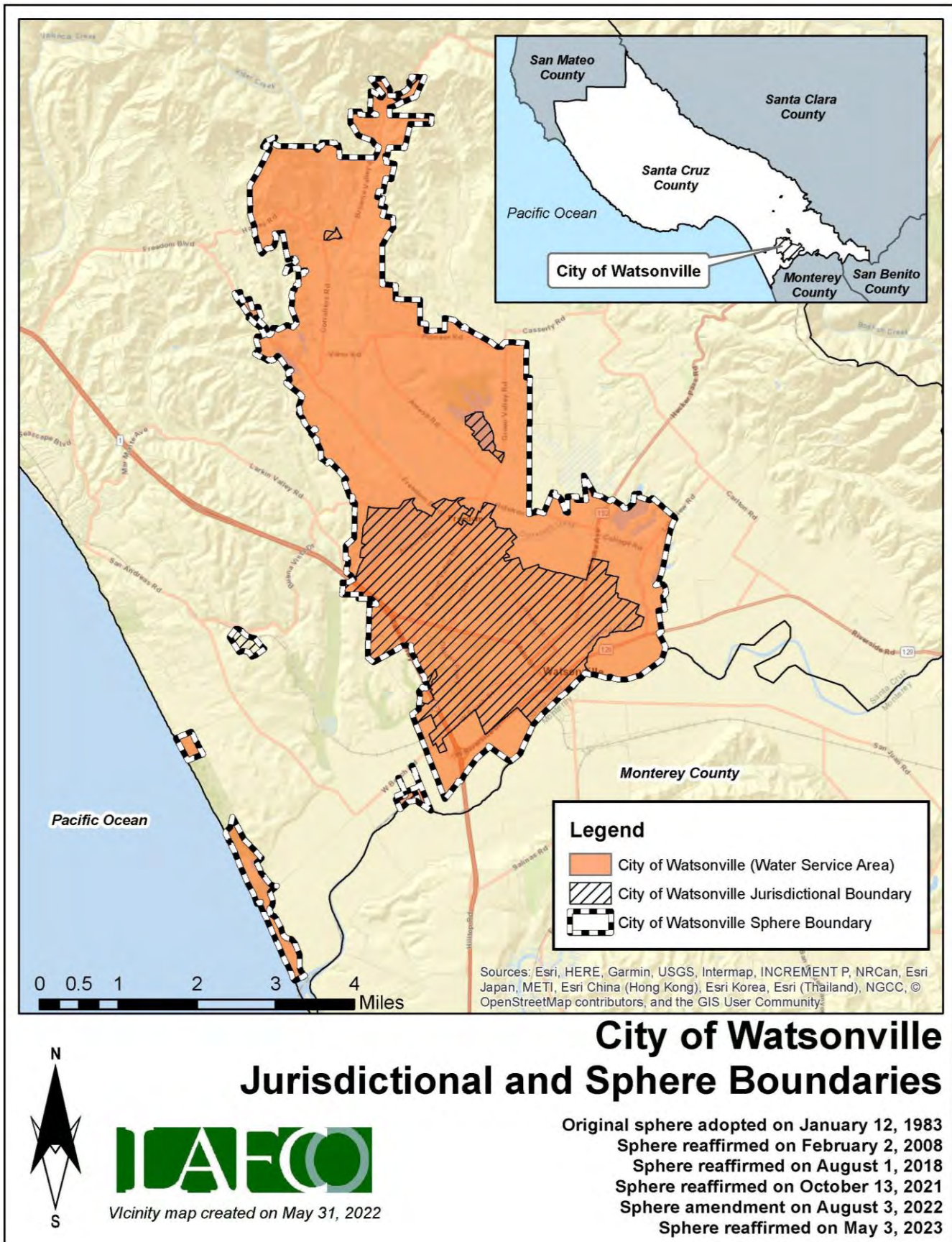
Current & Proposed Sphere Boundary

Santa Cruz LAFCO adopted the City's first sphere of influence on January 12, 1983. The current sphere includes areas outside the City's jurisdictional boundary. The current sphere goes beyond city limits and includes 4,628 parcels totaling approximately 9,400 acres. The last sphere update occurred in August 2022 which expanded the sphere boundary to reflect the City's water service area. As part of the August 2022 analysis, LAFCO requested that the City develop a plan to determine if and when the areas within its water service area, including the active ESAs, should be annexed. The Commission also requested that the plan be developed and submitted to LAFCO prior to their next service review cycle in August 2027. It is LAFCO's understanding that the City will be analyzing potential future annexation areas as part of the 2050 general plan update, which will be completed within the next three years.

It is also important to note that 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 existing sphere and submitted plan. In the interim, LAFCO staff is recommending that the Commission reaffirm the existing sphere, as shown in **Figure 8** on page 23.



Figure 8: Proposed City Sphere Reaffirmation



CITY SUMMARY

City of Watsonville	
Formation	California Charter City Law (Article XI, section 3(a) of the California Constitution)
Board of Directors	Seven members, elected at-large to four-year terms
Contact Person	Rene Mendez, City Manager
Employees	Approximately 350 Full-Time Employees
City Area	6 square miles (4,024 acres)
Sphere of Influence	Larger than the City (i.e., sphere boundary goes beyond existing City limits)
FY 2021-22 Audit	Total Revenue = \$128,311,624 Total Expenditure = \$113,687,422 Net Position (Ending Balance) = \$265,027,280
Contact Information	Mailing Address: 250 Main Street, Watsonville CA 95076 Phone Number: (831) 768-3201 Email Address: citymanager@cityofwatsonville.gov Website: https://www.cityofwatsonville.gov/
Public Meetings	City Council meetings are typically held on the second and fourth Tuesday of each month at 4:00 p.m.
Mission Statement	Working with our community to create positive impact through service with heart.

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 City currently provides various municipal services to a population of approximately 65,000. A slow growth is projected to occur for the next twenty years. LAFCO staff estimates that the entire population will reach 70,000 by 2040.

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

LAFCO did not identify any DUCs within or contiguous to the City's sphere boundary. However, the unincorporated community of Pajaro may be categorized as a DUC. Santa Cruz LAFCO defers to the principal LAFCO (Monterey) for further analysis.

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

The City General Plan within its jurisdictional limits designates areas for residential, commercial, and other city-related zoning.

4. Financial ability of agencies to provide services.

Watsonville is financially stable. Audited financial statements from Fiscal Years 2016-17 to 2021-22 indicate that the City has ended in a surplus during each of the last six years. As of June 30, 2022, the City is operating with a net position of approximately \$265 million.

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

LAFCO recommends that the City continue exploring for collaborative efforts with neighboring agencies to improve efficiencies.

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.

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). It is LAFCO's understanding that the City will be analyzing potential future annexation areas as part of the 2050 general plan update, which will be completed within the next three years.

Sphere of Influence Determinations

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

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

The present and planned land uses are based on the City's general plan which ranges from urban to rural uses. General plans anticipate growth centered on existing urban areas and the maintenance of open space, residential uses, and environmental protection. Planned land uses within the applicable general plans are a mix of urban and residential, public recreation, and open-space lands.

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

Watsonville has identified and prioritized its infrastructure needs in various projects. These projects are easily accessible on the City's website.

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

Watsonville provides various types of municipal services, including but not limited to law enforcement and public works. In 2020, the City's population was estimated to be 65,000. LAFCO staff projects that the City's population will reach 70,000 by 2040.

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.

Watsonville appoints its citizens on an array of boards, commissions, and committees to assist and advise in formulating policies. These advisory bodies provide feedback that may help the City make significant decisions. In total, the City has 12 boards, such as the Parks & Recreation Commission, the Planning Commission and the Watsonville Airport Advisory Committee.

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.

LAFCO did not identify any DUCs within or contiguous to the City's sphere boundary. However, the unincorporated community of Pajaro may be categorized as a DUC. Santa Cruz LAFCO defers to the principal LAFCO (Monterey) for further analysis.

APPENDICES

Appendix A: Past Boundary Changes (1963 to Present)

Appendix B: City Zoning Map

Appendix C: LAFCO Letter Requesting Annexation Plan (Sept. 2021)



APPENDIX A:

Past Boundary Changes (1964 to Present)

City's Past Boundary Changes

Project Number	Proposal Title	Action Date
N/A	City Incorporation	3/30/1868
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

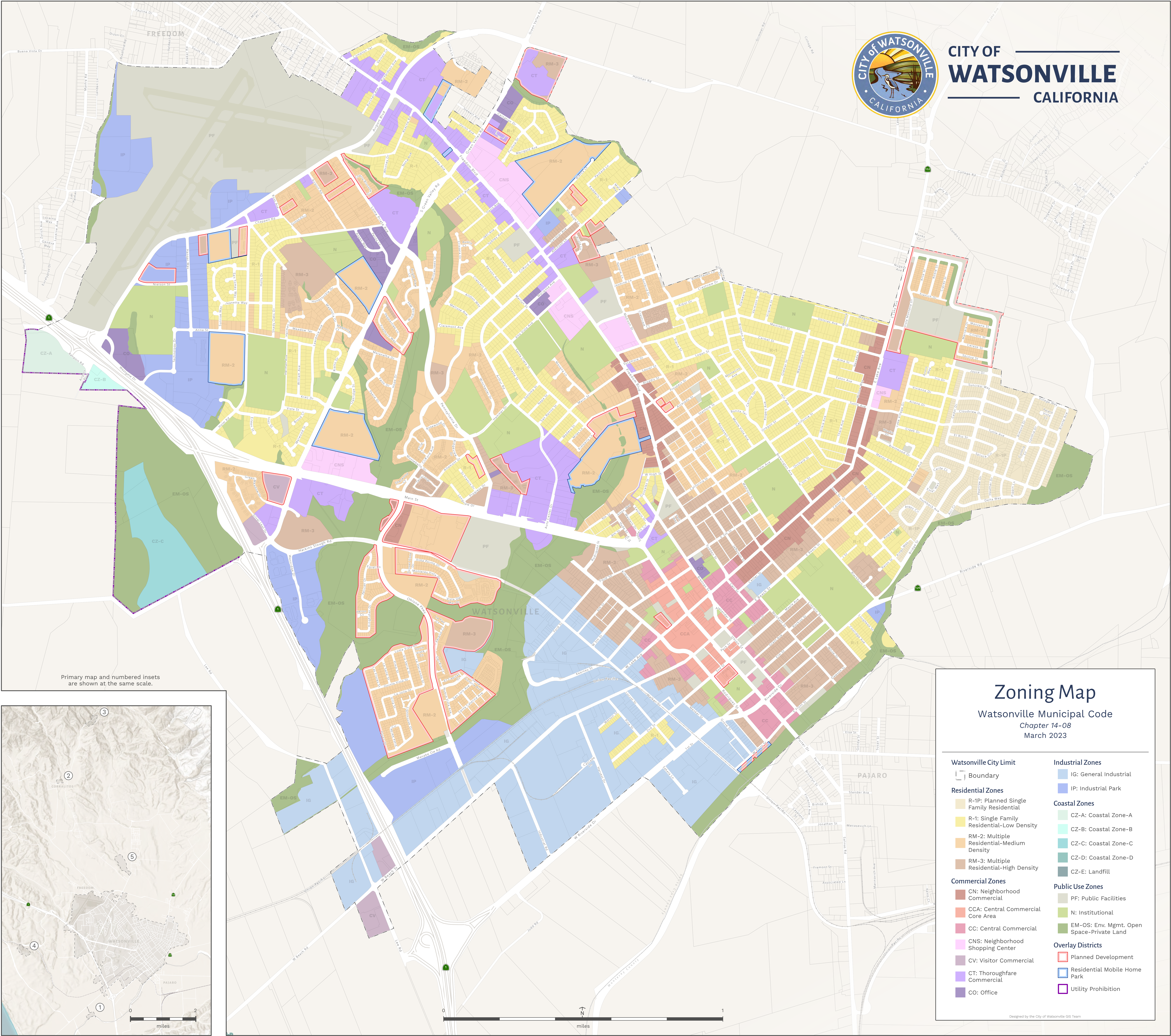
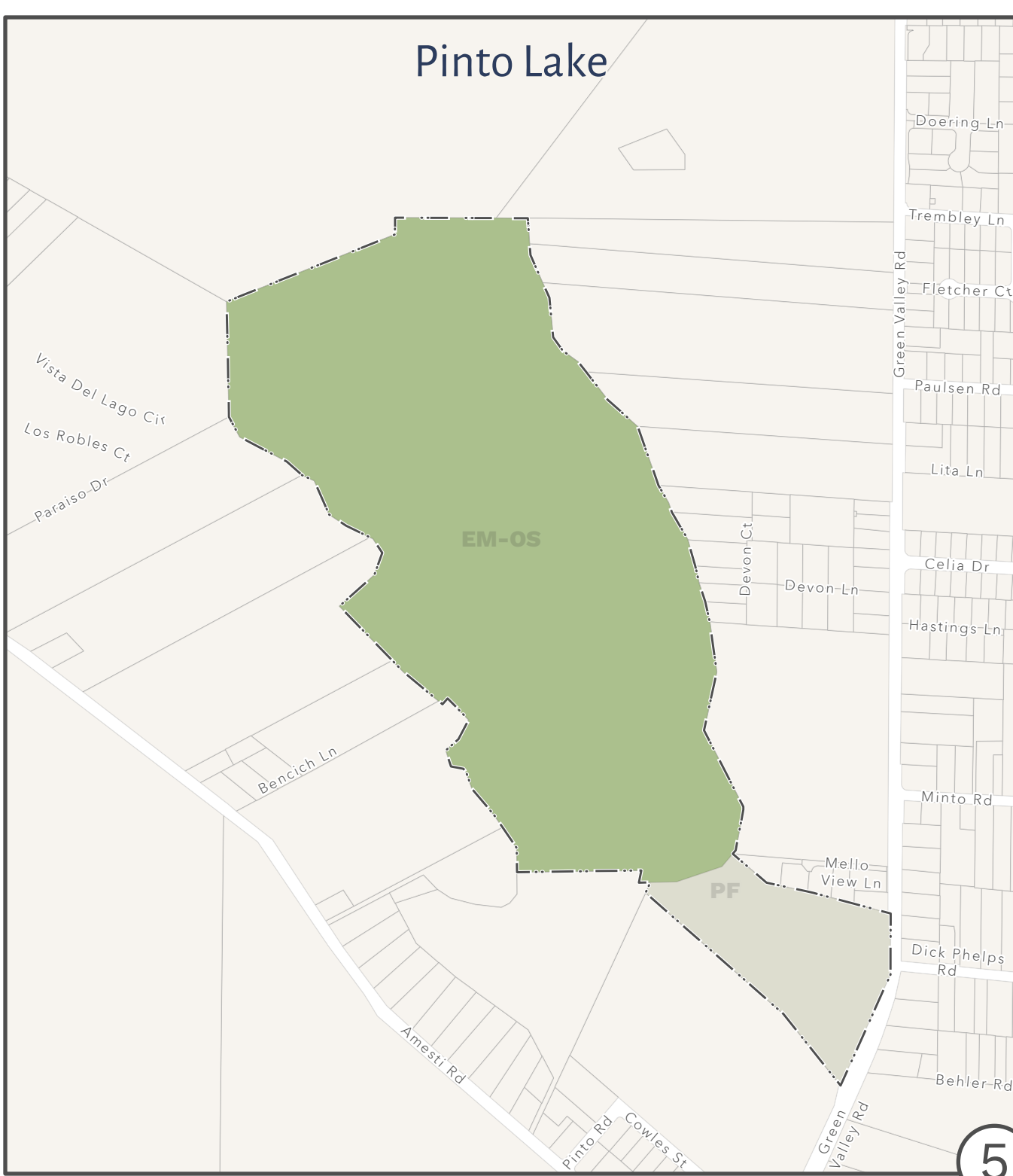
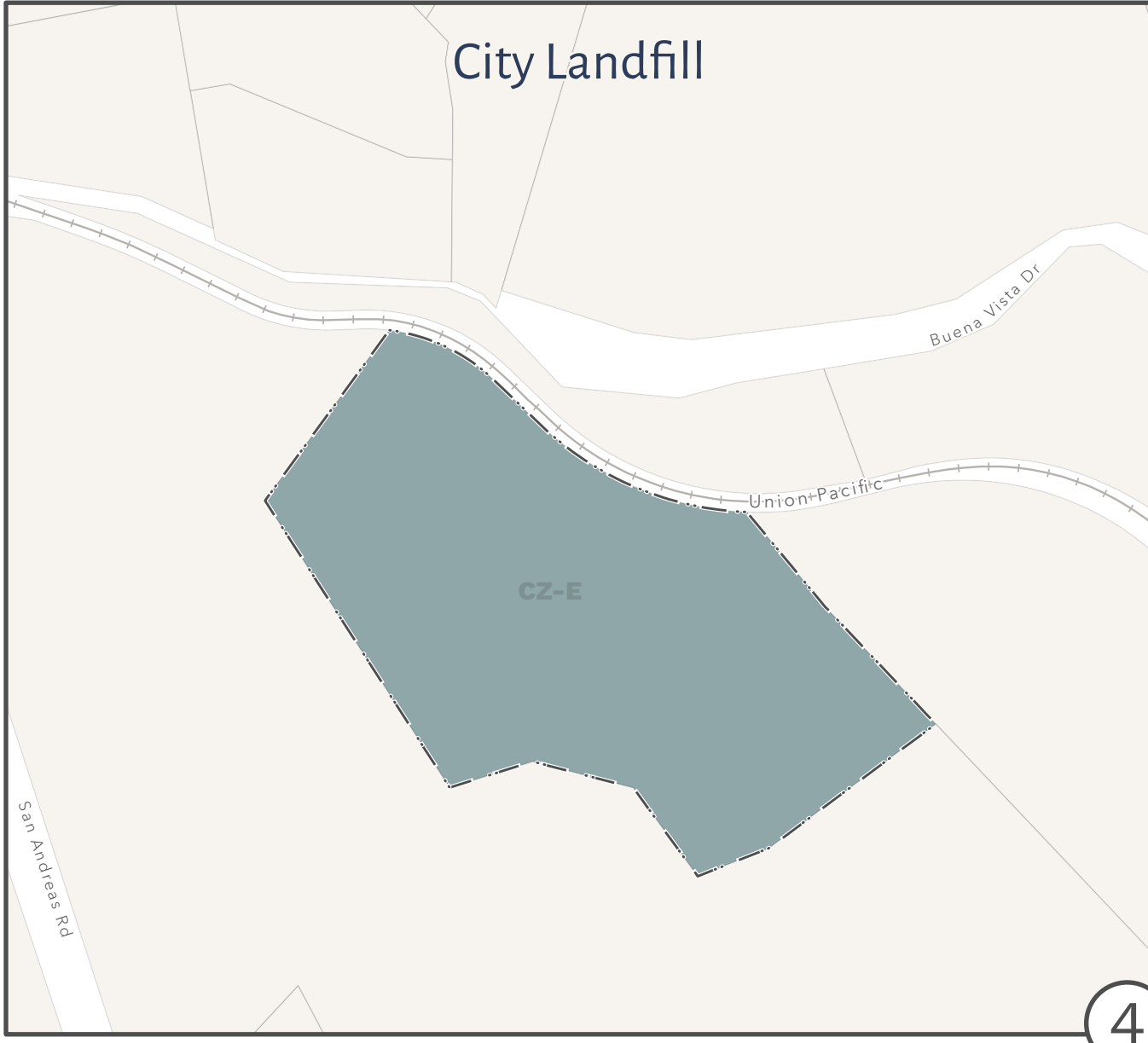
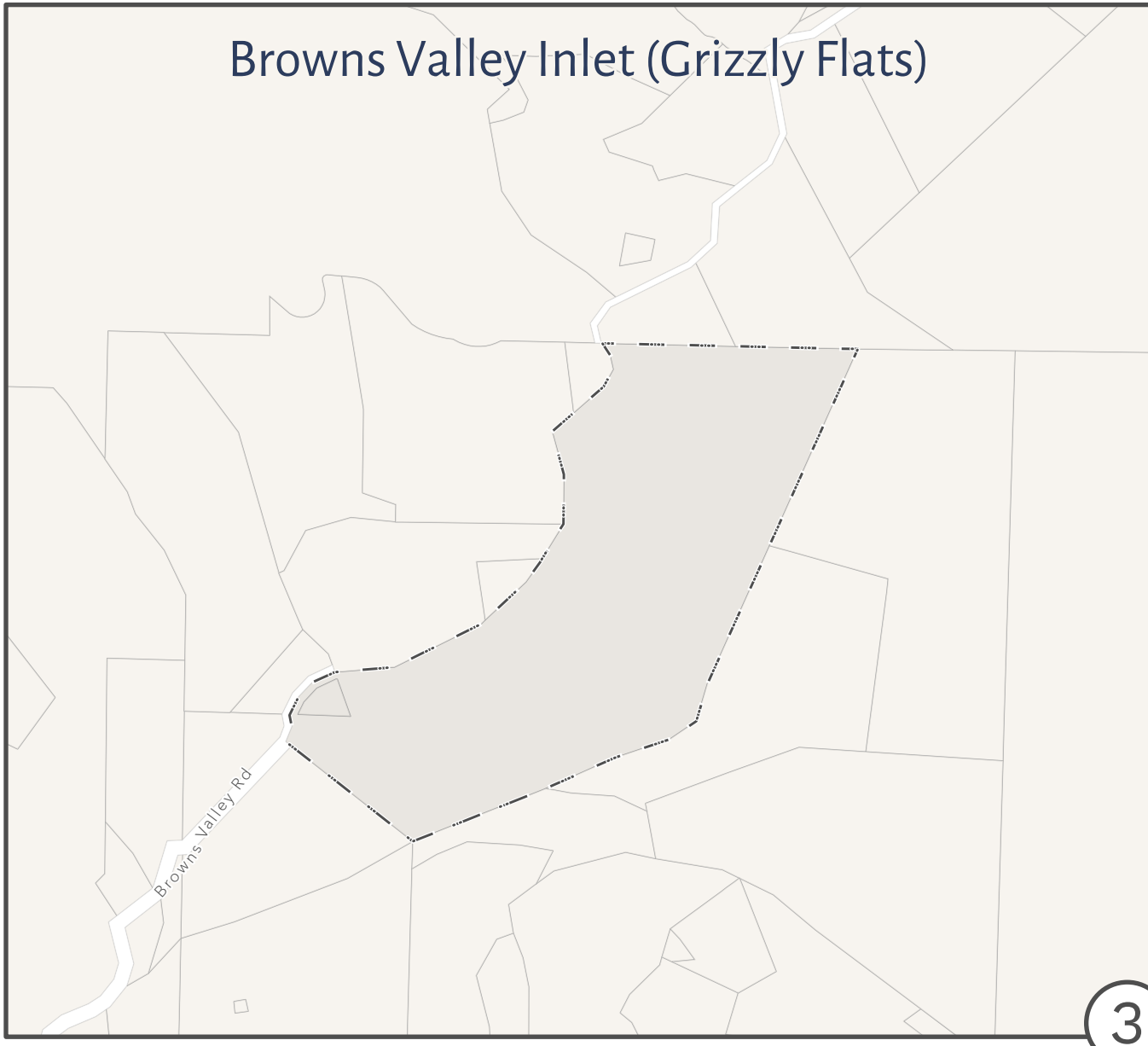
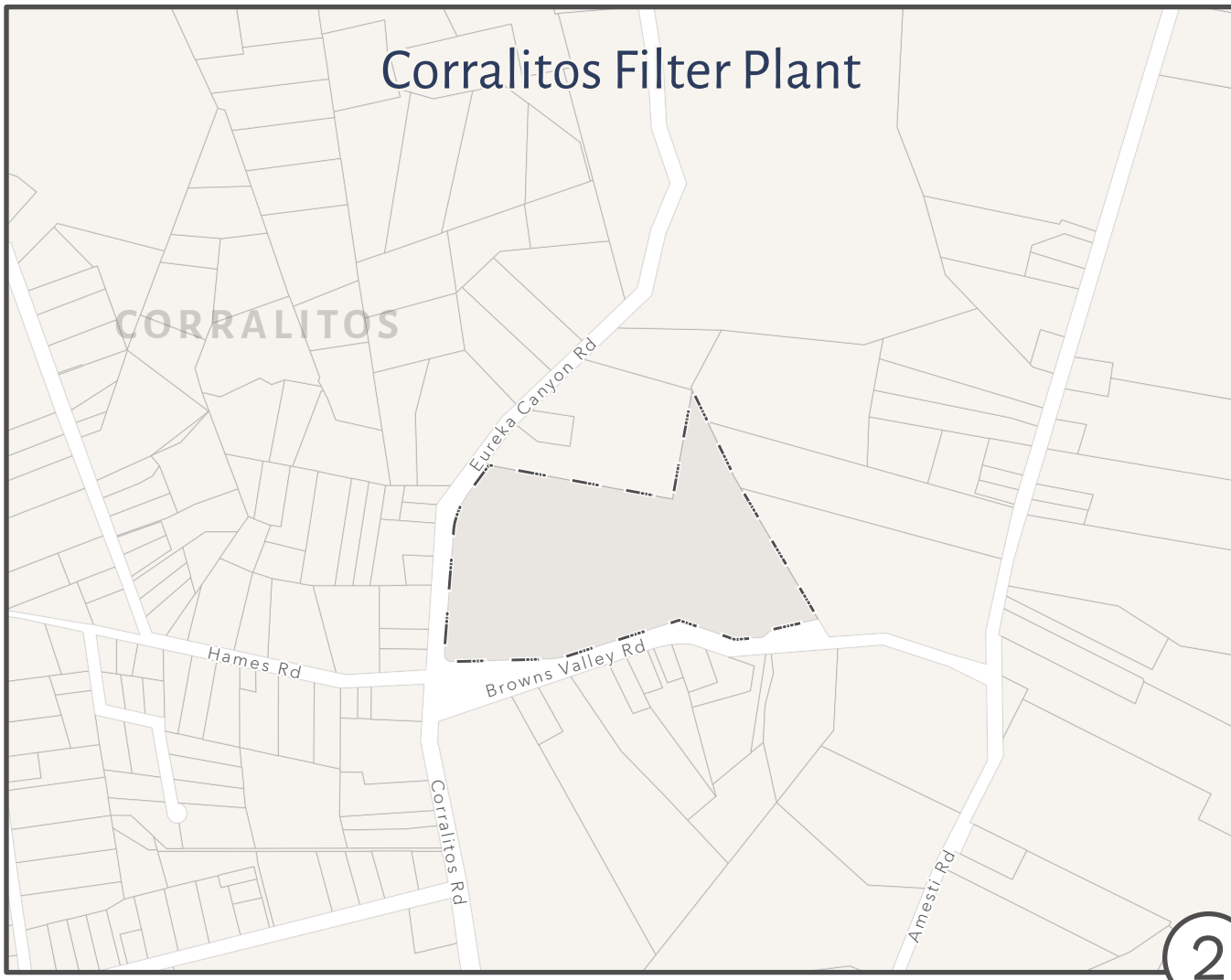
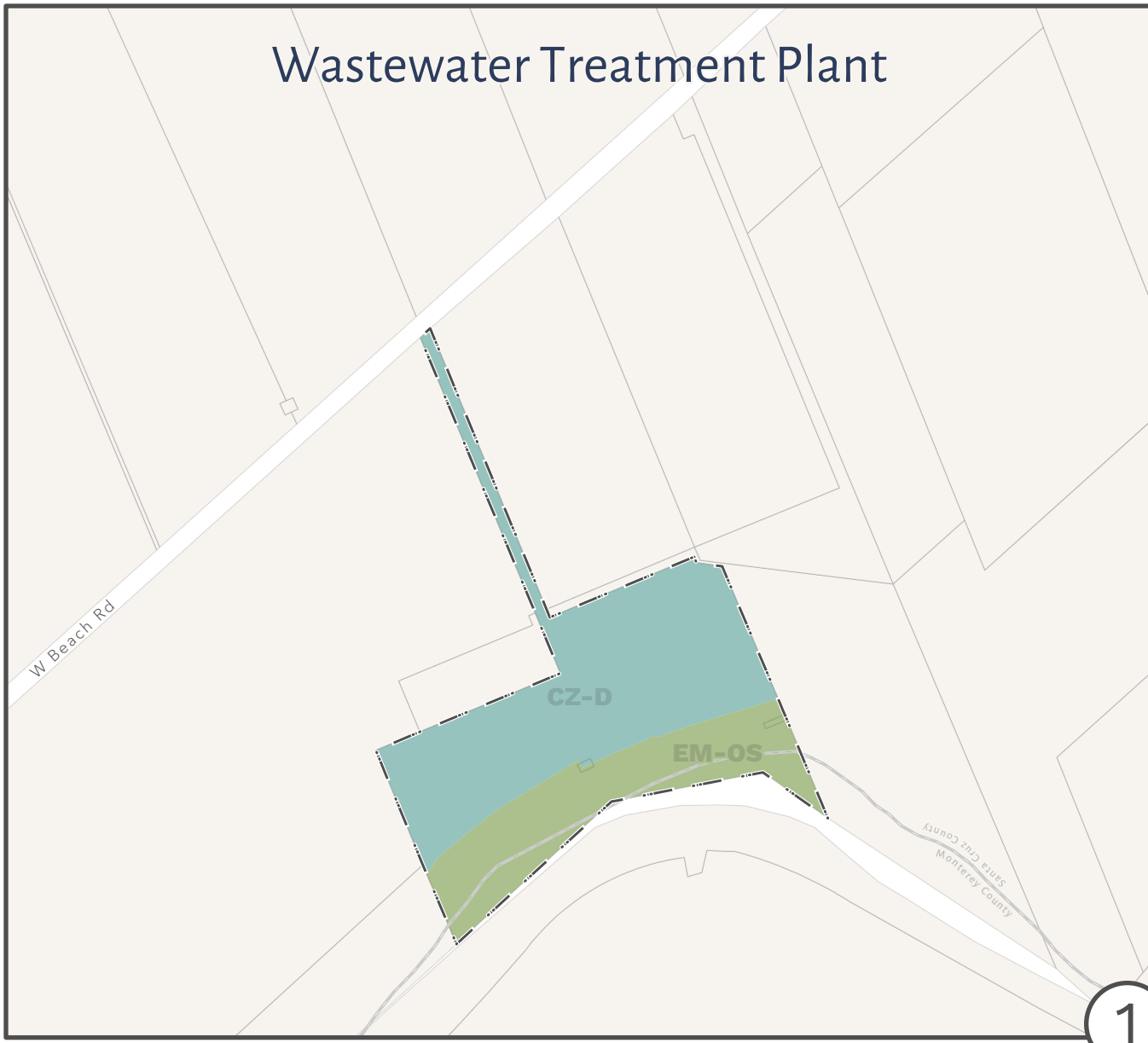
Project Number	Proposal Title	Action Date
215	Alden (Area 38) Annexation	6/17/1970
255	Airport No. 3 (Area 39) Annexation	1/20/1971
272	Airport No. 4 (Area No. 40) Annexation	4/21/1971
279	Airport Blvd. Detachment	5/19/1971
313	Levee Two Annexation	3/15/1972
365	Riverside Annexation	7/18/1973
383-A	Freedom Blvd. Annexation	8/14/1974
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
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
544	Westside 2 Reorganization	4/4/1979

Project Number	Proposal Title	Action Date
556	Green Valley Rd. / Pennsylvania Dr. Reorg	9/5/1979
568	Crestview Reorganization	11/7/1979
585	Graybeal Reorganization	12/3/1980
601	Panabaker Lane Reorganization	4/1/1981
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 ESA	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
840	Hames Rd. / Olso Extraterritorial Water	4/2/1997
841	Green Valley / Mello Extraterritorial Water	4/2/1997

Project Number	Proposal Title	Action Date
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	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 21-14	"Atkinson Lane/Brewington Avenue Extraterritorial Service Agreement" with the City of Watsonville	3/3/2021

APPENDIX B:

Zoning Map
(as of March 2023)



CITY OF
WATSONVILLE
CALIFORNIA

Zoning Map

Watsonville Municipal Code
Chapter 14-08
March 2023

Watsonville City Limit Boundary	Industrial Zones IG: General Industrial IP: Industrial Park
Residential Zones R-1P: Planned Single Family Residential R-1: Single Family Residential-Low Density RM-2: Multiple Residential-Medium Density RM-3: Multiple Residential-High Density	Coastal Zones CZ-A: Coastal Zone-A CZ-B: Coastal Zone-B CZ-C: Coastal Zone-C CZ-D: Coastal Zone-D CZ-E: Landfill
Commercial Zones CN: Neighborhood Commercial CCA: Central Commercial Core Area CC: Central Commercial CNS: Neighborhood Shopping Center CV: Visitor Commercial CT: Thoroughfare Commercial CO: Office	Public Use Zones PF: Public Facilities N: Institutional EM-OS: Env. Mgmt. Open Space-Private Land
	Overlay Districts Planned Development Residential Mobile Home Park Utility Prohibition

Designed by the City of Watsonville GIS Team

APPENDIX C:

LAFCO Letter Requesting Annexation Plan (dated September 2021)



September 1, 2021

Matt Huffaker, City Manager
City of Watsonville
275 Main Street, Suite 400
Watsonville, CA 95076

Subject: Extraterritorial Service Agreements

Dear Mr. Huffaker,

Our records show that the City of Watsonville (City) has 17 extraterritorial service agreements (ESA) in place. These ESAs were approved from 1995 to 2021 and allowed the City to provide municipal services to parcels outside the City's jurisdictional boundary in accordance with Government Code Section 56133. The first ESA was approved in 1995 to provide water services to a single parcel totaling 10 acres. 14 of the next 16 ESAs involved single parcels and were approved between 1995 to 2021, ranging from 0.2 to 14 acres. In 1995, LAFCO approved an ESA allowing the City to provide water services to the Diamond Estates community (54 parcels totaling 19 acres). In 1999, LAFCO also approved an ESA allowing the City to provide adequate water to the Sunset Beach Mutual Water Company (83 parcels totaling 132 acres). **Attachment 1** shows the location of the active ESAs. As the map shows, 16 ESAs are located outside the City's jurisdictional limits but within the City's water service area. The last ESA involves one parcel (APN: 048-221-09) and is within the City's sphere boundary and substantially surrounded by the City, as shown in **Attachment 2**.

This letter is simply meant to provide the City an update on the active ESAs. LAFCO staff looks forward to processing the anticipated annexation of APN: 048-221-09 once the housing development is complete and in accordance with the adopted resolution (dated March 3, 2021). Feel free to contact me if you have any questions. I can be reached by email at joe@santacruzlafco.org or by phone at (831) 454-2055. I would also be happy to meet with you and your staff for more detailed discussions.

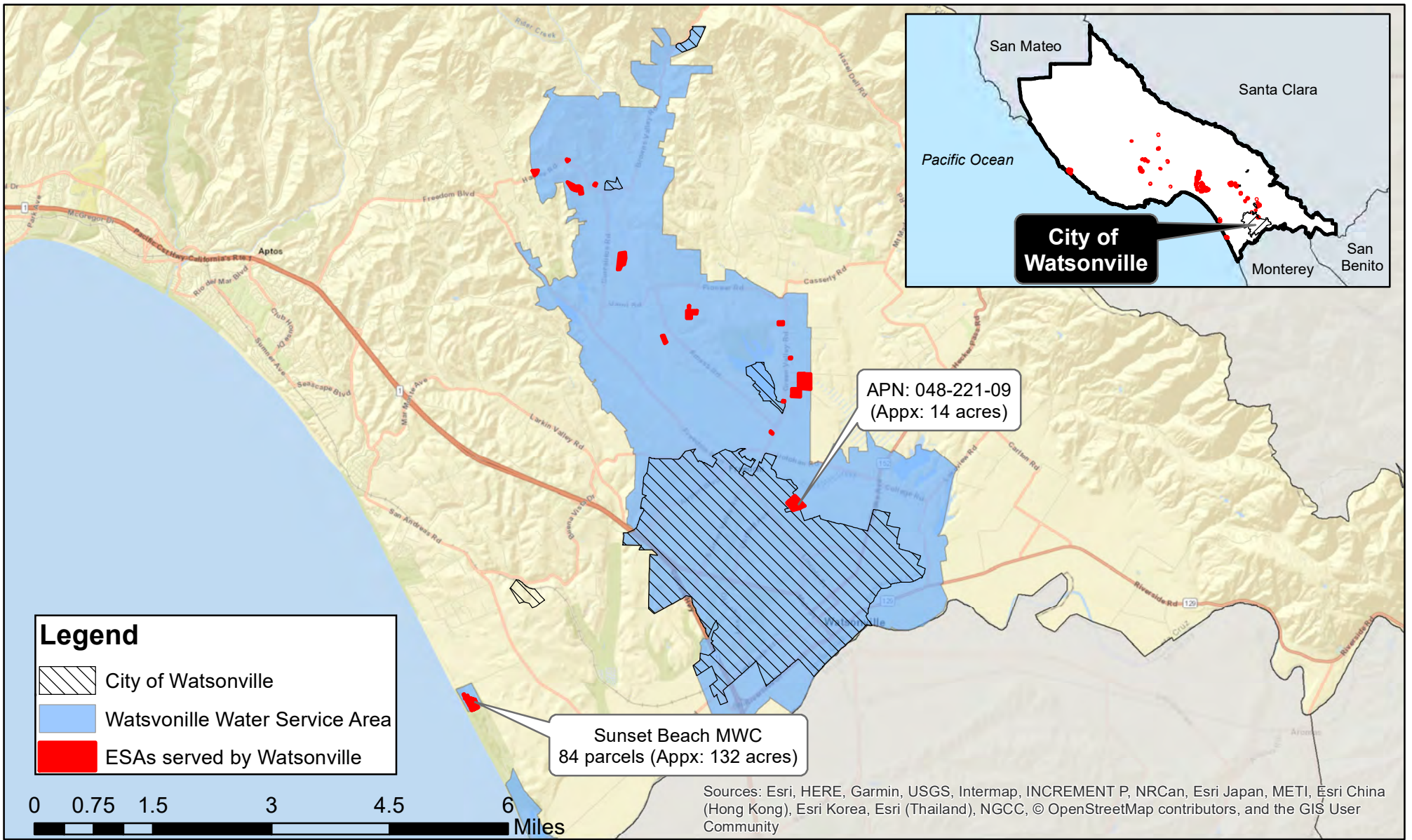
Sincerely,

A handwritten signature in blue ink, appearing to read 'Joe A. Serrano', is written over a horizontal line.

Joe A. Serrano
Executive Officer

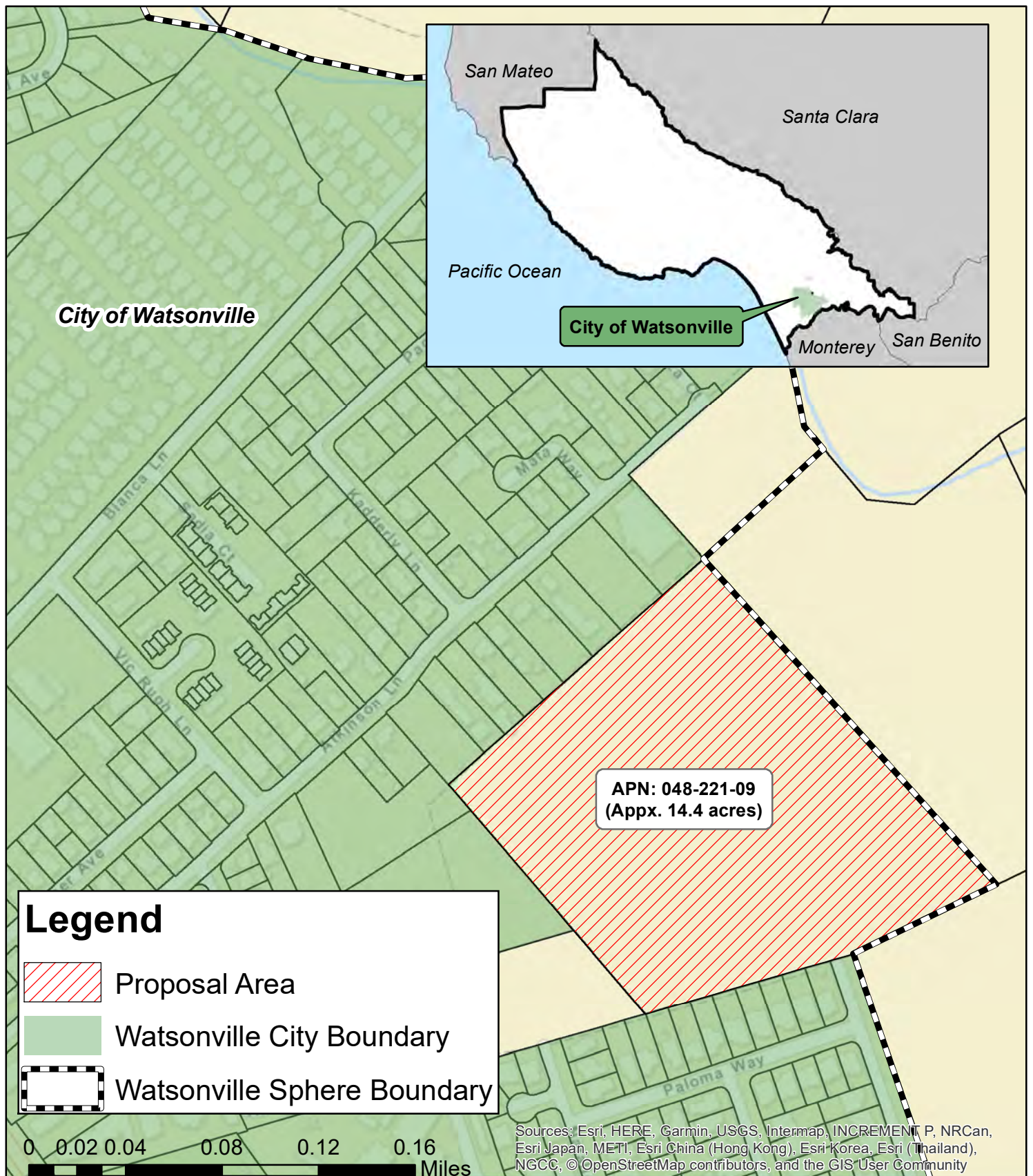
Attachments:

- 1) Vicinity Map (All 17 ESAs)
- 2) Vicinity Map (2021 ESA)



City of Watsonville List of Extraterritorial Service Agreements (17 in total)

The City of Watsonville has 17 ESAs on file. These ESAs provide services to 152 parcels totalling approximately 209 acres.



"Atkinson Lane/Brewington Avenue Extraterritorial Service Agreement" with the City of Watsonville (LAFCO Project No. ESA 21-04)

LAFCO Vicinity Map created on 2-8-21

Notice of Exemption

To: ☐ Office of Planning and Research
1400 Tenth Street, Room 121
Sacramento CA 95814

From: (Public Agency)
Santa Cruz Local Agency Formation Commission
701 Ocean Street, Room 318-D
Santa Cruz CA 95060

To: ☒ Clerk of the Board
County of Santa Cruz
701 Ocean Street, Room 500
Santa Cruz CA 95060

Project Title: Service and Sphere of Influence Review for the City of Watsonville

Project Location: The City of Watsonville was incorporated in 1868 and operates as a charter city pursuant to the laws of the State of California. **Watsonville's** city limits encompasses approximately six square miles and has a population estimated at 54,000. The City provides an array of services, including but not limited to, water, wastewater collection, parks and recreation, law enforcement, and land use. A vicinity map depicting the **City's** jurisdictional and sphere boundaries is attached (refer to Attachment A).

Project Location City: Watsonville Project Location County: Santa Cruz County

Description of Nature, Purpose, and Beneficiaries of Project: The report is for use by the Local Agency Formation Commission in conducting a statutorily required review and update process. The Cortese-Knox-Hertzberg Act requires that the Commission conduct periodic reviews and updates of spheres of influence of all cities and districts in Santa Cruz County (Government Code section 56425). It also requires LAFCO to conduct a review of municipal services before adopting sphere updates (Government Code section 56430). Santa Cruz LAFCO has prepared a municipal service review, and sphere of influence update for the City. The purpose of the report is to ensure the effectiveness and efficiency in the delivery of public services by the City, in accordance with the statutory requirements outlined in the Cortese-Knox-Hertzberg Act.

Name of Public Agency Approving Project: Local Agency Formation Commission of Santa Cruz County. The LAFCO public hearing on this proposal is scheduled for 9:00 a.m. on May 3, 2023.

Name of Person or Agency Carrying Out Project: Santa Cruz Local Agency Formation Commission

Exempt Status: (check one)

- ☐ Ministerial (Sec. 21080(b)(1); 15268);
☐ Declared Emergency (Sec. 21080(b)(3); 15269(a));
☐ Emergency Project (Sec. 21080(b)(4); 15269 (b)(c));
☐ Categorical Exemption: State type and section number
☐ Statutory Exemptions: State code number
☒ Other: The activity is not a project subject to CEQA.

Reason Why Project is Exempt: The LAFCO action does not change the services or the planned service area of the City. There is no possibility that the activity may have a significant impact on the environment--State CEQA Guidelines Section 15061(b)(3).

Lead Agency Contact Person: Joe A. Serrano

Area Code/Phone Extension: 831-454-2055

Signature: _____ Date: May 4, 2023
Joe A. Serrano, Executive Officer

☒ Signed by Lead Agency



**NOTICE OF PUBLIC HEARING
LOCAL AGENCY FORMATION COMMISSION**

NOTICE IS HEREBY GIVEN that at 9:00 a.m., Wednesday, May 3, 2023, the Local Agency Formation Commission of Santa Cruz County (LAFCO) will hold public hearings on the following items:

- **City of Watsonville Service and Sphere of Influence Review:** Consideration of a service and sphere review for the City of Watsonville. In compliance with the California Environmental Quality Act (CEQA), LAFCO staff has prepared a Categorical Exemption for this report.
- **Draft Budget for Fiscal Year 2023-24:** Adoption of a draft budget for the upcoming fiscal year. The final budget will be considered on June 14, 2023. The review, approval, and notice of this budget will be performed consistent with Government Code Section 56381.

Instructions for members of the public to participate in-person or remotely are available in the Agenda and Agenda Packet: <https://santacruzlafco.org/meetings/>. During the meeting, the Commission will consider oral or written comments from any interested person. Maps, written reports, environmental review documents and further information can be obtained by contacting LAFCO's staff at (831) 454-2055 or from LAFCO's website at www.santacruzlafco.org. LAFCO does not discriminate on the basis of disability, and no person shall, by reason of a disability, be denied the benefits of its services, programs or activities. If you wish to attend this meeting and require special assistance in order to participate, please contact the LAFCO office at least 48 hours in advance of the meeting to make arrangements.

A handwritten signature in blue ink, appearing to read 'Joe A. Serrano'.

Joe A. Serrano
Executive Officer
Date: April 11, 2023

LOCAL AGENCY FORMATION COMMISSION OF SANTA CRUZ COUNTY
RESOLUTION NO. 2023-11

On the motion of Commissioner
duly seconded by Commissioner
the following resolution is adopted:

RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION
APPROVING THE 2023 SERVICE AND SPHERE OF INFLUENCE REVIEW
FOR THE CITY OF WATSONVILLE

The Local Agency Formation Commission of Santa Cruz County (the "Commission") does hereby resolve, determine, and order as follows:

1. In accordance with Government Code Sections 56425, 56427, and 56430, the Commission has initiated and conducted the 2023 Service and Sphere of Influence Review for the City of Watsonville ("City").
2. The Commission's Executive Officer has given notice of a public hearing by this Commission of the service and sphere of influence review in the form and manner prescribed by law.
3. The Commission held a public hearing on May 3, 2023, and at the hearing, the Commission heard and received all oral and written protests, objections, and evidence that were presented.
4. This approval of the 2023 Service and Sphere of Influence Review for the City is exempt under the California Environmental Quality Act ("CEQA") pursuant to the CEQA Guidelines Section 15061(b)(3) because this Commission action does not change the services or the planned service area of the subject agency. There is no possibility that the activity may have a significant impact on the environment. This action qualifies for a Notice of Exemption under CEQA.
5. The Commission hereby approves the 2023 Service and Sphere of Influence Review for the City.
6. The Commission hereby approves the Service Review Determinations, as shown on Exhibit A.
7. The Commission hereby approves the Sphere of Influence Determinations, as shown on Exhibit B.
8. The Commission hereby reaffirms the Sphere of Influence Map for the City, as shown in Exhibit C.

PASSED AND ADOPTED by the Local Agency Formation Commission of Santa Cruz County this 3rd day of May 2023.

AYES:

NOES:

ABSTAIN:

YVETTE BROOKS, CHAIRPERSON

Attest:

Joe A. Serrano
Executive Officer

Approved as to form:

Joshua Nelson
LAFCO Counsel

EXHIBIT A
CITY OF WATSONVILLE
2023 SERVICE REVIEW DETERMINATIONS

1. Growth and population projections for the affected area.

The City currently provides various municipal services to a population of approximately 65,000. A slow growth is projected to occur for the next twenty years. LAFCO staff estimates that the entire population will reach 70,000 by 2040.

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

LAFCO did not identify any DUCs within or contiguous to the City's sphere boundary. However, the unincorporated community of Pajaro may be categorized as a DUC. Santa Cruz LAFCO defers to the principal LAFCO (Monterey) for further analysis.

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

The City General Plan within its jurisdictional limits designates areas for residential, commercial, and other city-related zoning.

4. Financial ability of agencies to provide services.

Watsonville is financially stable. Audited financial statements from Fiscal Years 2016-17 to 2021-22 indicate that the City has ended in a surplus during each of the last six years. As of June 30, 2022, the City is operating with a net position of approximately \$265 million.

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

LAFCO recommends that the City continue exploring for collaborative efforts with neighboring agencies to improve efficiencies.

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.

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).

EXHIBIT B
CITY OF WATSONVILLE
2023 SPHERE OF INFLUENCE DETERMINATIONS

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

The present and planned land uses are based on the City's general plan which ranges from urban to rural uses. General plans anticipate growth centered on existing urban areas and the maintenance of open space, residential uses, and environmental protection. Planned land uses within the applicable general plans are a mix of urban and residential, public recreation, and open-space lands.

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

Watsonville has identified and prioritized its infrastructure needs in various projects. These projects are easily accessible on the City's website.

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

Watsonville provides various types of municipal services, including but not limited to law enforcement and public works. In 2020, the City's population was estimated to be 65,000. LAFCO staff projects that the City's population will reach 70,000 by 2040.

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.

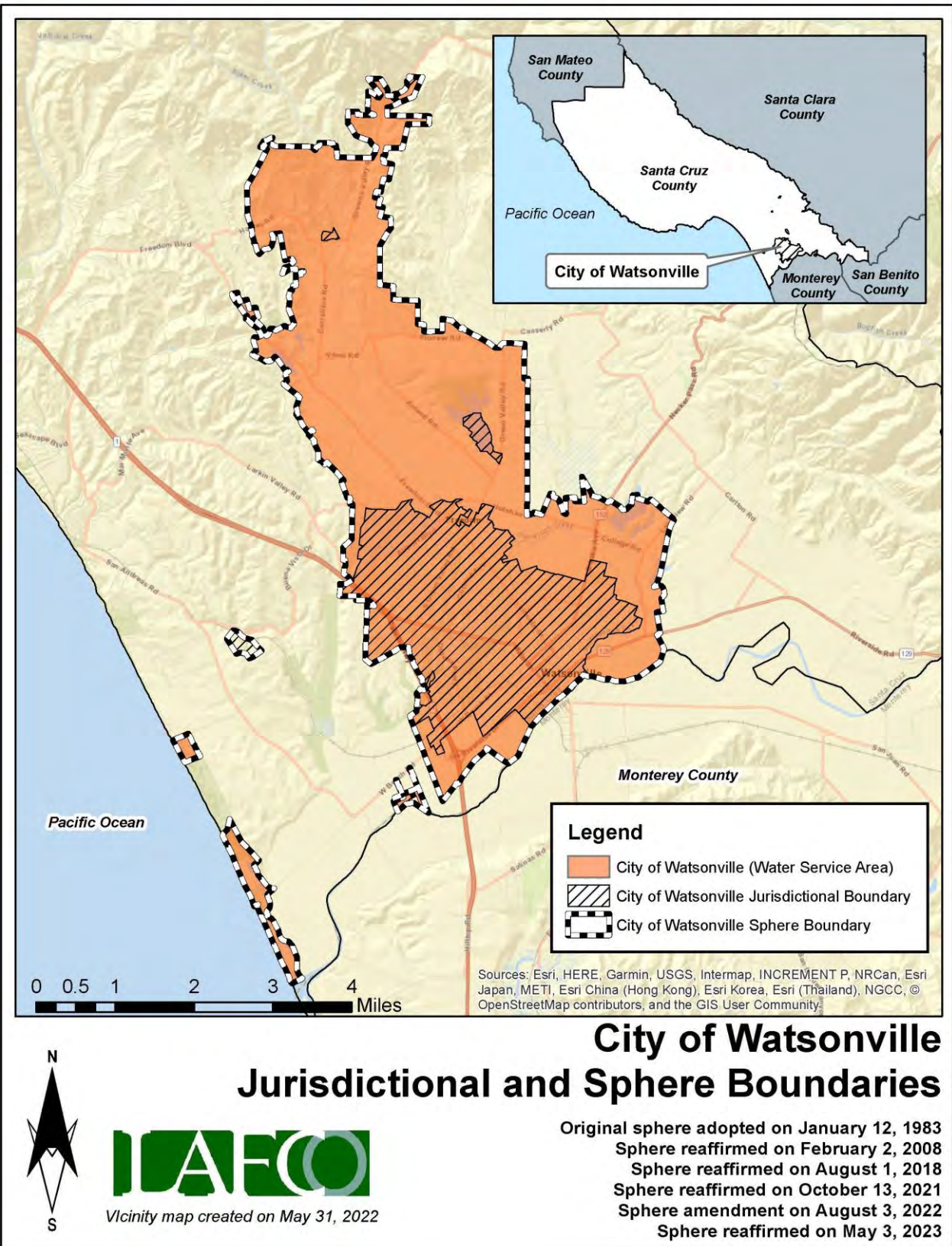
Watsonville appoints its citizens on an array of boards, commissions, and committees to assist and advise in formulating policies. These advisory bodies provide feedback that may help the City make significant decisions. In total, the City has 12 boards, such as the Parks & Recreation Commission and the Watsonville Airport Advisory Committee.

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.

LAFCO did not identify any DUCs within or contiguous to the City's sphere boundary. However, the unincorporated community of Pajaro may be categorized as a DUC. Santa Cruz LAFCO defers to the principal LAFCO (Monterey) for further analysis.

EXHIBIT C
CITY OF WATSONVILLE
SPHERE OF INFLUENCE MAP

LAFCO reaffirms the Sphere of Influence for the City of Watsonville.





Santa Cruz Local Agency Formation Commission

Date: May 3, 2023
To: LAFCO Commissioners
From: Joe Serrano, Executive Officer
Subject: **Draft Budget for Fiscal Year 2023-24**

SUMMARY OF RECOMMENDATION

State law requires that LAFCO adopt a draft budget by May and a final budget by June of the same year. Staff noticed a public hearing in the Santa Cruz Sentinel on April 11, 2023, in order for the Commission to consider a draft budget for the upcoming fiscal year during a public forum. LAFCO's funding agencies were also informed about the consideration of the draft budget prior to the April 6th Commission Meeting.

It is recommended that the Commission take the following actions:

1. Adopt the resolution (LAFCO No. 2023-12) approving the draft budget for Fiscal Year 2023-24, with the following conditions:
 - a. Direct staff to distribute the draft budget for review and comment to the 26 funding agencies (4 cities, 21 special districts, and County); and
 - b. Direct staff to schedule a public hearing, pursuant to Government Code Section 56381, for consideration and adoption of a final budget for Fiscal Year 2023-24 at the June 14, 2023 Regular LAFCO Meeting.
-

EXECUTIVE OFFICER'S REPORT:

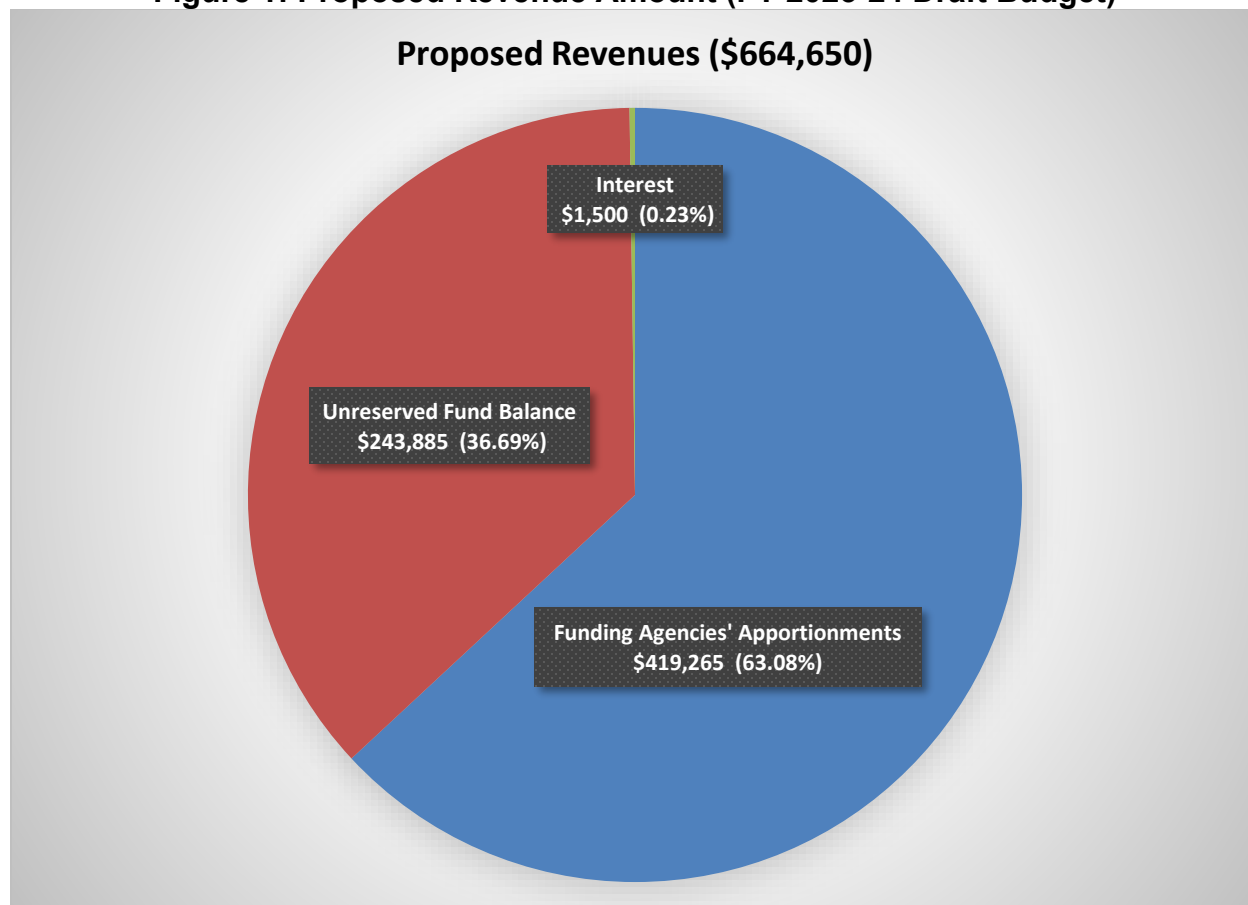
Government Code Section 56381(a) requires the Commission to hold a public hearing to adopt a draft and final budget each year. The proposed FY 2023-24 draft budget is presented in line-item detail for the Commission's review and consideration (refer to **Attachment 1**). If the draft budget is approved by the Commission, it will be distributed to the Board of Supervisors, the cities, and the independent special districts for review and comment. Subsequently, the final budget with any submitted comments, will be considered by the Commission at a second public hearing during the June 14, 2023 Regular LAFCO Meeting.

The proposed FY 2023-24 draft budget is balanced. The expected expenditures are covered by two key funding methods: projected revenues and a drawdown from the unreserved fund balance. The draft budget totals \$664,650 which represents a decrease of 1% from the current budget (FY 2022-23 = \$668,750). The following pages provide a description and discussion of the revenues, expenditures, and unreserved fund balance contained in the FY 2023-24 draft budget.

REVENUES

The revenues in the proposed draft budget total \$664,650. There are three categories that comprise LAFCO's revenue: (1) County, Cities, and Special Districts Apportionments, (2) Interest, and (3) Unreserved Fund Balance. As depicted in **Figure 1**, the apportionments from the funding agencies constitute approximately 63% of total revenues. The remaining revenue source derive from unreserved fund balance (36.7%) and interest (less than 1%).

Figure 1: Proposed Revenue Amount (FY 2023-24 Draft Budget)



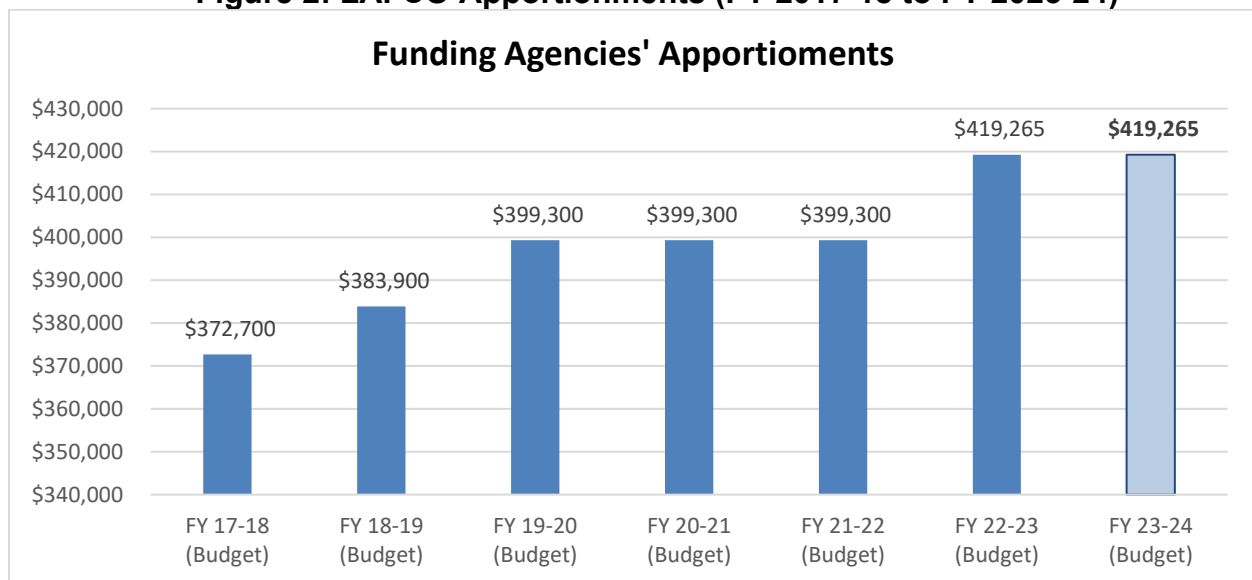
County, Cities, and Special Districts Apportionments

The apportionments from the funding agencies are LAFCO's primary source of revenue. The total apportionment for FY 2023-24 is \$419,265 which represents a zero percent increase from the current budget (FY 2022-23 LAFCO Dues = \$419,265). It is important to note that the total apportionment now includes the County's \$2,500 fee to process the allocation invoices. Previous budgets did not capture such expense. **Figure 2** on page 3 compares the proposed apportionment amount with the last six fiscal years.

Attachment 2 highlights the projected apportionments for each funding agency as part of this year's draft budget. Pursuant to State law, the total apportionment of \$419,265 is equally divided amongst the County, cities, and independent special districts. The apportionments for the individual cities and special districts are calculated by the County Auditor-Controller using the formula outlined in Government Code Section 56381(b)(1)(A), as discussed in the next page.

- **Cities:** The cities' share shall be apportioned in proportion to each city's total revenues, as reported in the most recent edition of the Cities Annual Report published by the Controller, as a percentage of the combined city revenues within a county, or by an alternative method approved by a majority of cities representing the majority of the combined cities' populations.
- **Districts:** The independent special districts' share shall be apportioned in proportion to each district's total revenues as a percentage of the combined total district revenues within a county. A district's total revenue shall be calculated for non-enterprise activities as total revenues for general purpose transactions less intergovernmental revenue and for enterprise activities as total operating and nonoperating revenues less intergovernmental revenue, as reported in the most recent edition of the "Special Districts Annual Report" published by the Controller.

Figure 2: LAFCO Apportionments (FY 2017-18 to FY 2023-24)



Interest

This revenue category includes interest earned from the agency's payroll account. Since the Commission receives an influx of revenues at the beginning of each fiscal year from the funding agencies, the apportionments are deposited into one account which earns interest year-round. Staff withdraws funds from this account throughout the fiscal year to cover the agency's operational expenses. Given the current trends in rates, the draft budget for FY 2023-24 assumes that the interest accrued on the agency's payroll account will generate \$1,500 this upcoming year due to current economic conditions.

Unreserved Fund Balance

The Commission designates funds for all budget line items in order to operate the LAFCO office, including large expenses such as Legal Services (\$150,000) and Outside Consultants (\$100,000). If the Commission experiences any surplus at the end of the fiscal year, that carryover or "unreserved" amount is maintained in the agency's payroll account. Historically, the Commission uses this unreserved amount to help balance the upcoming budget, if needed. Over the past several years, the use of unreserved funds as part of the revenue assumptions has helped avoid large fluctuations in the annual apportionments to the funding agencies. The unreserved fund balance for the last four fiscal years is shown on the following page.

Table A: Unreserved Fund Balance (FY 17-18 to FY 22-23)

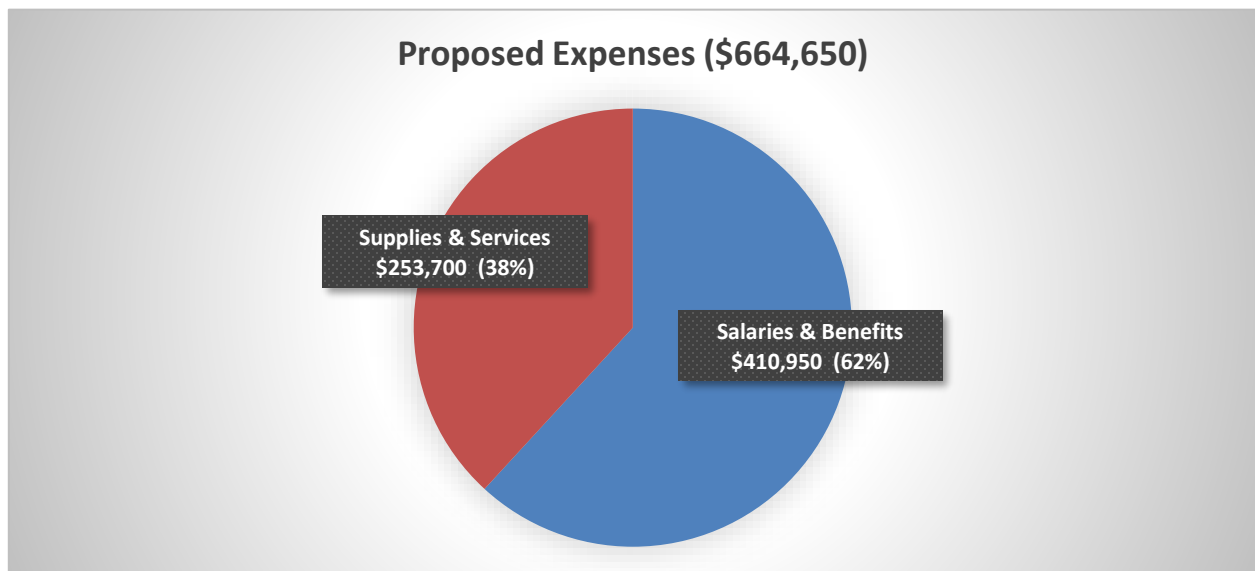
	FY 18-19 (Actual)	FY 19-20 (Actual)	FY 20-21 (Actual)	FY 21-22 (Actual)	FY 22-23 (Projected)
Unreserved Fund Balance (Year-End)	\$309,687	\$337,820	\$306,494	\$363,085	\$389,297
Funds used to Balance FY 23-24 Budget	-	-	-	-	<u>\$243,885</u>
Remaining Unreserved Fund Balance Amount	-	-	-	-	\$145,412

Staff anticipates utilizing \$243,885 of unreserved funds to balance the FY 2023-24 draft budget. Based on these budget projections, and assuming all unreserved funds are used, it is anticipated that the total unreserved fund balance will remain around \$145,412 or approximately 22% of the total budget for FY 2023-24.

EXPENDITURES

The proposed budget expenditures reflect the necessary resources to support LAFCO's operations and to effectively manage the mandated projects that are not supported by applicant fees, such as preparing updates of agencies' spheres of influence, conducting municipal service reviews, and other staff assignments. The draft budget includes adjustments to specific budget categories based on past trends and actual expenditures. The Commission expenses are described in two categories: (1) Salaries & Benefits, and (2) Supplies & Services. The percentage of each category is depicted in **Figure 3** and described briefly in the following sections. **Attachment 3** provides a detailed narrative of all LAFCO expenses within these two categories.

Figure 3: Proposed Expenditure Amount (FY 2023-24 Draft Budget)



Salaries

Santa Cruz LAFCO will have two full-time professional staff members for the upcoming fiscal year. Total salaries for FY 2023-24 is expected to be \$245,000, which represents a 22% increase from the current budget for FY 2021-22 (\$200,000). The projections in the proposed budget also reflect recently approved adjustments to the annual salaries for LAFCO's Executive Officer. The following table shows the salary breakdown for staff members since FY 2019-20.

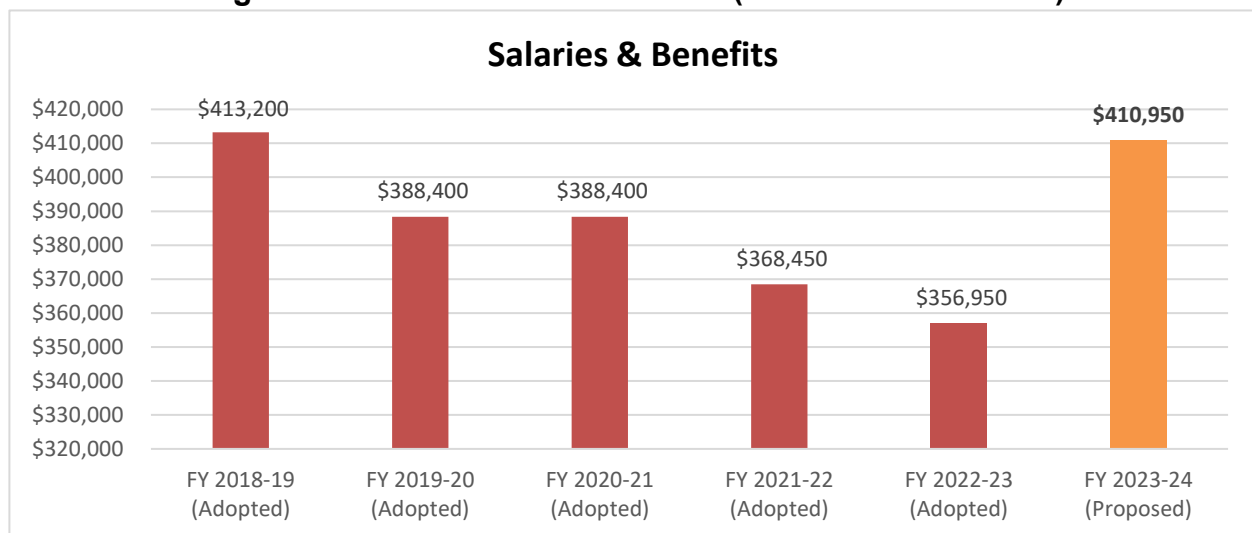
Table B: LAFCO Staff Salary (FY 19-20 to FY 23-24)

	FY 19-20 (Adopted)	FY 20-21 (Adopted)	FY 21-22 (Adopted)	FY 22-23 (Adopted)	FY 23-24 (Proposed)
Executive Officer	\$140,000	\$144,204	\$151,414	\$158,982	\$163,738
Commission Clerk	\$75,005	\$77,064	\$50,000	-	-
LAFCO Analyst	=	=	=	=	<u>\$80,000</u>
Salary Reserve	<u>\$30,395</u>	<u>\$24,132</u>	<u>\$18,586</u>	<u>\$41,018</u>	<u>\$1,262</u>
Total Salary Amount	\$245,400	\$245,400	\$220,000	\$200,000	\$245,000

Historically, the Commission has maintained a salary reserve balance to ensure that LAFCO has enough funds to cover salaries. Staff expects to have around \$1,300 in salary reserve for FY 2023-24. As the Commission is aware, Santa Cruz LAFCO now has new professional service agreements, including a contract with Best, Best & Krieger for legal services and Fire Reorganization Consulting, LLC for assistance in fire-related projects. Additionally, the proposed budget has discontinued Overtime Pay and Extra Help budgetary expenses because these items have not been utilized in over seven years and LAFCO staff does not anticipate exhausting such expenses this upcoming fiscal year.

Benefits

The assumptions for the employee benefits (health, dental, life, and insurance) are typically based on information provided by the County of Santa Cruz which provides these benefits to LAFCO staff through a contractual agreement. The benefits for LAFCO staff mirror the benefits provided by the County to its employees. The proposed budget contains assumptions for retirement costs that are based on budgetary trends and figures provided by the California Public Employees' Retirement System (CalPERS). Based on the latest CalPERS actuarial report, staff is expecting the retirement expenses to be \$92,200 in the proposed budget (FY 2023-24). **Figure 4** shows the total Salary & Benefits from FY 2018-19 to FY 2022-23.

Figure 4: Total Salaries & Benefits (FY 18-19 to FY 23-24)

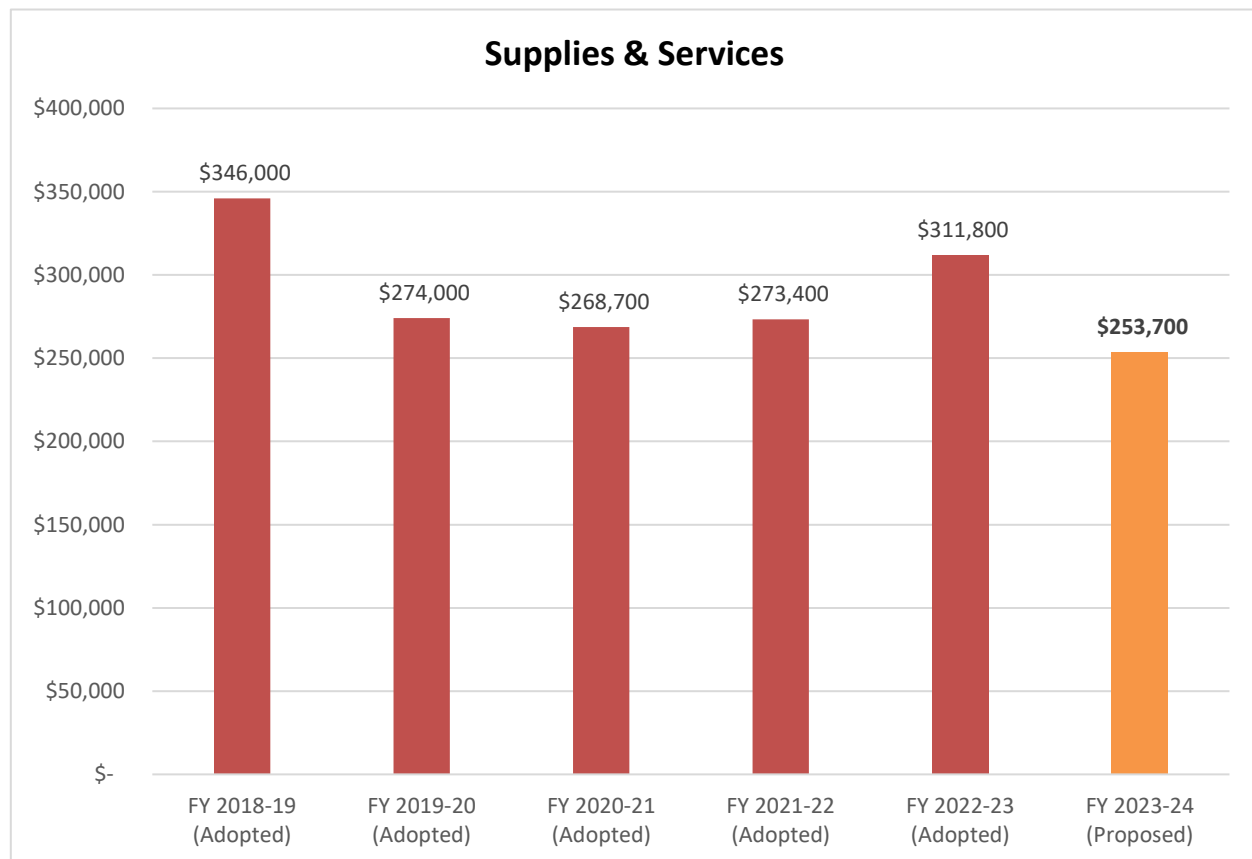
As **Figure 4** shows, Salaries & Benefits have declined for the last few fiscal years. The proposed budget for FY 2023-24 will be approximately 15% or \$54,000 more than the current budget (FY 2022-23). However, the proposed amount will still be lower than it was when LAFCO had two full-time employees in FY 2018-19.

Supplies & Services

Overall, the Commission's operation demonstrates prudent management of agency expenses. Most of the identified expenditures in the draft budget for FY 2023-24 are the same amount or slightly lower than the current budget, with a few exceptions. The following overview provides a brief discussion of the key areas that incorporate proposed changes in the draft budget. **Figure 5** also shows the total Supplies & Services from FY 2018-19 to FY 2022-23.

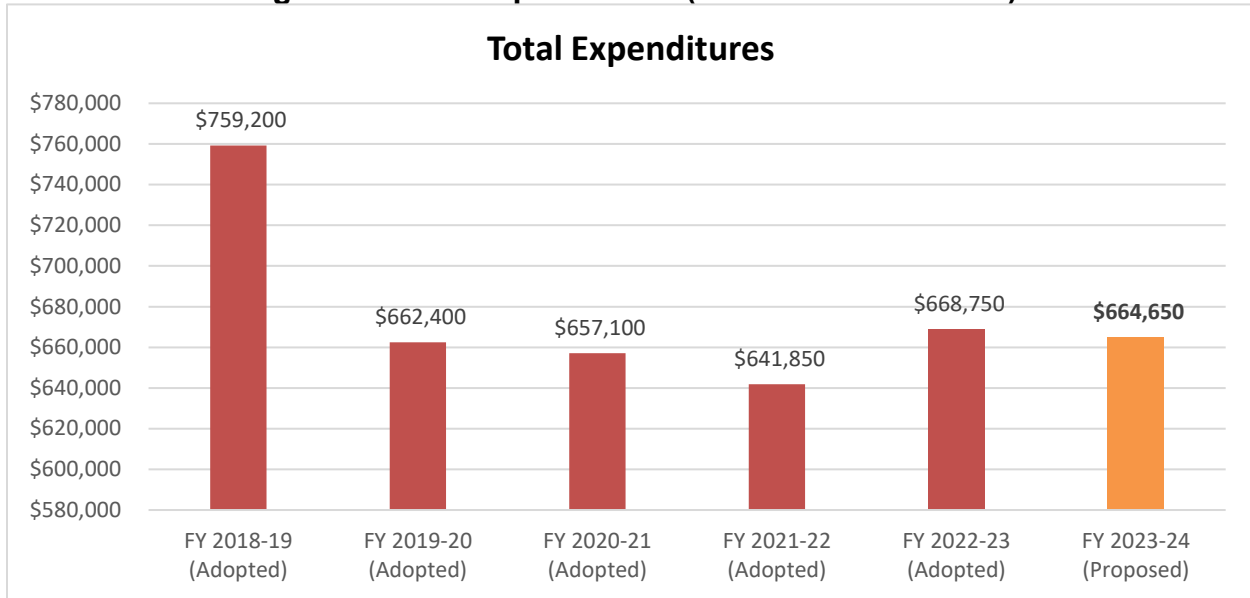
- **Professional Services:** This item contains the costs for services from outside consultants. The proposed decrease of \$55,000 (now totaling \$45,000) reflects the recent hiring of a LAFCO Analyst, resulting in the limited use of outside assistance.
- **Subscriptions:** This item typically covers the cost for annual newsletters, such as the Santa Cruz Sentinel Newspaper. The proposed increase of \$1,300 (now totaling \$1,800) reflects the annual cost of conducting virtual meetings using the Zoom online platform.
- **Legal Notices:** This item covers the cost of publishing and distributing public hearing notices and other legal advertisements. The proposed decrease of \$2,500 (now totaling \$3,500) reflects the budgetary trend in recent years.

Figure 5: Total Supplies & Services (FY 18-19 to FY 23-24)



As **Figure 5** shows, Supplies & Services will increase in the proposed budget by 14% or \$39,200. This is primarily due to the increase in professional services for additional assistance in fire-related projects from outside consulting firms. **Figure 6** also depicts how Total Expenditures has decreased over the years.

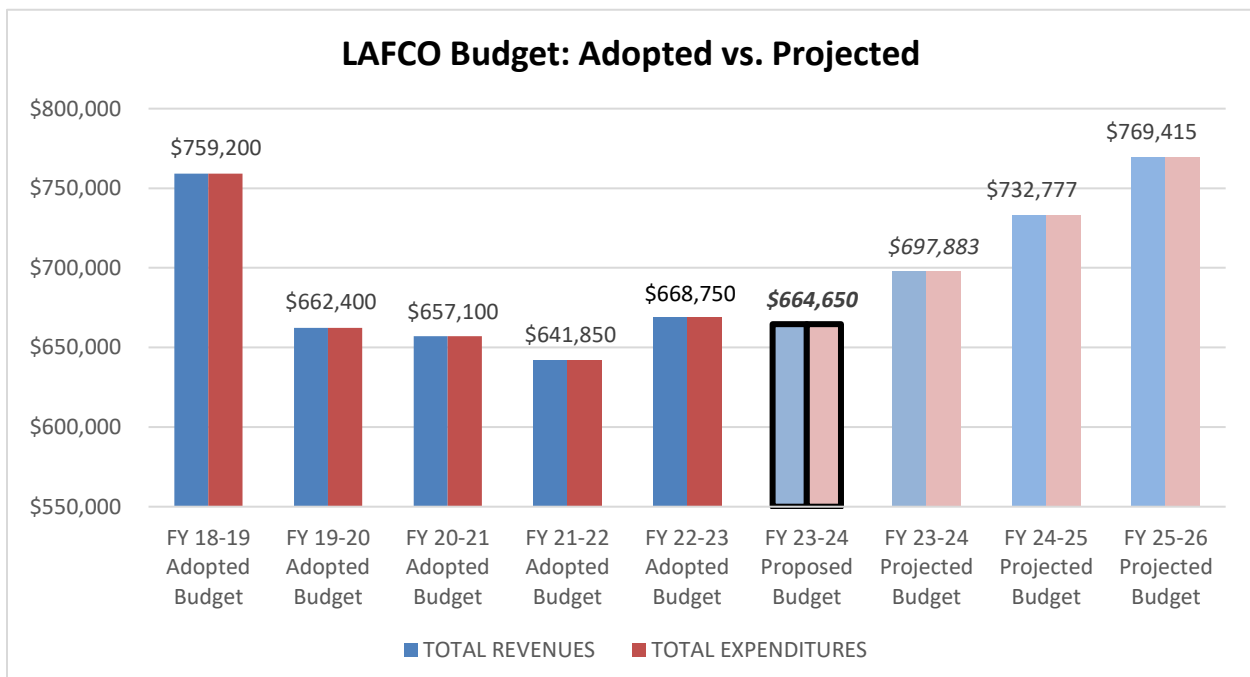
Figure 6: Total Expenditures (FY 18-19 to FY 23-24)



LAFCO BUDGET: PAST AND FUTURE PERSPECTIVE

This Commission strives to maximize funding and resources while maintaining an effective level of productivity. **Figure 7** shows how prudent management, coupled with staff changes, has resulted in significant decreases in overall expenses in the current budget (FY 2022-23) and a slight decrease in the proposed budget (FY 2023-24). Projections can also help anticipate future changes to the LAFCO budget. In addition to Figure 7, **Attachment 4** offers a three-year budgetary outlook. The projections can be used as an informational tool for our funding agencies in preparation for potential increases in apportionments. For purposes of the three-year budget projection, expenditures were increased by 5% each year. This percentage is based on the latest Consumer Price Index. Please note that the projections shown are subject to change and should be used for discussion purposes only.

Figure 7: Overview of Past, Proposed, and Projected LAFCO Budgets



Based on staff's projections, LAFCO's next three budgets may be subject to increases in overall expenditure. If that occurs, the funding agencies may see an increase in future apportionments. LAFCO staff will continue to find appropriate methods to keep annual expenses down as much as possible to minimize allocation increases. The draft budget for FY 2023-24 reflects the Commission's effort to maximize existing revenues and keep operating costs low.

STAFF RECOMMENDATION

The draft budget for FY 2023-24 is slightly less than the current budget by 1% or \$4,100. Conservative budgetary management and staff changes are the primary reasons why the proposed budget did not experience any significant modifications. As a result, the funding agencies will not see an increase in the total apportionment amount. In conclusion, staff believes that the adopted work program, current level of operations, and any other activities can be accomplished with the proposed budget. Therefore, staff recommends that the Commission adopt the resolution (refer to **Attachment 5**) approving the draft budget for FY 2023-24. A final budget will be presented to the Commission on Wednesday, June 14, 2023.

Respectfully Submitted,



Joe A. Serrano
Executive Officer

Attachments:

1. FY 2023-24 Draft Budget
2. FY 2024-24 Apportionments for Funding Agencies
3. Narrative of Budget Line Items (Expenditures)
4. Three-year Budget Projections
5. Draft Resolution (LAFCO No. 2023-12)

cc: County of Santa Cruz (Board of Supervisors, Auditor-Controller, and CAO)
Cities (Capitola, Santa Cruz, Scotts Valley, and Watsonville)
Independent Special Districts (21 in total)

5B: ATTACHMENT 1

FISCAL YEAR 2023-24	FY 22-23 Adopted Budget	FY 23-24 Proposed Budget	Budget Variance (\$)	Budget Variance (%)
REVENUE DESCRIPTION				
Interest	\$ 1,500	\$ 1,500	\$ -	0%
Funding Agencies' Apportionments	\$ 419,265	\$ 419,265	\$ -	0%
LAFCO Processing Fees	\$ -	\$ -	\$ -	-
Medical Charges-Employee	\$ -	\$ -	\$ -	-
Unreserved Fund Balance	\$ 247,985	\$ 243,885	\$ (4,100)	-2%
TOTAL REVENUES	\$ 668,750	\$ 664,650	\$ (4,100)	-1%
EXPENDITURE DESCRIPTION				
Regular Pay	\$ 200,000	\$ 245,000	\$ 45,000	23%
Holiday Pay	\$ 10,000	\$ 10,000	\$ -	0%
Social Security	\$ 15,000	\$ 18,000	\$ 3,000	20%
PERS	\$ 91,000	\$ 92,200	\$ 1,200	1%
Insurances	\$ 40,000	\$ 45,000	\$ 5,000	13%
Unemployment	\$ 450	\$ 250	\$ (200)	-44%
Workers Comp	\$ 500	\$ 500	\$ -	0%
Total Salaries & Benefits	\$ 356,950	\$ 410,950	\$ 54,000	15%
Telecom	\$ 1,200	\$ 1,200	\$ -	0%
Office Equipment	\$ 200	\$ 200	\$ -	0%
Memberships	\$ 7,500	\$ 7,500	\$ -	0%
Hardware	\$ 200	\$ 150	\$ (50)	-25%
Duplicating	\$ 800	\$ 500	\$ (300)	-38%
PC Software	\$ 600	\$ 600	\$ -	0%
Postage	\$ 1,000	\$ 1,000	\$ -	0%
Subscriptions	\$ 500	\$ 1,800	\$ 1,300	260%
Supplies	\$ 800	\$ 800	\$ -	0%
Accounting	\$ 1,500	\$ 1,500	\$ -	0%
Attorney	\$ 150,000	\$ 150,000	\$ -	0%
Data Service	\$ 12,000	\$ 12,000	\$ -	0%
Director Fees	\$ 6,000	\$ 5,000	\$ (1,000)	-17%
Prof. Services	\$ 100,000	\$ 45,000	\$ (55,000)	-55%
Legal Notices	\$ 6,000	\$ 3,500	\$ (2,500)	-42%
Rents	\$ 9,000	\$ 9,400	\$ 400	4%
Misc. Expenses	\$ 5,000	\$ 5,000	\$ -	0%
Air Fare	\$ 1,500	\$ 1,500	\$ -	0%
Auto Rental	\$ 200	\$ -	\$ (200)	-100%
Training	\$ 1,000	\$ 1,000	\$ -	0%
Lodging	\$ 3,000	\$ 3,000	\$ -	0%
Meals	\$ 500	\$ -	\$ (500)	-100%
Mileage	\$ 1,000	\$ 800	\$ (200)	-20%
Travel-Other	\$ 300	\$ 250	\$ (50)	-17%
Registrations	\$ 2,000	\$ 2,000	\$ -	0%
Total Services & Supplies	\$ 311,800	\$ 253,700	\$ (58,100)	-19%
TOTAL EXPENDITURES	\$ 668,750	\$ 664,650	\$ (4,100)	-1%

Ref Page #	Description	Operating Revenue	Non-Operating Revenue	Apportionment Basis Revenue latest Published State Controller's Report	Deduct Intergovernmental	Total less Intergovernmental	Calculate Proportionate Share	Fee Percentage Projection	Auditor Administration Costs	Total
	LAFCO Total 2023-2024 Working Budget			416,765					2,500.00	419,265.00
	Allocate 1/3 fee to County of Santa Cruz			138,921.66			138,921.66	33.3333%	833.34	139,755.00
	County of Santa Cruz			138,921.67						
	Allocate 1/3 fee to all Cities Revenue Factor 20-21 Cities Annual Report			138,921.67						
	City of Capitola			20,363,975	(3,425,153)	16,938,822	5,752.24	1.380%	34.51	5,786.75
	City of Santa Cruz			262,544,187	(22,955,305)	239,588,882	81,361.82	19.522%	488.06	81,849.88
	City of Scotts Valley			21,347,784	(1,729,909)	19,617,875	6,662.02	1.599%	39.96	6,701.98
	City of Watsonville			139,144,170	(6,202,463)	132,941,707	45,145.59	10.832%	270.80	45,416.39
				443,400,116	(34,312,830)	409,087,286	138,921.67	33.3333%	833.33	139,755.00
	Allocate 1/3 fee to Independent Districts - Revenue Factor 2020-21 Special Districts Annual Report			138,921.67						
	Non-Enterprise									
78	Alba Park & Rec			120	0	120	0.15	0.000%	0.00	0.15
	Ben Lomond Fire Protection			1,041,690	(5,035)	1,036,655	1,265.19	0.304%	7.59	1,272.78
	Boulder Creek Fire Protection			1,464,450	(5,633)	1,458,817	1,780.42	0.427%	10.68	1,791.10
	Boulder Creek Park & Rec			396,130	(1,239)	394,891	481.95	0.116%	2.89	484.84
	Branciforte Fire Protection			1,712,035	(119,781)	1,592,254	1,943.27	0.466%	11.66	1,954.93
	Central Fire District (1)			17,645,433	(83,080)	17,562,353	21,434.01	5.143%	128.57	21,562.58
	Felton Fire Protection			966,673	(6,667)	960,006	1,171.64	0.281%	7.03	1,178.67
	La Selva Beach Park & Rec			220,698	(779)	219,919	268.40	0.064%	1.61	270.01
	Pajaro Valley Fire Protection			2,485,848	(10,017)	2,475,831	3,021.63	0.725%	18.13	3,039.76
79	Pajaro Valley Public Cemetery			1,805,904	(4,693)	1,801,211	2,198.29	0.527%	13.19	2,211.48
	Pajaro Valley Water Management Agency			19,178,569	(4,551,434)	14,627,135	17,851.72	4.283%	107.09	17,958.81
	Reclamation District 2049			48,295	0	48,295	58.94	0.014%	0.35	59.29
	Santa Cruz County Resource Conserv.			3,184,231	(2,252,129)	932,102	1,137.59	0.273%	6.82	1,144.41
	Scotts Valley Fire Protection			9,784,349	(1,497,030)	8,287,319	10,114.28	2.427%	60.67	10,174.95
	Zayante Fire Protection			726,720	(154,081)	572,639	698.88	0.168%	4.18	703.06
	Non-Enterprise Subtotal			60,661,145	(8,691,598)	51,969,547	63,426.36	15.219%	380.46	63,806.82
	Enterprise - Operating plus Non-Operating Revenue	Operating Revenue	Non-Operating Revenue	Total Revenue						
78	Central Santa Cruz County Water	1,168,449	146,468	1,314,917	(664)	1,314,253	1,603.98	0.385%	9.62	1,613.60
79	Salsipuedes Sanitary	417,372	35,667	453,039	(122)	452,917	552.76	0.133%	3.32	556.08
	San Lorenzo Valley County Water (2)	11,462,629	1,728,306	13,190,935	(338,626)	12,852,309	15,685.63	3.764%	94.09	15,779.72
	Santa Cruz Port District	9,521,877	577,111	10,098,988	(458,801)	9,640,187	11,765.39	2.823%	70.58	11,835.97
	Scotts Valley County Water	6,985,681	1,142,689	8,128,370	(5,019)	8,123,351	9,914.16	2.379%	59.47	9,973.63
	Soquel Creek Water District	26,298,797	3,176,664	29,475,461	0	29,475,461	35,973.39	8.632%	215.79	36,189.18
	Enterprise Subtotal	62,661,710		62,661,710	(803,232)	61,858,478	75,495.31	18.115%	452.87	75,948.18
	Special District Total	123,322,855		123,322,855	(9,494,830)	113,828,025	138,921.67	33.3333%	833.33	139,755.00
	Grand total						416,765.00	100.000%	2,500.00	419,265.00

Footnotes:

(1) Aptos/La Selva FPD & Central FPD Consolidated in Feb 2021

(2) Includes SLV Water, SLV Waste, and Lompico Water

Local Agency Formation Commission of Santa Cruz County
Budget Line Item Narrative FY 2023-24

Budget Line Item (Object Code)	Description
Salaries & Benefits	
51000 Regular Pay \$245,000 Executive Officer: \$78.72 hourly rate LAFCO Analyst: \$38.46 hourly rate	Total Salary Breakdown: Executive Officer \$163,738 LAFCO Analyst \$ 80,000 Salary Reserve* <u>\$ 1,262</u> Total Salary \$245,000 *Salary Reserve: Allows for possible adjustments to staff salaries, cash out of administrative leave, and payment of unused leave upon termination of employment.
51005 Overtime Pay \$0	LAFCO staff may work overtime during periods of major projects and night meetings. This amount is based on historical trends.
51010 Extra Help \$0	These funds may be used for temporary clerical assistance. This amount is based on historical trends.
51015 Sick Leave \$0	This amount is based on historical trends.
51035 Holiday Pay \$10,000	Holiday pay is budgeted as a lump sum.
52010 Social Security \$18,000	This amount is based on a percentage of total salaries and historical trends.
52015 PERS \$92,200	This amount covers the Commission's contributions to the Public Employees Retirement System (PERS). Effective July 1, 2022, the employer's share of the normal costs will increase from 10.87% of salaries to 12.47% and the employer's lump sum payment of unfunded liability will be \$85,056.
53010 Employee Insurance \$45,000	This amount provides for health insurance through PERS and for dental, eye care, life insurance, and limited disability insurance through the County's program. The employees pay a portion of the costs. The employees' contributions are budgeted as revenue, and reduce the net cost of this benefit to the Commission.
53015 Unemployment \$250	This amount is based on a percentage of total salaries and historical trends.
54010 Workers' Compensation \$500	The Commission obtains this coverage from the Special District Risk Management Authority (SDRMA).
Total Salaries & Benefits	\$410,950

Budget Line Item (Object Code)	Description
Services & Supplies	
61220 Telephone \$1,200	This amount covers the costs towards LAFCO's telephone system and annual usage.
61725 Maintenance of Office Equipment \$200	This amount covers the costs towards maintenance of LAFCO's copier and other office equipment.
62020 Memberships \$7,500	This amount provides for membership with the California Association of LAFCOs (CALAFCO), California Special Districts Association (CSDA), and any other relative group.
62111 Computer Hardware \$150	This amount covers any hardware needed to conduct administrative/operational projects.
62214 Duplicating \$500	This amount covers the costs to copy reports, maps or other relative material by the County or at a local printing shop.
62219 Software \$600	This amount covers any web-based software needed to conduct administrative/operational projects.
62221 Postage \$1,000	This amount covers the costs of mailing public notices and regular correspondence.
62222 Subscriptions \$1,800	This amount covers annual subscriptions including but not limited to LAFCO's web-based presentation platform (Prezi).
62223 Supplies \$800	This amount covers office-related supplies.
62310 Accounting \$1,500	This amount is the cost of accounting services from the County Auditor. It includes payroll, vendor payments, and auditing.
62304 Attorney \$150,000	This amount represents legal services from Best, Best & Krieger (\$40,000), and a litigation reserve (\$110,000).
62325 Data Services \$12,000	This amount covers the charges from the County I.T. Department regarding LAFCO's computers, printers, mapping system, and other database services.
62327 Director Fees \$5,000	This amount is calculated upon all 11 Commissioners being paid a \$50 stipend for their attendance to 10 meetings.
62330 Surveyor \$0	This amount covers map checking by the County Surveyor and map prints from the County Public Works Department.
62381 Professional Services \$45,000	This amount covers outside assistance when preparing service and sphere reviews or other special studies.
62420 Legal Notices \$3,500	This amount is used to pay for public hearing notices and other legal advertisement.

62610 Rent \$9,400	This amount covers the County's charges for LAFCO to rent its office on the third floor of the governmental center. The annual rent is \$9,333. Additionally, the County charges the Commission to store and retrieve LAFCO's old records in the County warehouse.
62856 Miscellaneous Expenses \$5,000	This amount is used for paying web-hosting costs, and filing fees including but not limited to the State Department of Tax & Fee Administration and the State Department of Fish and Wildlife.
62890 Books \$0	This amount is used to purchase LAFCO-related books and other written material.
62910 Airfare \$1,500	This amount is used to attend meetings that are in distant locations in California.
62912 Auto Rental \$0	This amount is based on historical trends.
62914 Education & Training \$1,000	This amount represents staff development courses and seminars.
62922 Lodging \$3,000	This amount covers overnight stays for Commissioners and staff attending training sessions, workshops, and annual conferences.
62924 Meals \$0	This amount is based on historical trends.
62926 Mileage \$800	This amount include mileage for LAFCO-related errands, and allowance for Commissioners and staff to attend conferences, seminars, CALAFCO board meetings, and other meetings.
62928 Travel \$250	This amount covers miscellaneous travel costs such as train fares, bus fares, parking, and bridge tolls.
62930 Registrations \$2,000	This amount covers workshop and conference registrations for Commissioners and staff when attending educational courses.
Total Services & Supplies	\$253,700

FY 2023-24 Budget Recap (Expenditure)

Salaries & Benefits	\$ 410,950
Services & Supplies	\$ <u>253,700</u>
Total Expenditure	\$ 664,650

FISCAL YEAR 2023-24	FY 17-18 Adopted Budget	FY 18-19 Adopted Budget	FY 19-20 Adopted Budget	FY 20-21 Adopted Budget	FY 21-22 Adopted Budget	FY 22-23 Adopted Budget	FY 23-24 Proposed Budget	FY 23-24 Projected Budget	FY 24-25 Projected Budget	FY 25-26 Projected Budget
REVENUE DESCRIPTION										
Interest	\$ 4,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ 3,000	\$ 1,500	\$ 1,500	\$ 1,575	\$ 1,654	\$ 1,736
Funding Agencies' Apportionments	\$ 372,700	\$ 383,900	\$ 399,300	\$ 399,300	\$ 399,300	\$ 419,265	\$ 419,265	\$ 464,617	\$ 511,017	\$ 558,578
LAFCO Processing Fees	\$ 10,000	\$ 6,500	\$ 6,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Medical Charges-Employee	\$ 4,600	\$ 9,500	\$ 1,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Copy Charges	\$ 100	\$ -	\$ 100	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Reserves to Balance Budget	\$ 350,000	\$ 353,300	\$ 249,500	\$ 251,800	\$ 239,550	\$ 247,985	\$ 243,885	\$ 231,691	\$ 220,106	\$ 209,101
TOTAL REVENUES	\$ 741,400	\$ 759,200	\$ 662,400	\$ 657,100	\$ 641,850	\$ 668,750	\$ 664,650	\$ 697,883	\$ 732,777	\$ 769,415
EXPENDITURE DESCRIPTION										
Regular Pay	\$ 259,700	\$ 269,700	\$ 245,400	\$ 245,400	\$ 220,000	\$ 200,000	\$ 245,000	\$ 257,250	\$ 270,113	\$ 283,618
Overtime Pay	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ -	\$ -		\$ -	\$ -	\$ -
Extra Help	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ -	\$ -		\$ -	\$ -	\$ -
Sick Leave	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ -		\$ -	\$ -	\$ -
Holiday Pay	\$ 9,000	\$ 9,800	\$ 10,100	\$ 10,100	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,500	\$ 11,025	\$ 11,576
Social Security	\$ 20,000	\$ 20,700	\$ 18,200	\$ 18,200	\$ 18,000	\$ 15,000	\$ 18,000	\$ 18,900	\$ 19,845	\$ 20,837
PERS	\$ 64,000	\$ 65,300	\$ 59,800	\$ 59,800	\$ 68,000	\$ 91,000	\$ 92,200	\$ 96,810	\$ 101,651	\$ 106,733
Insurances	\$ 39,000	\$ 43,300	\$ 50,500	\$ 50,500	\$ 50,000	\$ 40,000	\$ 45,000	\$ 47,250	\$ 49,613	\$ 52,093
Unemployment	\$ 400	\$ 400	\$ 400	\$ 400	\$ 450	\$ 450	\$ 250	\$ 263	\$ 276	\$ 289
Workers Comp	\$ 1,100	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 500	\$ 500	\$ 525	\$ 551	\$ 579
Total Salaries & Benefits	\$ 396,200	\$ 413,200	\$ 388,400	\$ 388,400	\$ 368,450	\$ 356,950	\$ 410,950	\$ 431,498	\$ 453,072	\$ 475,726
Telecom	\$ 1,200	\$ 2,100	\$ 2,000	\$ 2,000	\$ 2,000	\$ 1,200	\$ 1,200	\$ 1,260	\$ 1,323	\$ 1,389
Office Equipment	\$ 200	\$ 200	\$ 200	\$ 200	\$ 200	\$ 200	\$ 200	\$ 210	\$ 221	\$ 232
Memberships	\$ 4,200	\$ 4,400	\$ 4,500	\$ 6,400	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,875	\$ 8,269	\$ 8,682
Hardware	\$ 800	\$ -	\$ 300	\$ 300	\$ 300	\$ 200	\$ 150	\$ 158	\$ 165	\$ 174
Duplicating	\$ 1,000	\$ 1,200	\$ 1,200	\$ 1,600	\$ 1,000	\$ 800	\$ 500	\$ 525	\$ 551	\$ 579
PC Software	\$ 500	\$ 600	\$ 600	\$ 600	\$ 600	\$ 600	\$ 600	\$ 630	\$ 662	\$ 695
Postage	\$ 3,200	\$ 1,400	\$ 1,400	\$ 1,000	\$ 800	\$ 1,000	\$ 1,000	\$ 1,050	\$ 1,103	\$ 1,158
Subscriptions	\$ 600	\$ 800	\$ 500	\$ 500	\$ 500	\$ 500	\$ 1,800	\$ 1,890	\$ 1,985	\$ 2,084
Supplies	\$ 1,300	\$ 1,700	\$ 1,500	\$ 1,000	\$ 1,000	\$ 800	\$ 800	\$ 840	\$ 882	\$ 926
Accounting	\$ 1,200	\$ 1,200	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,575	\$ 1,654	\$ 1,736
Attorney	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 157,500	\$ 165,375	\$ 173,644
Data Service	\$ 15,800	\$ 16,700	\$ 16,700	\$ 10,000	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,600	\$ 13,230	\$ 13,892
Director Fees	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ 5,000	\$ 5,250	\$ 5,513	\$ 5,788
Surveyor	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Prof. Services	\$ 125,000	\$ 125,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 100,000	\$ 45,000	\$ 47,250	\$ 49,613	\$ 52,093
Legal Notices	\$ 1,400	\$ 1,700	\$ 1,700	\$ 1,700	\$ 7,000	\$ 6,000	\$ 3,500	\$ 3,675	\$ 3,859	\$ 4,052
Rents	\$ 8,400	\$ 8,400	\$ 8,500	\$ 9,000	\$ 9,000	\$ 9,000	\$ 9,400	\$ 9,870	\$ 10,364	\$ 10,882
Misc. Expenses	\$ 5,900	\$ 5,900	\$ 6,500	\$ 6,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,250	\$ 5,513	\$ 5,788
Books	\$ 300	\$ 300	\$ 200	\$ 200	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Air Fare	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 1,500	\$ 1,500	\$ 1,575	\$ 1,654	\$ 1,736
Auto Rental	\$ 200	\$ 200	\$ 200	\$ 200	\$ 200	\$ 200	\$ -	\$ -	\$ -	\$ -
Training	\$ 900	\$ 900	\$ 1,800	\$ 1,800	\$ 1,800	\$ 1,000	\$ 1,000	\$ 1,050	\$ 1,103	\$ 1,158
Lodging	\$ 5,200	\$ 5,200	\$ 5,200	\$ 5,200	\$ 5,200	\$ 3,000	\$ 3,000	\$ 3,150	\$ 3,308	\$ 3,473
Meals	\$ 600	\$ 600	\$ 600	\$ 600	\$ 500	\$ 500	\$ -	\$ -	\$ -	\$ -
Mileage	\$ 1,700	\$ 1,600	\$ 3,000	\$ 3,000	\$ 3,000	\$ 1,000	\$ 800	\$ 840	\$ 882	\$ 926
Travel-Other	\$ 200	\$ 500	\$ 500	\$ 500	\$ 300	\$ 300	\$ 250	\$ 263	\$ 276	\$ 289
Registrations	\$ 5,400	\$ 5,400	\$ 5,400	\$ 5,400	\$ 5,000	\$ 2,000	\$ 2,000	\$ 2,100	\$ 2,205	\$ 2,315
Total Services & Supplies	\$ 345,200	\$ 346,000	\$ 274,000	\$ 268,700	\$ 273,400	\$ 311,800	\$ 253,700	\$ 266,385	\$ 279,704	\$ 293,689
TOTAL EXPENDITURES	\$ 741,400	\$ 759,200	\$ 662,400	\$ 657,100	\$ 641,850	\$ 668,750	\$ 664,650	\$ 697,883	\$ 732,777	\$ 769,415

Footnotes:
 1) 5% increase based on March 2023 Consumer Price Index (CPI)
 2) Reserves to Balance Budget reduced by CPI (5%)

LOCAL AGENCY FORMATION COMMISSION OF SANTA CRUZ COUNTY
RESOLUTION NO. 2023-12

On the motion of Commissioner
duly seconded by Commissioner
the following resolution is adopted:

RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION
ADOPTING A DRAFT BUDGET FOR FISCAL YEAR 2023-24

WHEREAS, California Government Code Section 56381(a) requires the Local Agency Formation Commission of Santa Cruz County ("LAFCO" or "Commission") to adopt draft and final budgets each year by May and June, respectively; and

WHEREAS, the Commission's Executive Officer prepared a written report outlining recommendations with respect to anticipated work activities and budgetary needs in Fiscal Year 2023-24; and

WHEREAS, the proposed budget was advertised in the Santa Cruz Sentinel Newspaper on April 11 for consideration at the May 3rd LAFCO Meeting; and

WHEREAS, the Commission heard and fully considered all the evidence on a draft budget during a public hearing held on May 3, 2023; and

WHEREAS, the draft and final budget will allow the Commission to fulfill the programs and purposes of the Cortese-Knox-Hertzberg Act because it will allow the Commission to prepare the state-mandated service reviews in a timely manner; and

WHEREAS, the Commission will consider adoption of a final budget for Fiscal Year 2023-24 during a public hearing scheduled for June 14, 2023.

NOW, THEREFORE, BE IT RESOLVED, the Commission hereby adopts a draft budget for the fiscal year beginning July 1, 2023 in the amount of \$664,650 with the budget to be funded by the participating agencies of \$419,265 (\$416,765 apportionment basis + \$2,500 for the County Auditor-Controller's fee to calculate and collect the participating agencies' apportionments).

PASSED AND ADOPTED by the Local Agency Formation Commission of Santa Cruz County this 3rd day of May 2023.

AYES:

NOES:

ABSTAIN:

YVETTE BROOKS, CHAIRPERSON

Attest:

Approved as to form:

Joe A. Serrano, Executive Officer

Joshua Nelson, LAFCO Counsel



Santa Cruz Local Agency Formation Commission

Date: May 3, 2023
To: LAFCO Commissioners
From: Joe Serrano, Executive Officer
Subject: **Comprehensive Quarterly Report – Third Quarter (FY 2022-23)**

SUMMARY OF RECOMMENDATION

This report provides an overview of projects currently underway, the status of the Commission's Multi-Year Work Program, the financial performance of the annual budget, and staff's outreach efforts from January through March. This agenda item is for informational purposes only and does not require any action. Therefore, it is recommended that the Commission receive and file the Executive Officer's report.

EXECUTIVE OFFICER'S REPORT

The Cortese-Knox-Hertzberg Act delegates LAFCOs with regulatory and planning duties to coordinate the logical formation and development of local governmental agencies. **Attachment 1** summarizes how several of these statutory mandates are being met through the consideration of boundary changes, the development of scheduled service reviews, and staff's ongoing collaboration with local agencies.

Respectfully Submitted,

A blue ink signature of Joe A. Serrano, Executive Officer, is written over a horizontal line.

Joe A. Serrano
Executive Officer

Attachment:

1. FY 2022-23 Comprehensive Quarterly Report (Third Quarter)

Comprehensive Quarterly Report

FISCAL YEAR 2022-23
THIRD QUARTER
(JANUARY TO MARCH)



LOCAL AGENCY FORMATION COMMISSION OF SANTA CRUZ COUNTY

ACTIVE PROPOSALS

Santa Cruz LAFCO currently has six active applications:

1. **“Pajaro Valley Fire Protection District Reorganization” (Project No. RO 22-06):**

This application was initiated by board resolution on March 22, 2022 and proposes the annexation of approximately 72 square miles into the fire district, concurrent dissolution of CSA 4, and the concurrent detachment of the annexed area from CSA 48. The purpose of the reorganization is to provide a better level of fire protection services to approximately 20,000 people through an independent fire district rather than two separate county service areas.

Latest Status: LAFCO is currently working with a consulting firm to determine how the proposed reorganization will financially impact the affected agencies. This analysis may be available as early as June 2023.

2. **“Branciforte Fire Protection District Reorganization” (Project No. RO 22-07):**

This application was initiated by board resolution on April 1, 2022 and proposes the dissolution of the Branciforte Fire Protection District and concurrent annexation of the dissolved area into the Scotts Valley Fire Protection District. The purpose of the reorganization is to provide a better level of fire protection services to the Branciforte community (approximately 1,700 people) by merging the two fire districts.

Latest Status: LAFCO continues to coordinate with the two fire districts under the Pre-Reorganization Agreement. BFPD is scheduled to conduct multiple workshops to educate the residents about the reorganization and proposed benefit assessment to fund the Branciforte Fire Station. The first workshop was held on April 22.

3. **“Scotts Valley Water District Sphere Annexation” (Project No. DA 22-13):**

This application was initiated by board resolution on May 12, 2022 and proposes to annex approximately 180 parcels (1,500 acres). The vast majority of the annexation area is within the District’s sphere boundary. The purpose of the annexation is to reflect the areas already served by the District and allow residents the opportunity to connect to the District’s infrastructure without future individual LAFCO actions.

Latest Status: The Commission unanimously approved the annexation on April 5. Residents have the opportunity to submit petitions of opposition between May 8 to June 2. LAFCO will consider ratifying the results of the protest period on June 14.

4. **“Reclamation District No. 2049 Dissolution” (Project No. DDI 23-03):**

This application was initiated by district resolution on March 8, 2023 and proposes to dissolve the only reclamation district in Santa Cruz County. If approved, the dissolution will address the inactive district which currently has no full-time staff, no office or website, and only one board member.

Latest Status: Government Code Section 58879 requires the State Controller’s Office to create an annual list of inactive special districts. LAFCO staff believes that the Reclamation District may be identified as an inactive district in the next published list, scheduled to be released in November 2023. If this occurs, the application may be superseded by the statutory requirement. LAFCO staff will coordinate with the State Controller’s Office to determine the Reclamation District’s eligibility.

MULTI-YEAR WORK PROGRAM (SERVICE REVIEWS)

A five-year work program was originally adopted in 2019 to ensure that service reviews for each local agency under LAFCO's purview are considered within the legislative deadline. Since then, the Commission reviews and adopts the work plan on an annual basis. A total of six separate service and sphere reviews will be completed this year. Below is a status update on each scheduled review.

1. **City of Watsonville** – The City was incorporated in 1868 and provides a variety of municipal services, including water services under the City's Water Department. The City's water service area encompasses nearly 21 square miles of territory including the entire City of Watsonville and adjoining unincorporated areas of Santa Cruz County.

Tentative Hearing Date: A service and sphere review was presented to the Commission in May 2023.

2. **County Service Area 53** – The CSA was formed in 1993 and provides a range of mosquito and vector control services that reduce nuisances and protects the public health in Santa Cruz County. The CSA serves the entire county including the 4 cities.

Tentative Hearing Date: A service and sphere review is scheduled to be presented to the Commission in June 2023.

3. **County Service Area 11** – The CSA was formed in 1971 and provides a range of park and recreational services. The CSA serves the entire county except the 4 cities and the three park districts (Alba, Boulder Creek, and La Selva Beach).

Tentative Hearing Date: A service and sphere review is scheduled to be presented to the Commission in August 2023.

4. **County Service Area 12** – The CSA was formed in 1972 and provides services to support and promote effective septic system pumping, maintenance, and management in all areas of the County that are not connected to an existing public agency's wastewater infrastructure. At present, there are approximately 24,000 septic systems in the rural areas of Santa Cruz County.

Tentative Hearing Date: A service and sphere review is scheduled to be presented to the Commission in September 2023.

5. **County Service Area 38** – The CSA was formed in 1983 and provides extended police protection, under the County Sheriff's Department, to areas outside city limits. The Sheriff's Office has three divisions: (1) the Operations Bureau patrols the unincorporated areas of the County, (2) the Corrections Bureau operates the detention facilities and programs, and (3) the Court Security provides security to courts in Santa Cruz and Watsonville. The CSA serves the entire county excluding the 4 cities.

Tentative Hearing Date: A service and sphere review is scheduled to be presented to the Commission in October 2023.

- 6. City of Santa Cruz** – The City was incorporated in 1866 and provides a variety of municipal services, including water services under the City's Water Department. The City's water service area 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.

Tentative Hearing Date: A service and sphere review is scheduled to be presented to the Commission in November 2023.

BUDGET REPORT

The third quarter of Fiscal Year 2022-23 ended on March 31, 2023. During this three-month period, the Commission received approximately \$4,000 in revenue. During the same period, the Commission incurred approximately 75,000 in total expenses which represents 44% of estimated costs for the entire year, as shown in the table below.

	FY 22-23 (1st Qtr.)	FY 22-23 (2nd Qtr.)	FY 22-23 (3rd Qtr.)	Available Funds	FY 22-23 Total Amt	FY 22-23 Budget	Percent (%)
Total Revenue	\$420,620	\$4,968	\$3,828	\$247,985	\$677,400	\$668,750	101%
Total Expense	<u>\$132,425</u>	<u>\$86,159</u>	<u>\$74,800</u>	-	<u>\$293,384</u>	<u>\$668,750</u>	44%
Difference	\$288,195	-\$81,191	-\$70,972	-	\$384,017	-	-

A total of \$470,529 is available in the Commission's Fund Balance: \$247,985 is earmarked to balance the budget and the remaining \$222,544 is designated as unrestricted revenue. In total, the three quarters already represent 101% of the anticipated revenue for the entire year. A detailed review of LAFCO's financial performance during the first quarter (July to September), second quarter (October to December), and third quarter (January to March) is shown on page 4.

FY 2022-23 Budget (Financial Performance By Quarter)

FISCAL YEAR 2022-23	FY 22-23 First Qtr. (Jul - Sep)	FY 22-23 Second Qtr (Oct - Dec)	FY 22-23 Third Qtr (Jan - Mar)	FY 22-23 Adopted Budget	FY 22-23 Actual	Difference (\$)	Budget Line Item Notes
REVENUES DESCRIPTION							
Interest	\$ 1,036	\$ 2,052	\$ 2,663	\$ 1,500	\$ 5,752	\$ 4,252	Surplus Funds
Contributions from Other Govt Agencies	\$ 419,265	\$ -	\$ -	\$ 419,265	\$ 419,265	\$ -	All dues were collected
LAFCO Processing Fees	\$ -	\$ 2,500	\$ 750	\$ -	\$ 3,250	\$ 3,250	Application Deposits
Medical Charges-Employee	\$ 318	\$ 415	\$ 415	\$ -	\$ 1,149	\$ 1,149	Surplus Funds
Re-budget from Fund Balance	\$ -	\$ -	\$ -	\$ 247,985	\$ 247,985	\$ 247,985	Net Position Funds (if needed)
TOTAL REVENUES	<u>\$420,620</u>	<u>\$ 4,968</u>	<u>\$ 3,828</u>	<u>\$668,750</u>	<u>\$677,400</u>	<u>\$256,635</u>	Additional Funds in Total Revenue
EXPENDITURES DESCRIPTION							
Regular Pay	\$ 33,629	\$ 39,744	\$ 34,241	\$ 200,000	\$ 107,613	\$ 92,387	Remaining Funds
Holiday Pay	\$ 611	\$ 3,057	\$ 2,446	\$ 10,000	\$ 6,114	\$ 3,886	Remaining Funds
Social Security	\$ 2,652	\$ 2,581	\$ 2,868	\$ 15,000	\$ 8,100	\$ 6,900	Remaining Funds
PERS	\$ 66,204	\$ 4,619	\$ 3,988	\$ 91,000	\$ 74,811	\$ 16,189	Remaining Funds
Insurances	\$ 8,430	\$ 8,579	\$ 6,981	\$ 40,000	\$ 23,990	\$ 16,010	Remaining Funds
Unemployment	\$ -	\$ -	\$ 126	\$ 450	\$ 126	\$ 324	Remaining Funds
Workers Comp	\$ 7	\$ -	\$ -	\$ 500	\$ 7	\$ 493	Remaining Funds
Salaries Sub-total	<u>\$111,534</u>	<u>\$ 58,580</u>	<u>\$ 50,649</u>	<u>\$ 356,950</u>	<u>\$ 220,762</u>	<u>\$136,188</u>	Remaining Funds in Salaries & Benefits
Telecom	\$ 1	\$ 465	\$ 344	\$ 1,200	\$ 809	\$ 391	Remaining Funds
Office Equipment	\$ -	\$ -	\$ 24	\$ 200	\$ 24	\$ 176	Remaining Funds
Memberships	\$ 5,000	\$ -	\$ -	\$ 7,500	\$ 5,000	\$ 2,500	Remaining Funds
Hardware	\$ -	\$ 7	\$ -	\$ 200	\$ 7	\$ 193	Remaining Funds
Duplicating	\$ -	\$ 3	\$ -	\$ 800	\$ 3	\$ 797	Remaining Funds
PC Software	\$ 237	\$ -	\$ -	\$ 600	\$ 237	\$ 363	Remaining Funds
Postage	\$ 9	\$ 11	\$ -	\$ 1,000	\$ 20	\$ 980	Remaining Funds
Subscriptions	\$ 102	\$ 354	\$ -	\$ 500	\$ 456	\$ 44	Remaining Funds
Supplies	\$ -	\$ -	\$ 56	\$ 800	\$ 56	\$ 744	Remaining Funds
Accounting	\$ -	\$ -	\$ -	\$ 1,500	\$ -	\$ 1,500	Remaining Funds
Attorney	\$ 1,018	\$ 1,513	\$ 5,528	\$ 150,000	\$ 8,058	\$ 141,943	Remaining Funds
Data Process GIS	\$ 639	\$ 4,297	\$ 1,929	\$ 12,000	\$ 6,865	\$ 5,135	Remaining Funds
Director Fees	\$ 420	\$ 450	\$ 800	\$ 6,000	\$ 1,670	\$ 4,330	Remaining Funds
Prof. Services	\$ 9,234	\$ 16,992	\$ 12,562	\$ 100,000	\$ 38,788	\$ 61,212	Remaining Funds
Legal Notices	\$ 784	\$ 568	\$ 251	\$ 6,000	\$ 1,603	\$ 4,397	Remaining Funds
Rents	\$ -	\$ -	\$ -	\$ 9,000	\$ -	\$ 9,000	Remaining Funds
Misc. Expenses	\$ 987	\$ 1,329	\$ 2,658	\$ 5,000	\$ 4,974	\$ 26	Remaining Funds
Air Fare	\$ -	\$ 1,420	\$ -	\$ 1,500	\$ 1,420	\$ 80	Remaining Funds
Auto Rental	\$ -	\$ -	\$ -	\$ 200	\$ -	\$ 200	Remaining Funds
Training	\$ -	\$ -	\$ -	\$ 1,000	\$ -	\$ 1,000	Remaining Funds
Lodging	\$ 2,461	\$ -	\$ -	\$ 3,000	\$ 2,461	\$ 539	Remaining Funds
Meals	\$ -	\$ -	\$ -	\$ 500	\$ -	\$ 500	Remaining Funds
Mileage	\$ -	\$ -	\$ -	\$ 1,000	\$ -	\$ 1,000	Remaining Funds
Travel-Other	\$ -	\$ 171	\$ -	\$ 300	\$ 171	\$ 129	Remaining Funds
Registrations	\$ -	\$ -	\$ -	\$ 2,000	\$ -	\$ 2,000	Remaining Funds
Supplies Sub-total	<u>\$ 20,891</u>	<u>\$ 27,580</u>	<u>\$ 24,151</u>	<u>\$311,800</u>	<u>\$ 72,621</u>	<u>\$239,179</u>	Remaining Funds in Services & Supplies
TOTAL EXPENDITURES	<u>\$132,425</u>	<u>\$ 86,159</u>	<u>\$ 74,800</u>	<u>\$668,750</u>	<u>\$293,384</u>	<u>\$375,366</u>	Remaining Funds in Total Expenditures

RECENT & UPCOMING MEETINGS

LAFCO staff values the collaboration with local agencies, members of the public, and other LAFCOs to explore and initiate methods to improve efficiency in the delivery of municipal services. Several meetings were held during the second quarter. A summary of those meetings is shown in the following table.

January Meetings			
Topic	Date	Subject Agency(ies)	Purpose
City Selection Committee	1/6/23	Cities & County	Staff answered questions about the upcoming city seat vacancies and the historical rotation schedule.
CSA 53 Service Review	1/10/23	CSA 53	Staff explained the purpose of the upcoming report and answered questions.
Fire Study	1/11/23	County	Staff provided an update on the fire study to the County-LAFCO group.
Legislative Committee	1/13/23	CALAFCO	Staff provided an update on the 2023 Omnibus Bill process.
Sphere Boundary Establishment	1/13/23	Pajaro Valley Health Care District	Staff discussed the adoption of the sphere boundary with District staff.
Service Delivery	1/17/23	Soquel Creek Water District	Staff presented on the difference between annexation and an extraterritorial service agreement in order for the District to provide services to a nearby school.
BFPD Board Meeting	1/19/23	Branciforte Fire Protection District	Staff administered the BFPD Board Meeting as temporary support.
Staff Evaluation	1/23/23	LAFCO's Personnel Committee	Staff met with the Personnel Committee to discuss the Executive Officer's performance in 2022.
Meeting Review	1/24/23	LAFCO's Vice Chair	Staff met with the new vice-chair (John Hunt) to discuss the meeting procedure and the chair's role.
Fire Reorganization	1/25/23	CalPERS	Staff met with CalPERS representatives to discuss the proposed reorganization involving BFPD & SVFPD.
Staff Support	1/26/23	Mendocino LAFCO	Staff met with Mendocino LAFCO's Executive Officer and Analyst to discuss how Santa Cruz LAFCO operates.
City Selection Committee	1/27/23	Cities & County	Staff answered questions about the upcoming city seat vacancies and the historical rotation schedule.
New Commissioner	1/31/23	Regular City Member (Watsonville)	Staff met with Eduardo Montesino to discuss the completion of Watsonville's term on LAFCO and discuss current / upcoming LAFCO projects.

February Meetings			
Topic	Date	Subject Agency(ies)	Purpose
Upcoming Service & Sphere Review	2/2/23	City of Watsonville	Staff met with Watsonville's city manager to discuss the upcoming report.
New Commissioner	2/2/23	Alternate City Member (Scotts Valley)	Staff met with Allan Timms to review the Commission's role and discuss current / upcoming LAFCO projects.
Staff Support	2/2/23	County	Staff met with representatives from the CAO's office to consider temporary support with I.T. during LAFCO meetings.
County Service Area (CSA) Formation	2/7/23	General Public	Staff met with a resident to discuss the difference between the formation of a road association and a CSA.
Fire Study	2/8/23	County	Staff provided an update on the fire study to the County-LAFCO group.
Special Districts	2/9/23	California Special Districts Association (CSDA)	Staff met with CSDA to discuss current / upcoming projects relating to districts.
BFPD Board Meeting	2/10/23	Branciforte Fire Protection District	Staff administered the BFPD Board Meeting as temporary support.
Fire Reorganization	2/15/23	Joint Ad-Hoc Committee (BFPD, SVFPD & LAFCO)	Staff facilitated a stakeholder meeting to address the ongoing reorganization effort.
BFPD Board Meeting	2/16/23	Branciforte Fire Protection District	Staff administered the BFPD Board Meeting as temporary support.
Annexation Inquiry	2/22/23	City of Santa Cruz	Staff met with City representatives to discuss potential connections into the City's water service area.
March Meetings			
Topic	Date	Subject Agency(ies)	Purpose
Interviews	3/1/23	Potential Candidates	Staff conducted interviews with three candidates for the Analyst position.
Water Projects	3/2/23	Water Consultant (Piret Harmon)	Staff met with LAFCO's water consultant to discuss current / upcoming water-related projects.
Fire Reorganization	3/8/23	Joint Ad-Hoc Committee (BFPD, SVFPD & LAFCO)	Staff facilitated a stakeholder meeting to address the ongoing reorganization effort.
Fire Study	3/8/23	County	Staff provided an update on the fire study to the County-LAFCO group.
Sphere Study	3/8/23	City of Capitola	Staff met with the city manager to discuss the development of an annexation plan.
Road-related CSA	3/9/23	General Public	Staff met with residents to discuss the current road conditions under CSA 44.

Fire Consolidation	3/10/23	Central Fire District	Staff met with CFD's fire chief to provide background information about the successful consolidation between Aptos/La Selva and Central FPDs. This information will be presented during a session at CALAFCO's 2023 Staff Workshop in April.
Staff Evaluation	3/21/23	LAFCO's Personnel Committee	Staff met with the Personnel Committee to discuss the possible salary change based on the Commission's closed session discussion on March 1st.
New Staff Member	3/21/23	LAFCO Analyst	Staff met with Francisco Estrada to discuss his start date as LAFCO's new full-time employee.
Annexation Update	3/24/23	Scotts Valley Water District	Staff met with SVWD representatives to discuss the status of their multi-parcel annexation application.
City Seat Rotation	3/30/23	Cities of Watsonville & Capitola	LAFCO's Chair (Yvette Brooks) and Executive Officer met with the two city managers to discuss the current city seat rotation schedule.



Santa Cruz Local Agency Formation Commission

Date: May 3, 2023
To: LAFCO Commissioners
From: Joe Serrano, Executive Officer
Subject: **Press Articles during the Months of March and April**

SUMMARY OF RECOMMENDATION

LAFCO staff monitors local newspapers, publications, and other media outlets for any news affecting local agencies or LAFCOs around the State. Articles are presented to the Commission on a periodic basis. This agenda item is for informational purposes only and does not require any action. Therefore, it is recommended that the Commission receive and file the Executive Officer's report.

EXECUTIVE OFFICER'S REPORT

The following is a summary of recent press articles. Full articles are attached.

Article #1: "Public Law Newsletter – Spring 2023 Edition": LAFCO staff receives periodic newsletters from Colantuono, Highsmith & Whatley PC, a law firm familiar with LAFCO and the Cortese-Knox-Hertzberg Act. This edition focuses on a number of interesting topics including a recent court decision affecting impact fees and how new covid-related rules will change the workplace environment.

Article #2: "Santa Cruz City Council approves \$128 million loan for water system upgrades": The article, dated March 6, indicates that the City of Santa Cruz will enter into a \$128 million loan agreement with the United States Environmental Protection Agency for water systems improvement projects. The City will use the funds for various projects to help bolster and prepare the water supply infrastructure regarding current and future climate change impacts.

Article #3: "Justin Cummings appointed to California Coastal Commission": The article, dated March 30, states that Justin Cummings has been appointed to the California Coastal Commission. This commission oversees the land use and policy issues affecting more than 1,000 miles of coastline.

Article #4: "Big Basin Water customers voice frustrations at rate hike meeting": The article, dated April 4, notes that over a hundred people attended a meeting to hear about the potential rate increase by the privately-owned Big Basin Water Company. Customers voiced their concerns about the company's transparency, failing infrastructure, and limited communication.

Article #5: “Four fire districts voter to form one entity in Eastern Plumas County”:

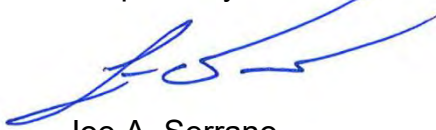
The article, dated April 7, highlights the unanimous vote by four separate fire boards to consolidate and form one fire protection district in Eastern Plumas County area. The fire districts decided to move forward with this merger after reviewing the findings and recommendations found in a 2020 feasibility study. The four fire districts plan to adopt similar resolutions and submit a joint application with Plumas LAFCO.

Article #6: “Mayor’s Message: Help shape the future”: The article, dated April 13 and written by Commissioner Eduardo Montesino, indicates that the City of Watsonville is encouraging more public participation. The City is soliciting applications for summer programs, various boards and commissions at this time. Additionally, Mr. Montesino summarizes the City’s recent activities involving infrastructure investments, restoration projects, and available programs for the community.

Article #7: “City of Santa Cruz, UCSC in talks to possibly end lawsuits over enrollment and housing plans”: The article, dated April 18, refers to several lawsuits from the city and council regarding the University’s long range development plan. A recent ruling for one of the lawsuits concluded that the University must receive LAFCO approval to receive water for areas outside the City of Santa Cruz. The article summarizes the ongoing effort between the City and the University to find possible solutions.

Article #8: “Branciforte fire Oks special benefit election”: The article, dated April 21, indicates that the Branciforte community will vote on whether to approve a new benefit assessment for the Branciforte Fire Station. Ballots will be mailed out in June and due back by July 19. If approved, the new assessment will help operate the existing fire station with at least two full-time paramedic firefighters. Multiple workshops will be held to educate the residents about the proposed assessment and the ongoing reorganization effort.

Respectfully Submitted,



Joe A. Serrano
Executive Officer

Attachments:

1. “Public Law Newsletter – Spring 2023 Edition”
2. “Santa Cruz City Council approves \$128 million loan for water system upgrades”
3. “Justin Cummings appointed to California Coastal Commission”
4. “Big Basin Water customers voice frustrations at rate hike meeting”
5. “Four fire districts vote to form one entity in Eastern Plumas County”
6. “Mayor’s Message: Help shape the future”
7. “City of Santa Cruz, UCSC in talks to possibly end lawsuits over enrollment and...”
8. “Branciforte fire Oks special benefit election”



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Newsletter | Spring 2023

Update on Public Law Another Ominous Decision on Impact Fees

By Michael G. Colantuono, Esq.

Ever since 2015's *White v. City of San Clemente*, local officials have been concerned about challenges to development impact fees subject to AB 1600, the "Mitigation Fee Act." That case ordered the city to refund millions in unexpended fees for beachside parking facilities for failure to spend the money within five years or adequately report why more time was needed. Concerns abated somewhat with the 2019 decision in *County of El Dorado v. Superior Court*, applying a short, one-year statute of limitations to such refund claims.

The San Jose Court of Appeal's recent decision in *Hamilton and High, LLC v. City of Palo Alto* raises the stakes again. This was a challenge to \$906,900 in fees paid in lieu of parking spaces required for a mixed-use development in downtown Palo Alto. The City Council certified an EIR for a project to timely spend those funds, but members of the public and some Councilmembers questioned the need for more parking rather than parking demand management. The developer demanded a refund of fees paid 7 years earlier, the City denied it, and the developer sued. The trial court (a judge since elevated to this Court of Appeal) ruled for the City, concluding the case was not timely under *El Dorado* and AB 1600 did not apply because the fees were optional, not "imposed." The Court of Appeal reversed, concluding that the claim did not accrue until the City rejected the refund demand — without stating when a refund claim must be made. The appellate court also concluded the Act applied because the fees were a condition of development (even though the developer chose to pay them rather than provide on- or off-site parking), the City's belated 5-year report did not satisfy the requirement to prepare it within 6 months of the end of a fiscal year, and that Government Code section 65010(b) did not require the developer to prove prejudice. The court directed the trial court to order

(continued on page 3)

Welcome, Meghan Wharton!

Meghan A. Wharton joins CHW's litigation team in our Grass Valley office, helping clients around California.

She is an 22-year litigator who joins us after 10 years in the San Diego City Attorney's Office where she supervised the Special Litigation Unit. She advised the Mayor and Public Utilities Department on Proposition 218 issues.

Meghan has appeared in the 9th Circuit, the California Supreme Court, and the California Court of Appeal, winning published decisions in each.

Welcome, Meghan!

Campaign Disclosures

By Nicole L. Garson, Esq.

California law requires ads published by campaign committees to identify the committee's chief financial contributors. A San Francisco ordinance also requires committees to identify "secondary contributors." 2019's Proposition F requires newspaper and broadcast ads to identify the campaign's top three donors by name and donations of \$5,000 or more. If any is a committee, ads must also identify the top two "secondary contributors," or donors to the donor committee. In *No on E v. David Chiu*, a campaign committee challenged Proposition F in federal court under the First Amendment.

Plaintiffs alleged the ordinance illegally "compelled speech." According to plaintiffs, the ordinance deters donors who wish anonymity, displacing too much speech, as listing secondary contributors would overwhelm an ad's message. The Ninth Circuit affirmed a lower court's denial of a preliminary injunction against enforcement of the ordinance. The appellate court found the ordinance to be substantially related to government's legitimate interest in informing voters of the source of funding for ads. As Circuit Judge Graber explained: "Defendants show that donors to local committees are often committees themselves and that committees often obscure their actual donors through misleading and even deceptive committee names." Accordingly, the ordinance does not excessively burden plaintiffs' First Amendment rights and is sufficiently tailored to that governmental interest.

Recent state and local laws have sought to increase election finance transparency and face frequent First Amendment challenges. This case affirms that robust local campaign disclosure laws can be upheld. S.B. 1439 (Glazer, D-Contra Costa), effective as of January 1st, prohibits local officials from voting on permits and contracts benefiting donors of more than \$250 to officials' campaigns in the 12 months before a decision. This law faces a similar First Amendment challenge from business and real estate development interests.

For more information, please contact Nicole at NGarson@chwlaw.us or (707) 986-8087.

Stadium Lighting CEQA Case Erased

By Michael G. Colantuono, Esq. and
Marjan R. Abubo, Law Clerk

The California Supreme Court recently granted San Francisco's request to depublish a CEQA case, *Saint Ignatius Neighborhood Association v. City and County of San Francisco*. That Court of Appeal decision overturned a categorical exemption of a project to light a high school football field. Depublication leaves the opinion intact as to its parties, but eliminates it as precedent for other cases.

In 2018, Saint Ignatius High School applied to the City for permits for four, 90-foot-tall lights for its football stadium. The Planning Commission decided the lights were subject to Class 1 and Class 3 categorical CEQA exemptions for existing facilities involving negligible expansion and new construction of small structures, respectively. The Board of Supervisors approved the project without further environmental review and neighbors sued.

The trial court upheld the categorical exemptions, but the Court of Appeal reversed, finding the Class 1 exemption did not apply because the lights would nearly triple the school's nighttime use of the athletic field, constituting an "expansion." Additionally, it found the City incorrectly invoked the Class 3 exemption because the 90-foot structures were much taller than neighboring homes and streetlights and the associated light, noise, and traffic impacts warranted an exception to the exemption.

The Court of Appeal decision seems to be a bad-facts-make-bad-law situation. The prospect of 90-foot polls looming over 30-foot residences is noteworthy, but exceptions to categorical exemptions are not easily found and CEQA review would be slower, more costly, and more complex if categorical exemptions are weakened.

For more information, please contact Michael at MColantuono@chwlaw.us or (530) 432-7359.

New Covid Workplace Rules

By *Thais P. Alves, Esq.*

Effective February 3, 2023, Cal OSHA issued its permanent General Industry Safety Orders regarding COVID-19, applicable to all workplaces. These rules are in effect until February 3, 2025 and require employers to institute COVID-19 prevention programs and other safety measures.

The new standards define “close contact” based on the size of an indoor workplace. A close contact occurs if an employee shares the indoor space of 400,000 cubic feet with someone with a COVID-19 for 15 minutes or more over 24 hours. For larger spaces, a close contact occurs when an employee is within six feet of someone with COVID-19 for that long. The rules require employers to notify employees and others who have had such close contacts with someone with COVID.

The rules require employers to develop policies for employees who have close contacts with those with COVID based on California Department of Public Health Guidance. Currently, for those with close contacts with someone with COVID but who do not have symptoms following that contact, the Guidance recommends: (i) no quarantine; (ii) testing within 3 to 5 days after the last exposure; (iii) wearing a mask around others for 10 days; and (iv) getting vaccinated or boosted.

The “infectious period” has also been updated. For symptomatic COVID-19 cases, an infectious period is from two days before the onset of symptoms until 24 hours pass with no fever, without fever-reducing medications, and symptoms have improved, and either (i) 10 days have passed after symptoms first appeared or (ii) five days have passed after symptoms first appeared, if testing negative on day five or later.

For asymptomatic COVID-19 cases, an infectious period is from two days before the positive specimen collection date through 10 days or—if testing negative on day five or later—five days after the date on which the specimen for the first positive COVID-19 test was collected.

Under the new rules, employers must still exclude from the workplace all with COVID-19 during their infectious periods and inform excluded employees of sick leave and similar benefits to which they may be entitled.

Employers should update COVID-19 prevention plans to reflect these new rules.

For more information, please contact Thais at TAlves@chwlaw.us or (626) 219-0481.

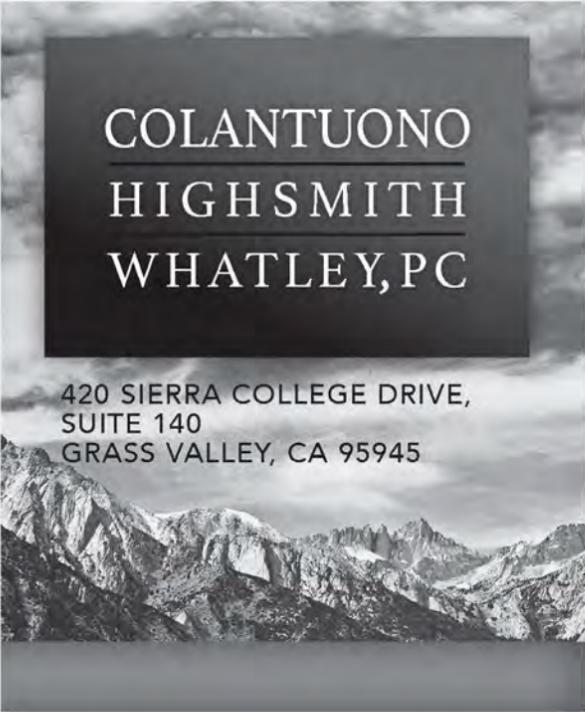
Impact Fees (cont.)

the City to refund the unexpended fees. The City has retained CHW to seek Supreme Court review.

In lieu fees had not previously been understood to be subject to AB 1600, because no one need pay them – they are in lieu of complying with zoning standards. Thus, local agencies have been inconsistent in making the AB 1600 one- and five-year findings as to in-lieu fees. In light of this decision, agencies are advised to: (i) require a recorded agreement, perhaps a development agreement, with a developer who chooses to pay a fee rather than comply with zoning standards by which it expressly waives application of AB 1600, (ii) comply with the finding requirements and spend funds promptly, which can be difficult for parking garages and affordable housing; (iii) return funds if a decision is made not to pursue the capital project for which fees are collected; and (iv) consider eliminating in-lieu fee ordinances in favor of enforcing zoning standards and rely on variances and development agreements to vary those standards if necessary.

Whether or not the Supreme Courts reviews it, the case is reason to renew focus on AB 1600 compliance, especially timely and well drafted findings.

For more information, contact Michael at MColantuono@chwlaw.us or (530) 432-7359.



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The contents of this newsletter do not constitute legal advice. You should seek the opinion of qualified counsel regarding your specific situation before acting on the information provided here.

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santacruzsentinel.com

Santa Cruz City Council approves \$128 million loan for water system upgrades

Aric Sleeper

5–6 minutes

SANTA CRUZ — The Santa Cruz City Council on Tuesday voted to authorize the city of Santa Cruz to enter into a loan agreement with the United States Environmental Protection Agency for the amount of \$127.7 million for water system improvement projects.

The projects that the water department would fund using the federal WIFIA loan include rehabilitation and replacement to the Graham Hill Water Treatment Plant, Newell Creek Pipeline, university tank No. 4 and aquifer storage and recovery improvements.

According to Santa Cruz Water Department Director Rosemary Menard, acquiring the loan to fund the various projects will help bolster and prepare the water supply infrastructure for the impacts of climate change, present and future.

“We clearly have adverse impacts of climate on a number of aspects of our infrastructure both on the dry side and the wet side that we are trying to address,” said Menard at the City Council meeting Tuesday. “We are a big business, with our operating budget and our capital budget, and we obviously have situations where we need to have flexibility to adapt to changing circumstances.”

During recent storms, the [Newell Creek Pipeline](#) — the main artery supplying water from Loch Lomond Reservoir to the Graham Hill

Water Treatment Plant — was shut down due to storm damage and required emergency repairs. Similar fixes were required in 2017, 2019 and 2020. One of the proposed projects that will receive funding from the loan includes replacing about 4.4 miles of the original pipeline, built in the 1960s, from inside Henry Cowell State Park, where its been repeatedly damaged, and aligning it with Graham Hill Road.

At the meeting Tuesday, Menard pointed out that using the loan to fund the projects instead of paying upfront allows the water department to spread the financial burden brought on by the improvements and replacements over time so that current rate payers don't see a massive increase in the short-term.

"The infrastructure we are investing in is very long-lived," said Menard. "It wouldn't be fair or reasonable for just the current rate payers to pay the whole bill, so debt financing the vast majority of this infrastructure reinvestment is really important to sharing those costs over time."

The loan comes through the U.S. Environmental Protection Agency's [WIFIA program](#), which was established by the 2014 Water Infrastructure Finance and Innovation Act. The intent of the WIFIA program is to invest in water infrastructure projects by providing long-term, low-cost supplemental loans.

However, the WIFIA loan would only pay for about 49% of the total cost of the four projects. Additional funding will have to be acquired from conventional market rate debt, grants and the [Drinking Water State Revolving Loan Fund](#), which is also facilitated through the Environmental Protection Agency.

The Graham Hill Water Treatment plant facility improvement project alone has an estimated cost of \$158 million, according to the staff presentation, and combined with the \$41 million needed for the Newell Creek Pipeline replacement and realignment, \$6 million for

the replacement of 400,000 gallon university tank No. 4 and about \$95 million needed to expand aquifer storage and recovery, the estimated price tag for all the projects would be around \$300 million.

“When completed, these projects will build resilience, improve supply reliability, improve water quality, increase operational flexibility to balance the demands of meeting water supply needs and also instream flows,” said Menard. “And replace critical infrastructure that’s reached the end of its useful life.”

After public comment, where water rates were brought up, Councilmember Sandy Brown asked Menard to clarify what the loan would mean in terms of [rates](#) for water customers. Menard pointed out that the projects’ financing had already been considered and factored into the current rate structure.

“Actually, our long range financial plan looked out 15 years and took the major capital reinvestments that needed to be done and spread those out over that period of time,” said Menard. “We have a long range view of what it’s going to take, and out of that financial plan comes the five-year estimated revenue requirements that are added to the operating revenue, that will, along with the strategy of debt financing, versus pay-as-you-go, becomes the basis for the rate revenue that we need to generate.”

The [motion](#) to authorize the city to enter the loan agreement for \$127.7 million with the U.S. Environmental Protection Agency was then passed by a unanimous vote with all councilmembers present.

lookout.co

Justin Cummings appointed to California Coastal Commission - Lookout Local Santa Cruz

Christopher Neely

4–5 minutes



Quick Take

California Assembly Speaker Anthony Rendon appointed District 3 Santa Cruz County Supervisor Justin Cummings to represent the Central Coast on the California Coastal Commission. Cummings was left off the initial list of nominations for the powerful land-use body voted on by the county's City Selection Committee, but pushed to be included after a Lookout investigation prompted the county to invalidate the committee's original vote.

Have something to say? Lookout welcomes letters to the editor, within our policies, from readers. Guidelines [here](#).


Justin Cummings, the District 3 Santa Cruz County Supervisor and former Santa Cruz mayor, will represent the Central Coast on the highly influential California Coastal Commission after the state's top legislator announced his appointment Thursday.

State Assembly Speaker Anthony Rendon had unilateral authority to appoint Cummings among a list of nominees from Santa Cruz, Monterey and San Mateo counties. In his announcement, Rendon highlighted Cummings' doctorate in environmental science from UC Santa Cruz and his experience in elected office and on regional

boards, saying he felt Cummings would fight to protect coastal access for all Californians.

“His commitment to be an advocate for protecting the environment and ensuring coastal access for all Californians, including people of color, will be an asset for the Coastal Commission and our state,” Rendon said in a statement.

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PROMOTED CONTENT

10 hot jobs in Santa Cruz County

March 12, 2023 | Looking for a new job? Start here.

This story is published every week with the 10 hottest jobs posted to Lookout's Santa Cruz County job board.

[SEE WHO'S HIRING](#)

In a statement included in Rendon's news release, Cummings thanked Rendon for the opportunity and said he looked forward to promoting “the speaker's values around diversity and environmental justice.”

In February, after he told Lookout he planned to push for his name to be included on the county's nomination list, Cummings said the Coastal Commission will play an important role in the ongoing debate around how coastal communities treat sea level rise and a changing climate.

“What we've been seeing around climate change is really going to start getting worse over time,” Cummings said. “The question is whether we dump millions of dollars reinforcing something we know will ultimately fail in the battle of man versus nature? Or do we look at what science has told us for decades, and make decisions and adjust to the new realities we face?”

Cummings' nomination by the Santa Cruz County Board of Supervisors almost never was. He was left off an initial list of nominations voted on by the county's City Selection Committee, a group of mayors from the county's four incorporated cities who are

mandated by the state to vote on appointments to regional boards and nominate candidates for the Coastal Commission. However, [a Lookout investigation found](#) that the mayors voted on the nominations in private without public knowledge or participation, an illegal practice that had been ongoing for decades.

The county then invalidated the list of nominations, which initially included District 2 Supervisor Zach Friend, Santa Cruz Mayor Fred Keeley and Capitola City Councilmember Yvette Brooks. After a public revote by the City Selection Committee, and a separate nominations vote by the board of supervisors just days before the deadline, Santa Cruz County [submitted Brooks, Cummings and District 1 Supervisor Manu Koenig as its Coastal Commission nominations](#).

Advertisement



The advertisement features a photograph of the Sockshop Santa Cruz storefront on the left, which has a sign with the shop's name and several pairs of colorful socks. To the right of the photo is a teal button labeled 'PROMOTED CONTENT'. Below this is the headline 'The "No Boring Socks" legacy, Sockshop celebrates 35 years in Santa Cruz'. The text continues: 'Before funky, patterned, novelty socks were everywhere, there was Eric and Ellen with a vision. Read about Sockshop & Shoe Co's history over the last 35 years.' A teal button with the text 'CLICK TO READ' is positioned below the text. On the right side of the advertisement is a circular logo for 'SOCKSHOP & SHOE COMPANY' featuring a stylized sock and shoe.

Overseeing land use and policy issues along more than 1,100 miles of coastline, the 12-member Coastal Commission has been called the most powerful land-use commission in the U.S.

Broadly, the Coastal Commission will play a key role in how the county responds to sea level rise and the impacts of climate change along the county's coast. The commission will also play a key role in more immediate issues around the coastline recovery following the winter storms, and how Santa Cruz deals with West Cliff Drive infrastructure and the presence of oversized vehicles.

santacruzsentinel.com

Big Basin Water customers voice frustrations at rate hike meeting

PK Hattis

6–7 minutes

BOULDER CREEK — Bright red fire trucks were replaced by folding chairs and a small speaker system at the Boulder Creek Fire Department Monday as more than a hundred people gathered to hear details about a proposed rate increase for Big Basin Water Co. customers.

The meeting was attended by Jim Moore, who privately owns the company alongside his wife Shirley and their son Damian, who is the chief operator of the business providing water to 547 customers in Boulder Creek.

The California Public Utilities Commission was the host, as it has the authority to approve, partially approve or deny the requested increase. But it was the father-son duo who answered most of the public's questions, which were shared via small index cards and often succeeded by spontaneous follow-up questions shouted from the live audience.

"Ideally, this would put us in a position to repair ... all of the trouble in the system and actually be able to operate the water company," said Jim Moore of the potential increase, which would be the company's first since 2014. "It's going to take at least a year or more to get in a position to do all that's necessary, but to begin with we need to have higher rates so that we can afford to do it."

The proposed increase would roll out over two years, with the current rate of \$3.73 for all water delivered per 100 cubic feet – the unit of measure on Big Basin bills – increasing to \$4.67 this year and then escalating to \$5.60 in 2024. There are about 748 gallons

in 100 cubic feet of water. The increase as proposed would raise \$271,613 in additional general rate revenues.

A 2018 sanitary survey report from the state's Water Resources Control Board identified several deficiencies – including water source capacity – in Big Basin's water system and estimated it would cost \$2.87 million to bring it back into compliance.

In a February letter to Big Basin's ownership, control board attorney Laura Mooney wrote that the company had still not addressed its source capacity issue and the overall total to get back into compliance had likely "increased substantially" after the 2020 CZU Lightning Complex Fire destroyed much of its infrastructure and left it with only one water source.

Damian Moore said the added revenue would help Big Basin hire additional staff and secure a larger loan for the needed repairs.

"We are going to address system deficiencies first prioritizing backup power, a second source and getting that infrastructure back in place so our neighbors can rebuild their homes," he said, adding that he'd devised an order of operations detailing how repairs would unfold.

"Is that something you can share with everybody?" replied community member Shandra Hunt from the audience.

Damian Moore said he doesn't have a plan in writing but pledged to provide one should the rate increase go through.

He also said the company has pursued grants for repairs from the state and other sources, but "it's not very common for a for-profit water company to receive grant money."

Numbers aside, some Big Basin customers voiced frustrations with the company's spotty messaging.

"It's not about the increase, OK, I think a lot of us support that. It's a lack of communication through all these years," said Marjorie Hawkins who has been a Big Basin customer since 2000. "There have been people drinking the water and they hear about the boil order afterwards."

The Sentinel has documented customers that have complained for

years about erratic water service and inconsistent communication when it comes to important issues such as boil orders and water outages.

Damian Moore blamed the delays partially on state processes that require him to file a report before distributing the notices. He said his team typically goes door to door to share them, but was collecting emails from event attendees to try to form a mailing list.

Arlene and Jim LaBorde have been Big Basin Water customers for almost 40 years and affectionately call Moore “Jim the water man.”

“He’s always serviced us well,” said Jim LaBorde, though he acknowledges others have had a different experience.

Arlene LaBorde agreed but came away from the meeting with a recognition that the company needed to make some changes.

“I’d like to see an operational plan,” she said, “and the communication needs to be better. I find that through the people here.”

Still, state-level authorities have grown tired of Big Basin’s lack of action. The Water Resources Control Board Division of Drinking Water announced in late February that it plans to pursue a receivership for the company because it is failing to provide water “that is pure, wholesome, potable, and does not endanger the health of its consumers.”

Pending approval from a judge, the action would appoint a receiver to take possession of the company with the intention of bringing it back into compliance, though ownership would not change. Local and state leaders have also been supportive of consolidation with the neighboring public utility San Lorenzo Water District, but talks halted after the district estimated it would cost \$40 million to modernize Big Basin’s system.

Damian said during the meeting that Big Basin is also in talks with a private company interested in purchasing their family business.

“We will hopefully be able to share information about that publicly soon, we’re just not quite at that point,” he said.

Wilson Tsai, the state utilities commission representative that

facilitated the meeting, announced that he would extend the public comment period on the rate increase to April 24 and the commission aimed to make a decision by June.

To submit comments

What: Big Basin Water Co. proposed rate increase.

When: By April 24

How: A letter to the California Public Utilities Commission and Big Basin Water Co. Letters should reference "Big Basin Water Company, AL 83-W 2023 General Rate Case."

California Public Utilities Commission, Water Division at 505 Van Ness Avenue, San Francisco, CA 94102.

Big Basin Water Co. at P.O. Box 197, Boulder Creek, CA 95006, ATTN: Jim Moore.

plumasnews.com

Four fire districts vote to form one entity in Eastern Plumas County; residents vote in November

Editor

4–5 minutes

Four boards of directors unanimously voted in favor of pursuing the formation of one fire protection district (FPD) in February and March of this year to serve the Eastern Plumas County area. The current fire and emergency services provided by Beckwourth Fire District, Sierra Valley Fire District, Gold Mountain Community Services District and the City of Portola would be reorganized into one FPD to provide services within the proposed FPD boundaries.

The effort to reorganize into one unified FPD began in 2020 with the formation of the Local Emergency Services Study Group (LESSG), which initiated a feasibility study in 2021 to determine if the formation of one FPD would be in the best interest of the communities that would receive fire and emergency medical services (EMS). The study confirmed substantial benefits to forming one new FPD with coordinated fire and EMS divisions representing each existing stations to serve Eastern Plumas communities.

“LESSG spent significant time vetting options about how to best fulfill fire and EMS services within the region given the constraints of funding, volunteer staff and operational inefficiencies,” says Cary Curtis, LESSG’s Vice Chair. “The clear choice was provided in the feasibility study and all participating agencies unanimously agreed and adopted resolutions to proceed with filing an application with the Plumas Local Agency Formation Commission (LAFCo) for the reorganization of one new FPD, Beckwourth Peak Fire Protection District,” states Curtis.

Currently, the four agencies provide services within confusing boundaries or respond to calls located outside of any of the four jurisdictions' boundaries. By forming one FPD with clear boundaries, 911 dispatchers will no longer need to troubleshoot which agency to call for service and properties currently outside of any existing jurisdictions will be included.

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"The majority of calls we receive are medical related," said Fire Chief Russell of Beckwourth FPD. "Response time is critical. By having one FPD receive the emergency call and then dispatch the closest EMS team will make a significant difference in expediting response time."

While the four agencies providing services will be dissolved, the existing six fire stations within the boundaries of the proposed FPD will be retained under the new FPD, including station buildings, equipment and vehicles.

In November, registered voters within the proposed new FPD boundaries will vote on a 3-part ballot measure: 1) new FPD formation, 2) approval of a special tax, 3) election of Beckwourth Peak FPD Board members. The special tax would replace the existing special taxes and assessments used to fund community fire and protection services provided by the City of Portola and Beckwourth FD; Gold Mountain would retain a portion of or all of their special tax currently assessed. Sierra Valley FD has no current taxes levied. A tax sharing agreement with the County will also be explored, which means that any tax sharing revenue with the

County will come out of property taxes already paid at no additional cost to property owners.

“We understand that the community has a lot of questions. We want to provide or explore answers to questions,” said Curtis. “We encourage the community to stay involved. Our website www.fireprotectplumas.org has a lot of educational material and an opportunity to join an email list. We will also be hosting community meetings throughout the upcoming months,” says Curtis.

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For more information about the proposed Beckwourth Peak Fire Protection District, email plumasfirestudygroup@gmail.com or complete a contact form at www.fireprotectplumas.org/contact-us.

pajaronian.com

Mayor's Message: Help shape the future - The Pajaronian | Watsonville, CA

By: Eduardo Montesino

5–6 minutes

Since my last message our clocks have sprung forward and Spring is here. As we move past the storms of the past several months, much-awaited federal help for our neighbors in Pajaro has arrived.

The President approved a major disaster declaration for Santa Cruz and Monterey counties earlier this month. Residents with storm damage from Feb. 21 and later are eligible for individual assistance. In addition, the disaster recovery center in Watsonville (250 Main St.) continues to be open, assisting residents. It includes Federal Emergency Management Agency (FEMA) staff, the California Office of Emergency Services (CalOES), and various state, local and community agencies.

We are currently taking applications to provide 40 current and incoming high school juniors and seniors a Summer in the City program which is a partnership between the City of Watsonville, Pajaro Valley Unified School District and opportunity to gain career readiness skills, foster interest in leadership and civic matters, and create a voice for youth to address real city issues. Students must be enrolled at Watsonville High, Pajaro Valley High or Aptos High to participate. The program runs from June 12–July 14 from 8:30am to 4pm. Not only do students receive 10 elective credits at program completion, one college credit unit from Cabrillo College, but they

are provided a \$1,000 stipend. Please go to our City website at cityofwatsonville.org for more program information and application.

Our library continues to have exciting activities like Sewing 101 for Absolute Beginners. Get ready to learn to sew! Learn about the various parts of a sewing machine, beginner vocabulary, and techniques. Attend our absolute beginner session on Tuesday, April 18 from 4-5pm at the Freedom Branch Homework Center. Join us virtually on April 27 at 5pm for our second author talk with New York Times bestselling author William Kent Krueger as he discusses his newest book in the Cork O'Connor series, "Fox Creek," and his numerous other works.

Looking for a new podcast to listen to during your commute? While you take a walk outdoors? We invite you to listen to Watsonville Public Library's new podcast called Biblito. Our hosts will discuss books, what to read next, and community and cultural topics. The Biblito podcast will be released on a monthly basis on Tuesdays at 6am on our library website and on Spotify.

Be on the lookout for many upcoming opportunities to provide your input as we embark on developing our 2050 General Plan to help guide our community's growth, change and development. One such opportunity is an April 19 virtual workshop from 5:30-7:30pm where residents can provide input and discuss what they envision for Watsonville over the next 25 years. This workshop is one of many upcoming community outreach efforts. Be a voice for your community and help make decisions impacting residents in Watsonville and the Pajaro Valley.

March was a busy month with our Watsonville Police Department partnering with the local National Alliance of Mental Illness (NAMI) office to host a free mental health event for Watsonville residents. The event was provided in Spanish with over 50 participants attending. Seeing the participants engage in the conversations and provide support to community members who told their stories was

truly inspiring! People talked about their experiences, which to me, proves the value of providing a safe space that allows people to be vulnerable without judgment.

Our Fire, Police and Public Works departments participated in Pajaro Valley High School's "Public Safety & Public Works" event. Staff met with students during their lunch hour in the quad area to learn about career opportunities. Our Fire Department continued to open its door to school visits, hosting 40 kindergarten students at Fire Station I for fire prevention education and a station tour.

Along with our Mayor Pro-Tem and Councilmembers Orozco and Dutra, we traveled to Washington, D.C. to meet our state's federal delegation. Discussions with Congresswoman Zoe Lofgren, Congressman Jimmy Panetta and Senator Alex Padilla focused on important infrastructure investments, including a levee restoration project slated for 2025, necessary to build a resilient and vibrant Watsonville. We thank them for their time, efforts and eagerness to engage in these open dialogues.

Finally, the City Council is looking for applicants for various boards and commissions. Applicants must be qualified registered voters in the City of Watsonville (except for Zone 7 appointees). Applications will be accepted on a continuous basis until appointments are made. Currently vacancies exist in the Library and Personnel Commission.

Until next time, Watsonville.

Mayor's Message is a recurring column from Watsonville's mayor.

lookout.co

City of Santa Cruz, UCSC in talks to possibly end lawsuits over enrollment and housing plans - Lookout Local Santa Cruz

Hillary Ojeda

11–14 minutes



Quick Take

UC Santa Cruz and the City of Santa Cruz have been embroiled in a lawsuit since February 2022 over UCSC's plan to boost enrollment by an additional 8,500 students by 2040. The Long Range Development Plan, approved in 2021, set off a wave of lawsuits from the city and the county over potential worsening impacts on the region's housing market. But now, Santa Cruz Mayor Fred Keeley says the two sides are in talks to end the LRDP lawsuit and a second, separate lawsuit related to water access on campus.

Have something to say? Lookout welcomes letters to the editor, within our policies, from readers. Guidelines [here](#).


The City of Santa Cruz is in talks with UC Santa Cruz to potentially end a long-running dispute over enrollment growth and housing.

UCSC and the City of Santa Cruz have been involved in a lawsuit since February 2022 over the university's Long Range Development Plan (LRDP). The plan lays out UCSC's vision of growth, including enrolling an additional 8,500 students by 2040, bringing the total student population to 28,000. The University of California Board of Regents approved the plan in 2021, setting off a wave of lawsuits from the city and the county over potential worsening impacts on the region's housing inventory, among other repercussions.

But now, Santa Cruz Mayor Fred Keeley says, the two sides are in talks to end the LRDP lawsuit and an additional lawsuit related to water access. Keeley said that over the past month or so — including two conversations in the past week — he's spoken in person and over the phone with UCSC Chancellor Cynthia Larive and two UC regents about meeting outside of court to come to an agreement.

"The chancellor and I talked on [April 10] for what I would call a shape-of-the-table discussion, as opposed to a substantive discussion about the issues involved," Keeley said. "She is interested in having a campus-level meeting with her and their legal counsel, myself and the appropriate staff from the city and that we sit down for — I suspect more than one meeting — where we can talk with each other on the couple of pieces of litigation outside of the courts."

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Bringing self-love and self-care to Santa Cruz skin care with Terra & Self

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Keeley said their first formal meeting will be the morning of May 12.

UCSC spokesperson Scott Hernandez-Jason said the campus is interested in resolving both lawsuits.

“We are interested in continuing meetings with the city to explore agreements about our LRDP and water access that might be reached outside the courts,” he wrote to Lookout last week.

At the UC regents meeting last month, Keeley [publicly supported the UCSC's Student Housing West project](#) and also publicly commented that the city wanted to reach an agreement outside of litigation. City Attorney Anthony P. Condotti described Keeley's gesture at that meeting as the city extending an “olive branch.”

“My opinion is litigation is a sign of failure, not a sign of success,” Keeley told Lookout earlier this month. “And if it's possible, if the regents want to, if the [UC] Office of the President wants to — it was a sincere offer from the city — we would like to see if we can make something happen. If the answer's no, then the litigation moves along.”

Litigation and LRDPs

Tensions have simmered for decades between city officials and the university over UCSC's future enrollment plans. City leaders have pushed for caps on UCSC's enrollment growth over concerns about

traffic, housing and water, while the university continues to face pressure to admit a growing number of students eager to gain the skills to compete in a rapidly changing global economy.

In its lawsuit over the 2021 LRDP, the city contends that UCSC's plans don't adequately consider the impact on the local community if the university were to fail to house all of its projected new students.

City officials say that delays in building on-campus housing have already exacerbated the Santa Cruz rental market — which was determined to be the [second-least affordable](#) in the country last year.

Throughout the dispute over the 2021 LRDP, the city has pushed for a binding commitment that the university would house all of its new students to reduce impacts on the local rental market, but the university has refused. The County of Santa Cruz filed a similar lawsuit around the same time last year.

It wouldn't be the first time UCSC signed a binding commitment to house a percentage of newly enrolled students. Local officials pushed for a binding agreement from UCSC following the approval of the previous LRDP, which dates back to 2005 and was replaced in 2021 when the new LRDP was approved.

The city, county and nine citizens filed a lawsuit challenging the 2005 LRDP on the grounds that its environmental impact report needed a better analysis of the effects on water, traffic and housing. The parties hired a mediator in 2007 and reached an agreement in 2008.

As part of that settlement, the university was required to house two-thirds of its newly enrolled students and cap enrollment growth at 19,480 through 2021, down from a planned 21,000, according to Ryan Coonerty, who helped negotiate the deal while on the Santa Cruz City Council.

“It’s a perennial issue,” said Coonerty. “For the 2005 LRDP we entered into negotiation, and for the first time, we got a binding commitment by the university to address housing, water and traffic and to tie their commitments to enrollment. It wasn’t a perfect agreement, but I think it provided a framework for the city and the university to not be in perpetual litigation.”

He said the university complied with all the requirements in the settlement, including adding enough beds to house two-thirds of newly enrolled students. UCSC has not built any new student housing since 2002, but it has increased capacity by adding additional beds to existing rooms — turning doubles into triples, for instance.



(Kevin Painchaud / Lookout Santa Cruz)

While serving on the county board of supervisors, Coonerty tried to reach another binding agreement with UCSC in 2021 over its newest LRDP. By that time, the housing situation was significantly worse in the community, and the city and county wanted the university to agree to house 100% of new enrollment.

“I was involved in negotiations trying to reach a settlement

agreement for this, but unfortunately didn't get it," Coonerty said. "One thing that I keep coming back to is, it's easy to think that the university and this city, or the community, are at odds, but in actuality — I teach up there — the faculty, staff and students suffer just as much from a lack of housing as community members."

Sources told Lookout that during the 2021 negotiations, Larive, along with county and city officials, were working on another binding agreement that would work for the new LRDP that linked housing and enrollment.

But, the sources said, lawyers for the UC regents opposed the plans because the UC system was under pressure to increase enrollment and didn't want to create a precedent for other UC campuses struggling to build housing in other cities.

After the conversations fell through in late 2021, the city filed its lawsuit in February 2022, and the county also filed its complaint.

When asked about the description of how Larive pursued a new binding agreement until UC regents' lawyers stopped it, Hernandez-Jason said the account was "not accurate," but declined to elaborate.

"Campus, city and county leaders signed an agreement prior to the approval of the LRDP that laid the groundwork to have formal discussions about charting a path forward and resolving concerns connected to the 2021 LRDP," he wrote via email. "Those focused conversations began in earnest in fall 2021, but did not achieve the resolution that we had hoped for."

Keeley said the University of California has constitutional independence, and sticks to tradition — the institution doesn't make decisions in isolation, because what happens on one campus can affect what happens on another.

"They are reluctant to engage in precedent-setting actions," he said. "So they're incredibly careful and I think they should be. I don't

disagree with that one bit. But we're now at a place where ... everybody seems to think that sitting down, trying to work something out on our two pieces of litigation could be fruitful."

Other UC campuses, including UC Davis and UC Santa Barbara, have seen similar battles with the cities they inhabit. Eventually, UC Davis, the City of Davis and the County of Yolo signed a [memorandum of understanding in 2018](#) that included a commitment for the university to "provide on-campus housing for 100% of the actual student population in excess of the baseline enrollment of 33,825 students." The agreement also included a timeline for new projects.

The MOU is a "softer" agreement than a legally binding commitment requiring the university to house all of its new students, Keeley says. For any bed that isn't delivered within six months of the agreed-upon timeline, UC Davis pays local governments \$500, split 80%-20% between the city and county. The established deadlines for new housing could also be amended for reasons outside the university's control, including third-party litigation.

A promotional graphic for 'Lookout' membership. On the left, a white rectangular box with an orange border contains the text 'UCSC & Cabrillo students get a' in orange, 'FREE Lookout' in large black and blue font, and 'membership' in orange script. To the right of this box, the text 'Learn more & sign up here' is in bold black, with 'Plus special deals for faculty and staff' in a smaller black font below it. An orange arrow points to the right.

While Keeley said he doesn't imagine necessarily using contracts like Davis' as a model, he thinks there's an opportunity for compromise, considering that two other UC campuses have reached agreements around housing and student enrollment. He wouldn't say what, if anything, the city would concede in order to strike a compromise with UCSC.

County Board of Supervisors Chair Zach Friend told Lookout

recently that he would be open to starting conversations with the university to end the county's lawsuit over the LRDP, but added that it's a decision for the board as a whole.

"Ultimately, we need to ensure these students have housing, and locating the housing on campus has always been the covenant," he said.

Other barriers to new student housing: water access

Keeley said the city is also hoping to come to an agreement with UCSC to resolve a separate lawsuit over whether the city is required [to supply water to UCSC](#) property outside of city limits. The resolution of that case could have direct impacts on the university's housing plans.

UCSC argued that an agreement signed decades ago committed the city to supplying water to the campus, including areas just outside of the city limits. One crucial area is northeast of the campus core, where the university is considering a potential pair of new residential colleges.

In August, a Santa Cruz County Superior Court judge ruled that the city isn't obligated to provide water access to the property outside of city limits. Judge Timothy Volkmann said the university had to apply to the Santa Cruz County Local Agency Formation Commission (LAFCO) to get permission to get water from the city for property outside of city limits.

The university is appealing the ruling, though Keeley says he is hopeful the appeal can also be resolved outside of court.

"We know [water access] is very, very important to them, and they know that this housing business is very, very important to us," he said. "So now, we're all motivated to sit down and see what we can get done."

C. Academic Core Infill and Expansion – Growth from Within

-
- The map illustrates the North American Urban Region, highlighting existing and proposed boundaries. Various housing challenges are identified across the region, including:
- Academic and Support Challenges and Student Housing
 - Academic and Support Expansion
 - Existing Boundary
 - Proposed Boundary
 - Storage Challenge
 - Health Challenge
 - Family Sheltered Housing
 - Local Caravan Challenge
 - Others Challenge
 - South Academic Expansion
 - Green and Market Challenge
 - Climate and Stormwater Challenge
 - Challenges 1 & 10
 - North Academic Expansion

▲ Figure 4.3 Growth from Within



-
- Academic and Support
Colleges and Student
Housing Expansion
- Academic and Support
Expansion
- College and Student
Housing Expansion
- Existing Boundary
- Proposed Boundary
- North Academic Expansion
- Northeast Housing and College Expansion
- Crown and Merrill House Expansion
- Chester House Expansion
- South Academic Expansion
- Southeast Housing Expansion
- Parker and Cheape Housing Expansion
- Northwest Housing and College Expansion
- ACADIA-CHESTER AREA

▲ Figure 4.4 The Expanded Ring

UCSC's 2021 Long Range Development Plan shows areas for potential growth of student housing — including two pairs of residential colleges, as seen in the map on the right — for the next 20 years.

(Via UC Santa Cruz)

santacruzsentinel.com

Branciforte fire OKs special benefit election

Jessica A. York

4–5 minutes

SANTA CRUZ — Nearly 800 ballots soon will begin showing up in the mailboxes of Happy Valley property owners in early June.

The question put to voters: Will they agree to tax themselves enough each year — about \$1 million the first year — to fully staff the Branciforte Fire Protection District's single fire station round-the-clock?



The Branciforte Fire Protection District board votes to send a special benefits assessment ballot to voters in June. The election

will determine the future of the district's sole fire station. (Jessica A. York — Santa Cruz Sentinel)

The decision is posed to a community that has leaned heavily on a largely volunteer fire force in the past three-quarters of a century and comes ahead of the district's planned merger with neighboring Scotts Valley Fire Protection District. Amidst the contentious debate, which has been brewing for years, two of the district's board members resigned in the past six months. A Local Agency Formation Commission of Santa Cruz County report last year found that Branciforte Fire had the lowest accreditation rating of fire agencies in the county and served about 1,700 people in 9 square miles out of a single fire station.

Scotts Valley fire officials have indicated their willingness to provide services to the Happy Valley community, with or without the fire station's continued operation, once the merger is complete.

On Thursday, three of the five-member Branciforte Fire Protection District board voted to approve the launch of the special benefit assessment election. Directors Tim Dodds and Fareed Rayyis were absent from the meeting, which drew about 10 community members.

Board Director Marilyn Kuksht acknowledged on Thursday that the parcel assessments were "quite high" and said that the board is asking people "to pay a lot if the station is to stay adequately staffed and open."

"The board could have said, 'Oh, that's too high, we're not going to take a vote, forget it,'" Kuksht said. "That would not have allowed the opportunity for the district to have input on a significant matter, which is closing down a station."

As part of a robust public outreach effort, one of four public workshops on the proposed assessment is set for Saturday morning as a drop-in open house at the Branciforte Drive fire

station.

The special election will be decided only by the “yes” and “no” ballots returned to the district by July 19, said Kuksht. Not all ballots are created equal — those property owners with larger parcels will have a larger proportionate say in the outcome. Each property owner’s ballot will itemize what their annual tax assessment will cost — a figure determined by factors including fire risk factors, structural risk value or the cost to replace that property type, location within a fire hazard zones and travel time premiums.

“I’ve been addressing it, saying, look there are 748 ballots going out,” Kuksht said at Thursday’s meeting. “If only 50 of them are returned and 26 of them are one way or another, then 26 people decide for the district. So, it’s very very important that you go out to your neighbors to tell them to vote, one way or the other.”

The tabulation of the vote will be conducted live by district-hired SCI Consulting at a board meeting scheduled for July 20. Ballots sent by mail and arriving after the due date will not be counted, officials said. A locked ballot box is expected to be set up at the fire station.

If you go

- What: Branciforte Fire Protection District open house drop-in.
- When: Noon to 4 p.m., Saturday.
- Where: 2711 Branciforte Drive.
- At issue: District annexation to the Scotts Valley Fire Protection District and the proposed annual special benefit assessment to keep the Branciforte Fire station open.
- Information and notification sign-up: b40firedistrict@gmail.com.