

City of Watsonville

Service and Sphere of Influence Review



Adopted Version (May 3, 2023)

Local Agency Formation Commission of Santa Cruz County

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EXECUTIVE SUMMARY

Introduction

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

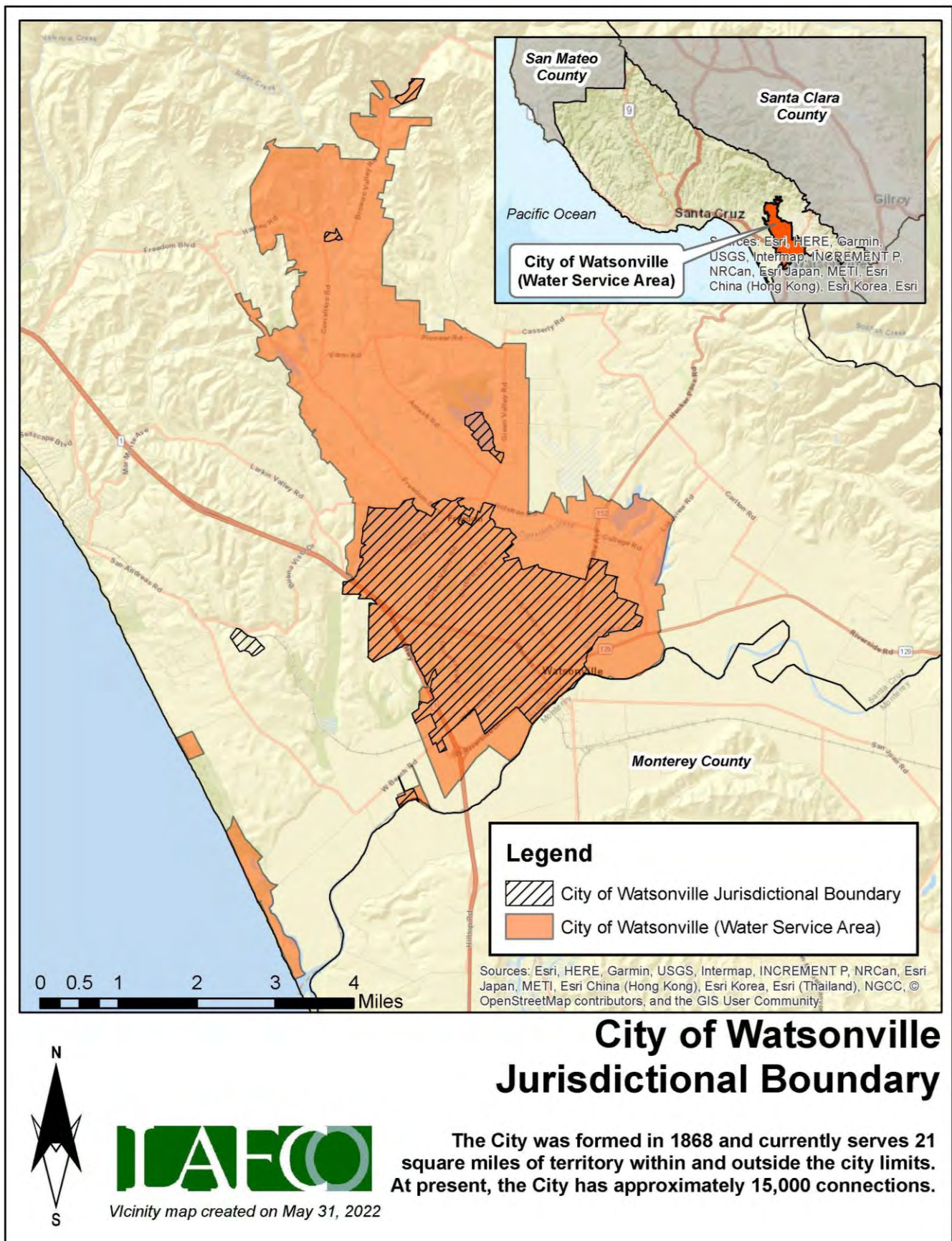
Recommended Actions

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, this 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 Watsonville's sustainability and climate action goals. **Appendix C** provides an overview of the City's sewer system and the neighboring sanitary districts. Additionally, LAFCO developed a comprehensive analysis of the sanitation districts in Santa Cruz County in 2019. A link to the comprehensive sanitation report is available on LAFCO's website: <https://santacruzlafco.org/wp-content/uploads/2019/10/Comprehensive-Sanitation-Service-Sphere-Review-ADOPTED-VERSION.pdf>

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.

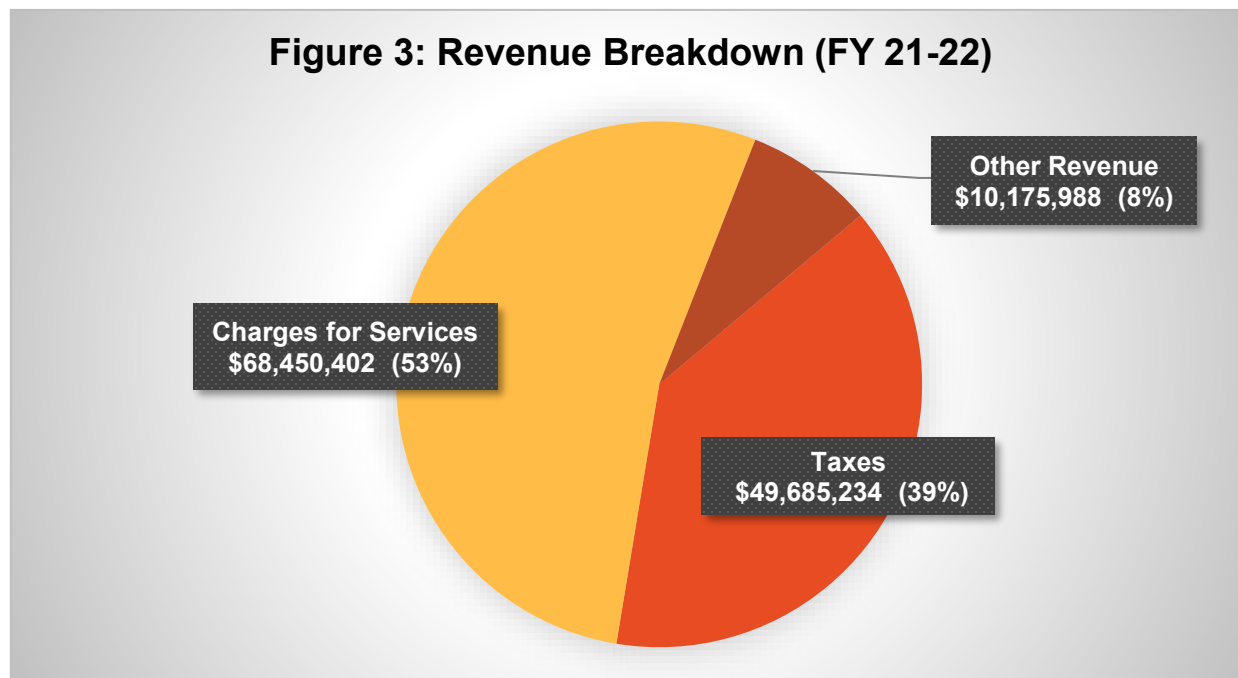
Figure 2: Statement of Revenues & Expenditures



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**.

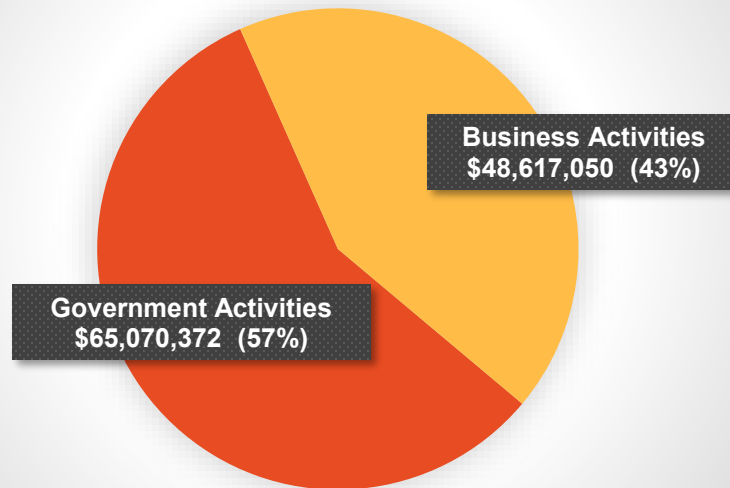
Table 2: Total Assets (FY 2021-22)

	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)**

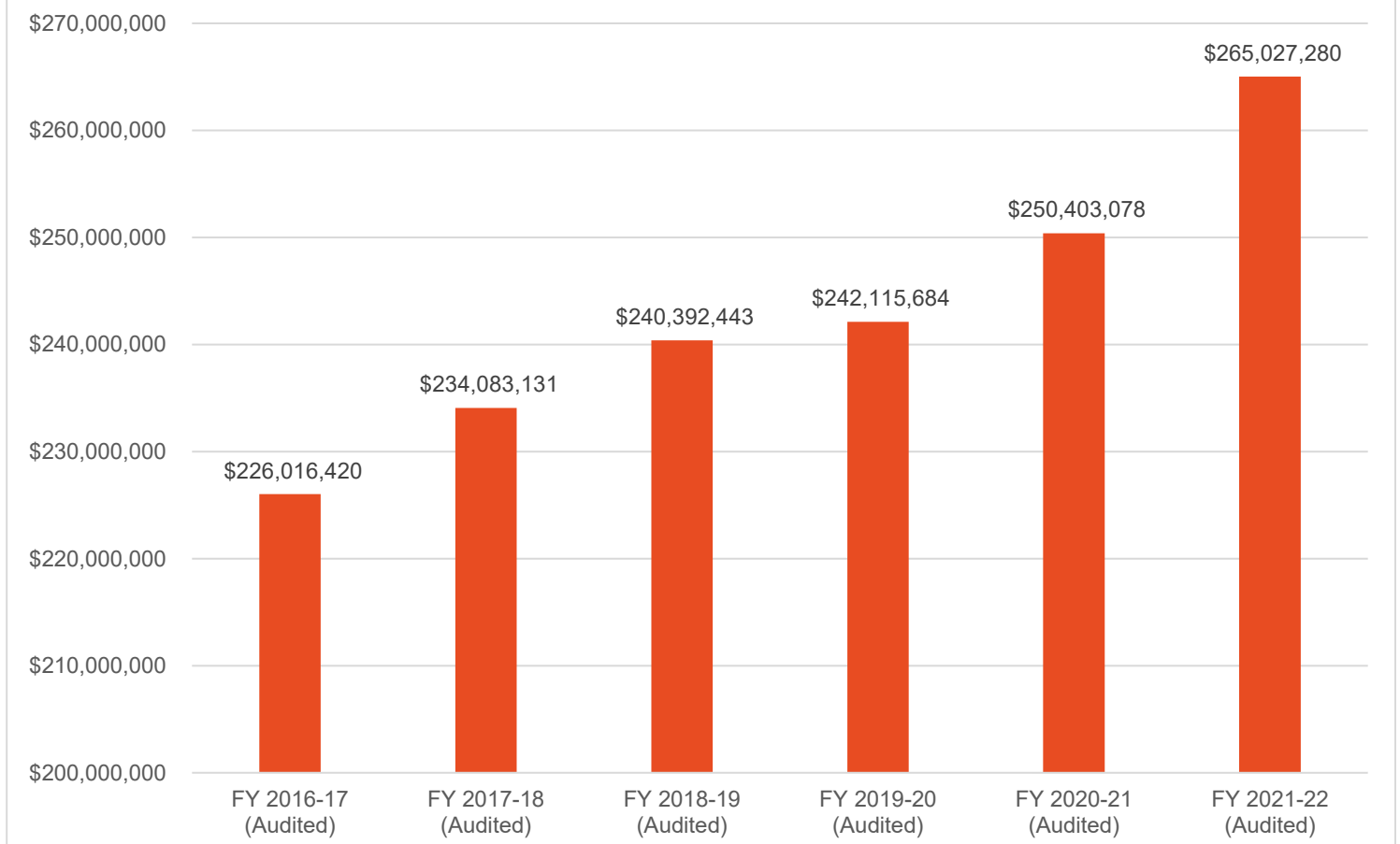


Table 5: Total Revenue & Expenditure (FY 2016-17 to FY 2021-22)

	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
<u>Capital Assets</u>						
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
Construction 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
<u>Restricted For:</u>						
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 D**).

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

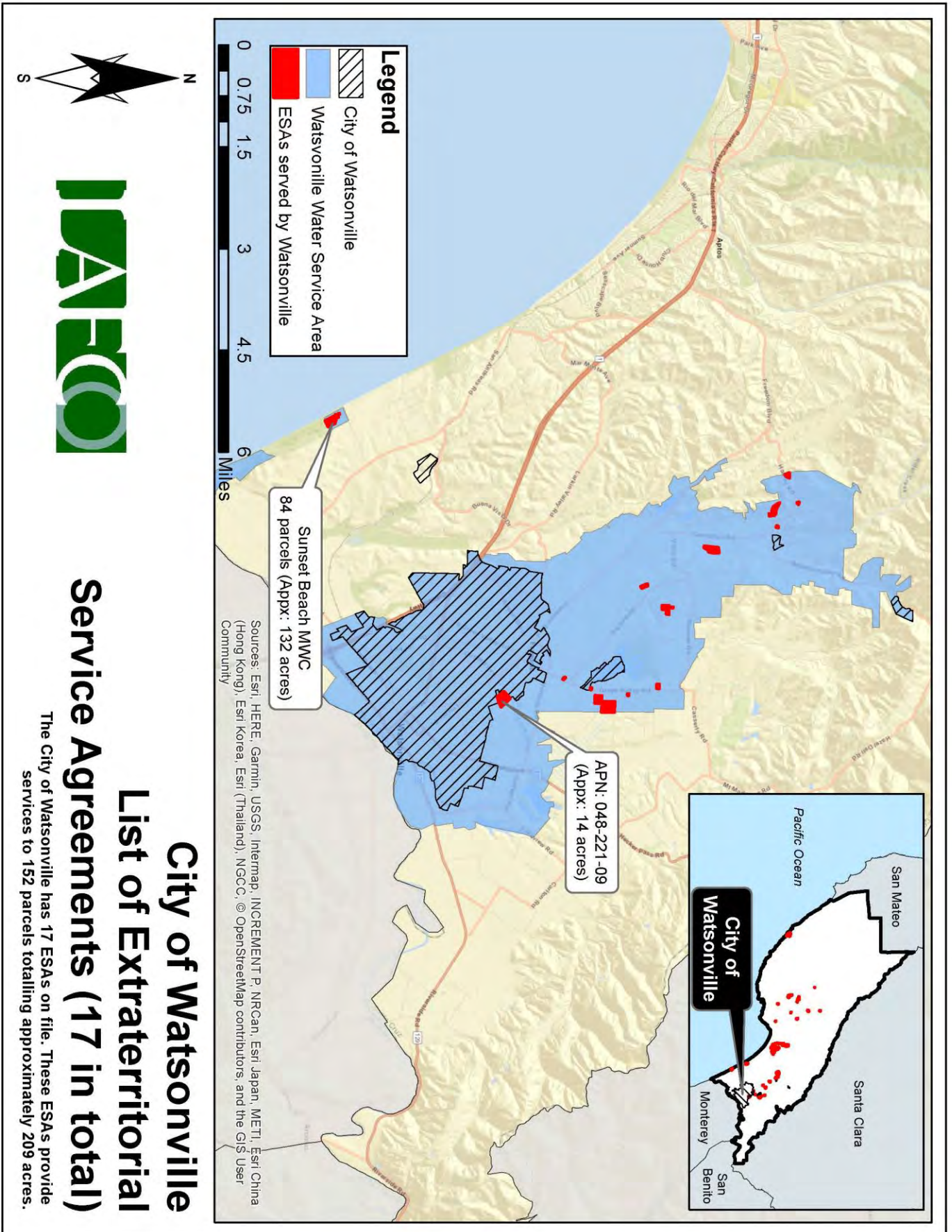
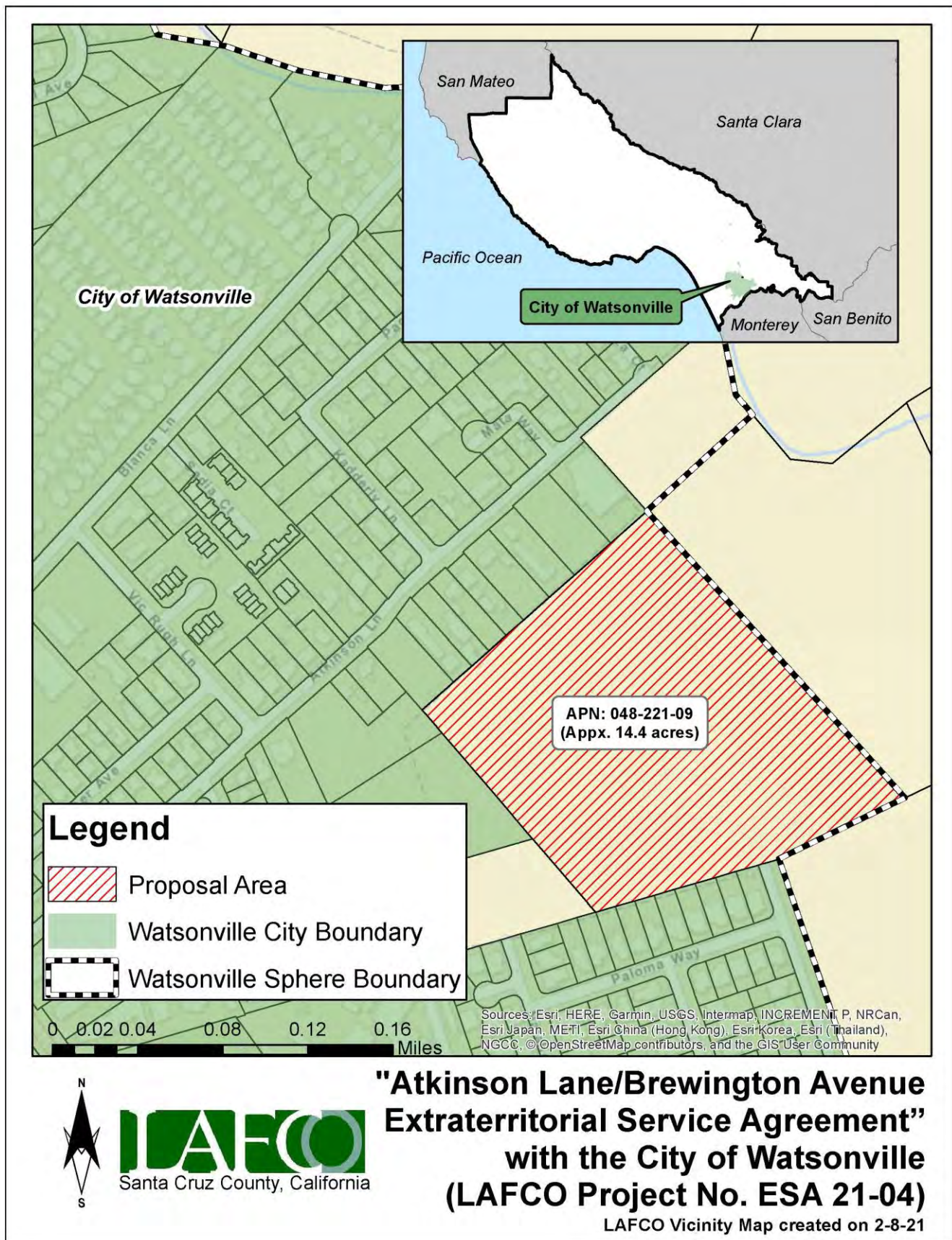


Figure 7: Most Recent Extraterritorial Service Agreement



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.

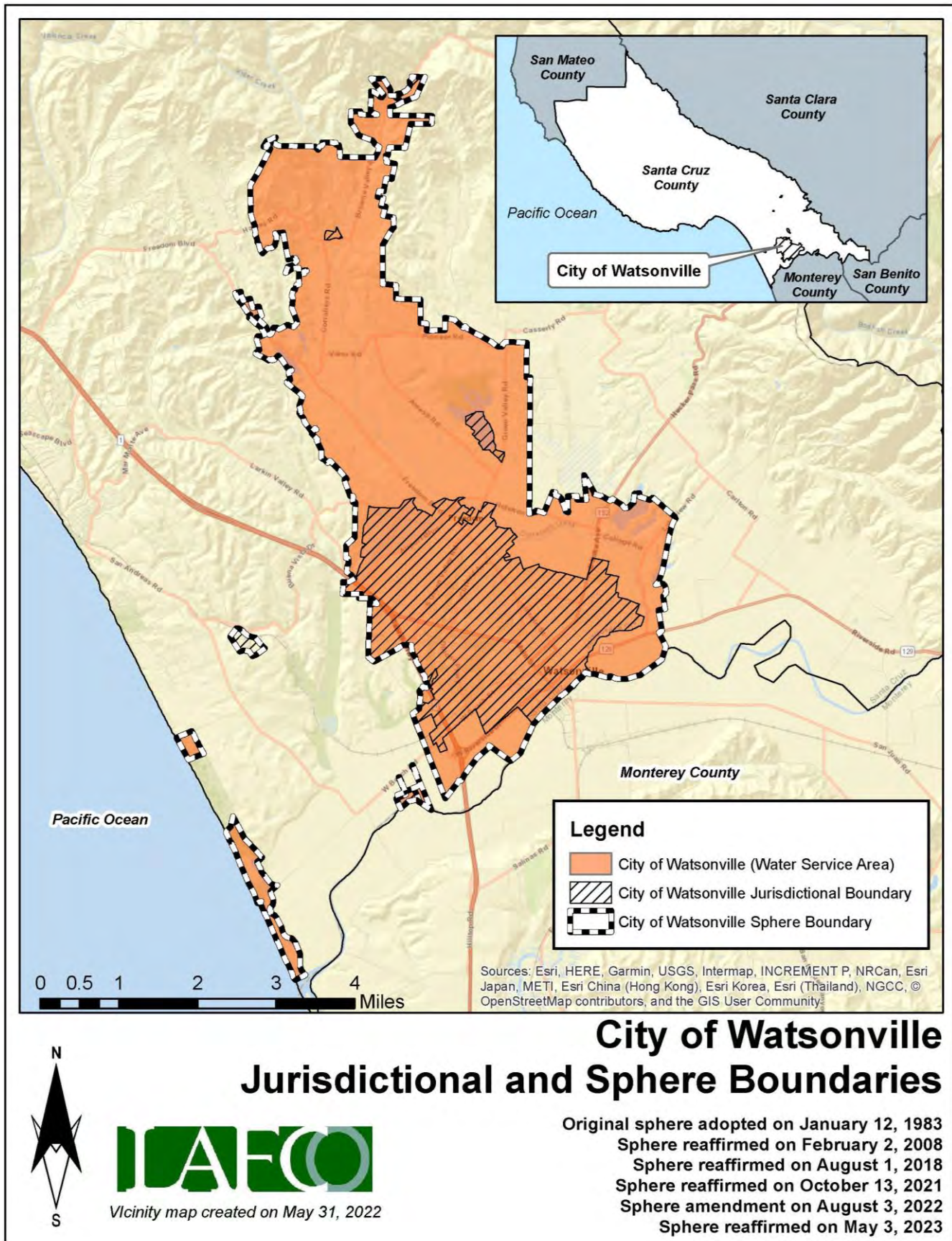
Current & Proposed Sphere Boundary

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: Overview of sewer systems in and near Watsonville

Appendix D: 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

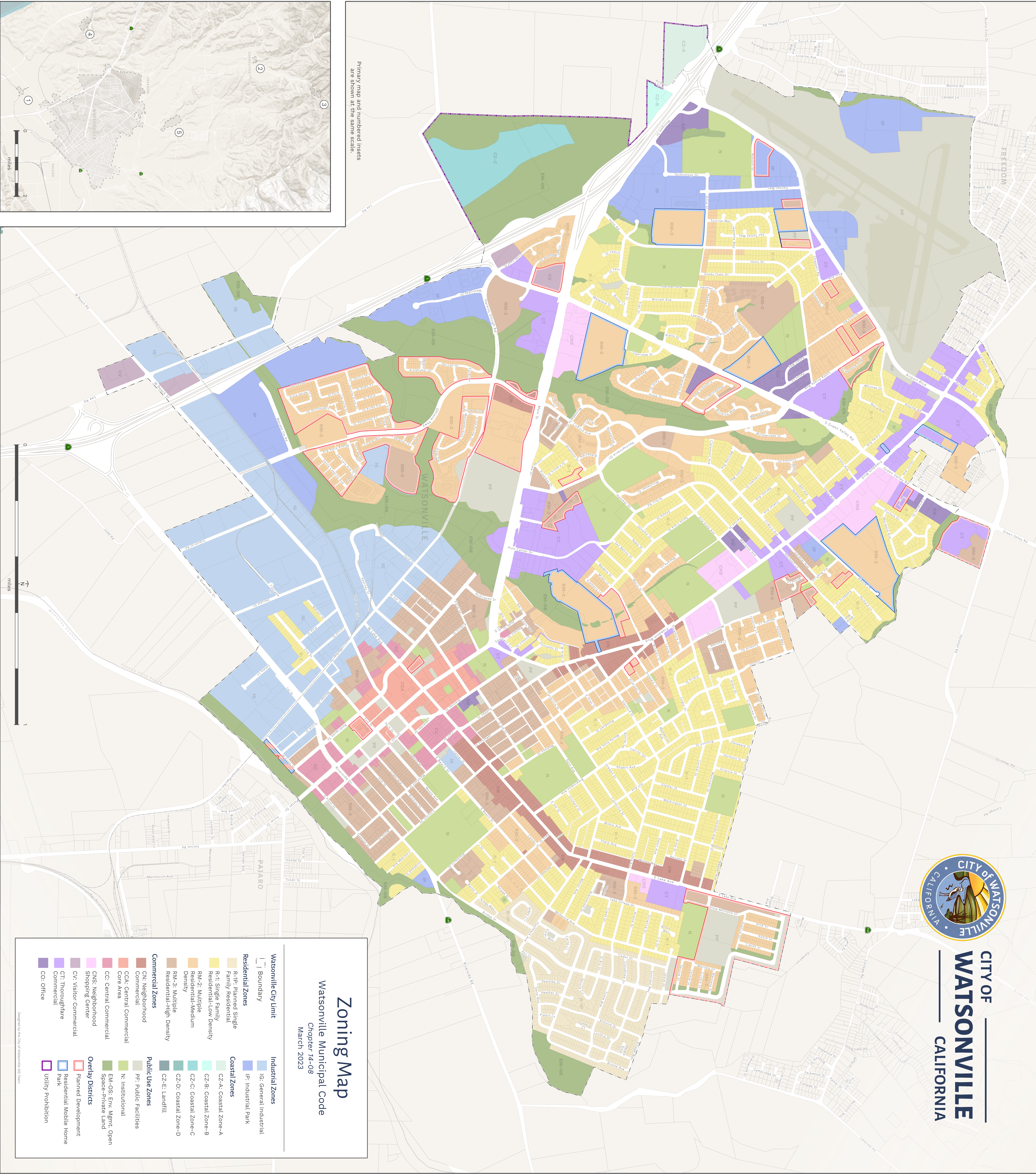
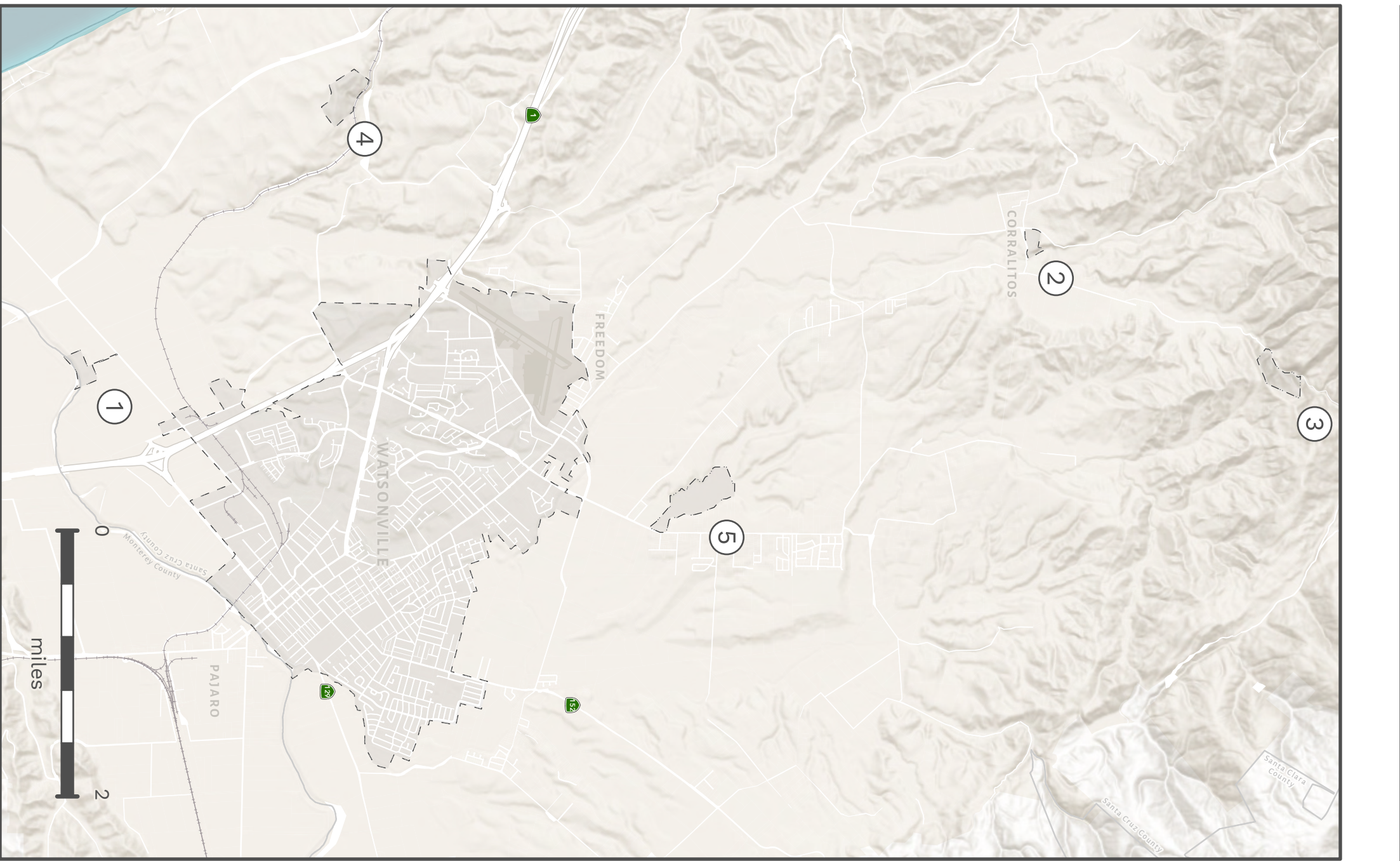
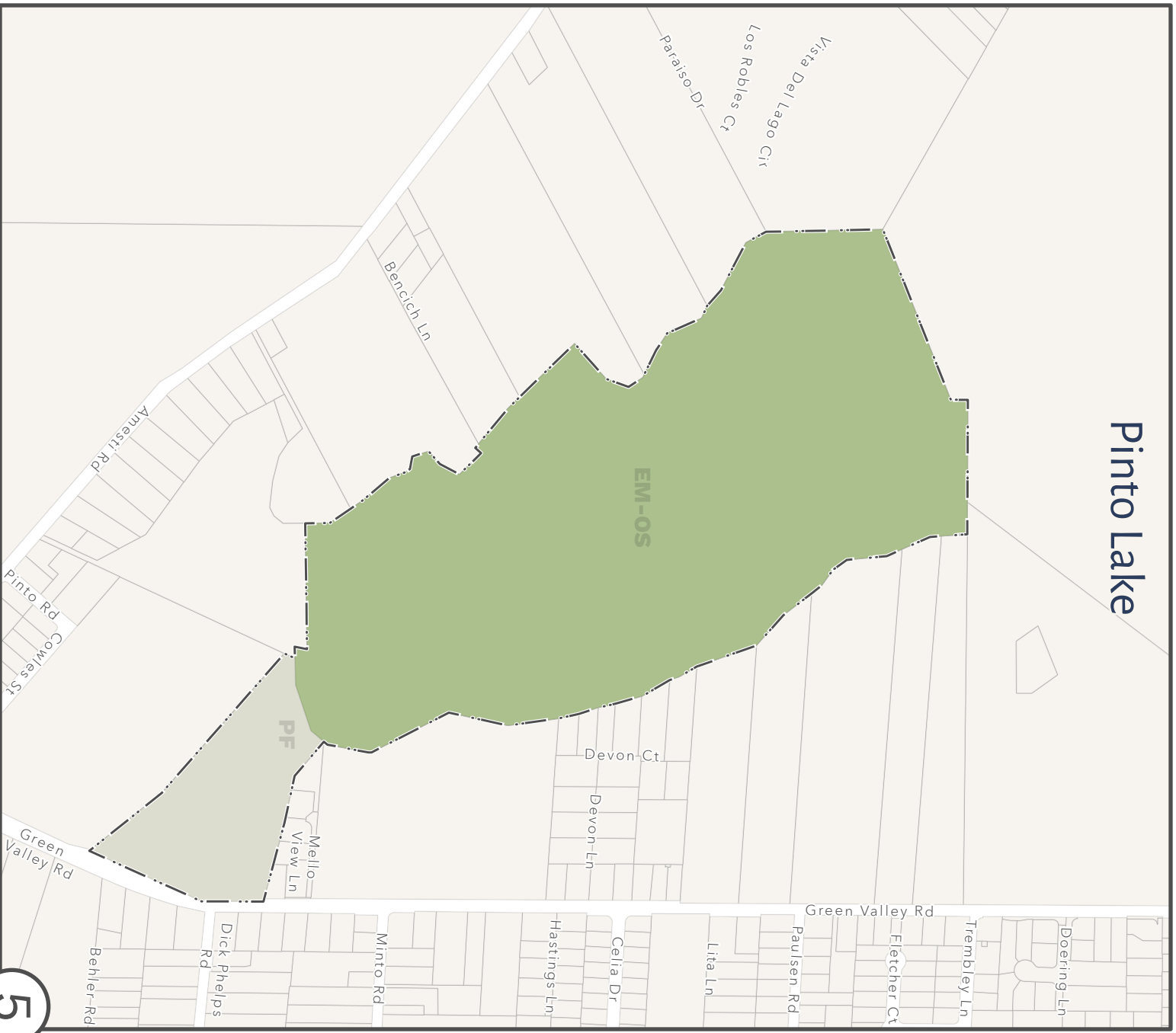
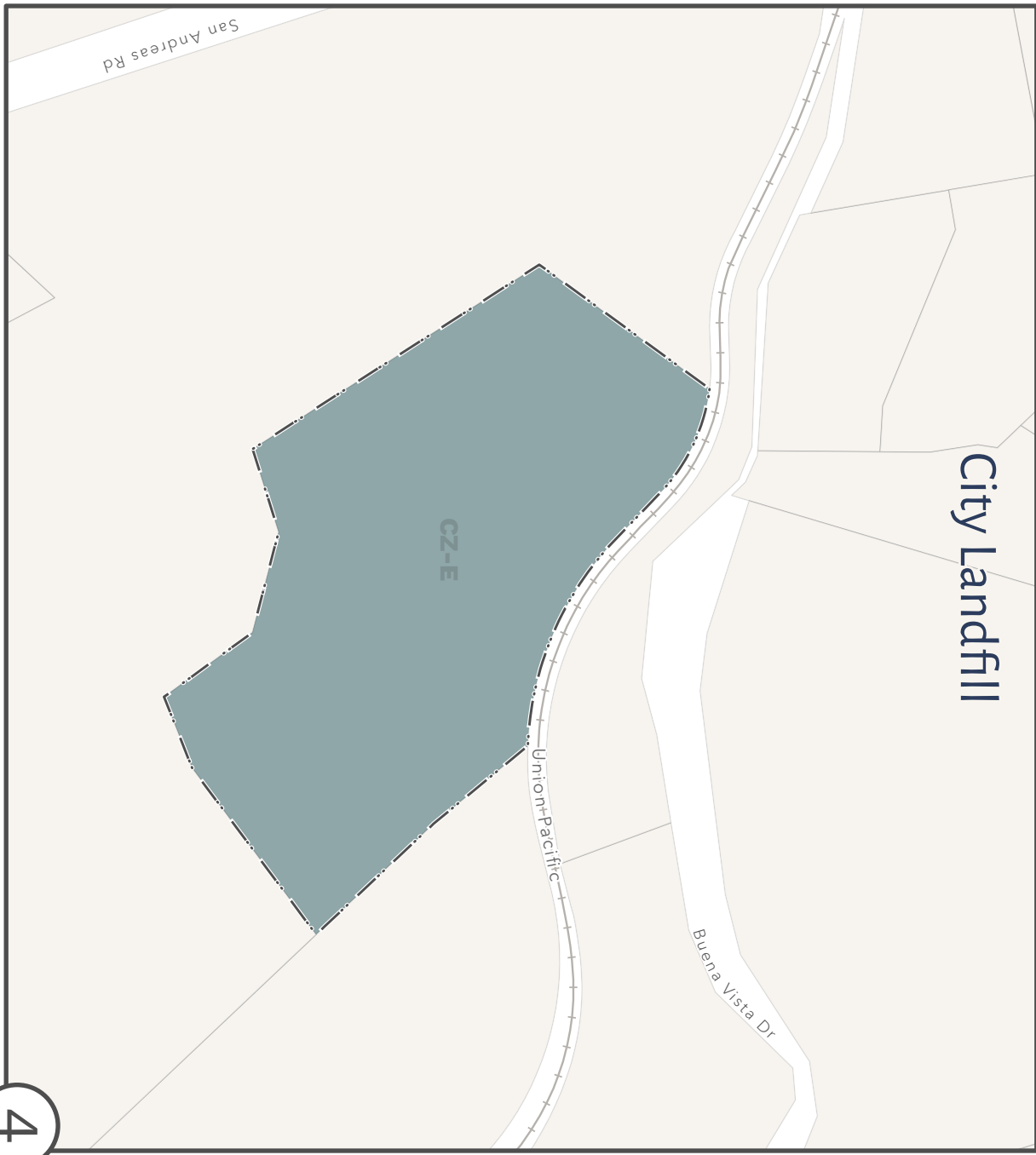
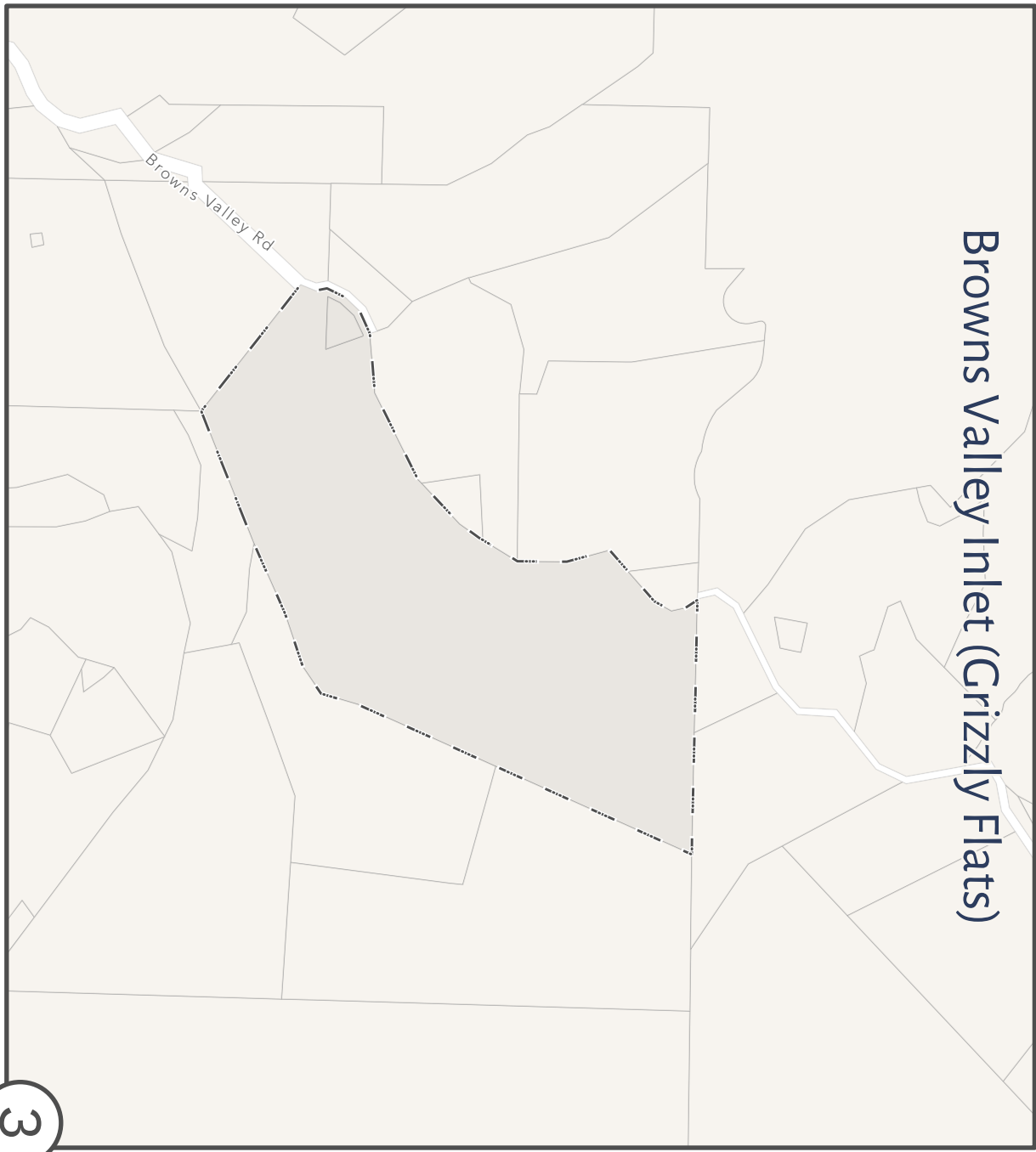
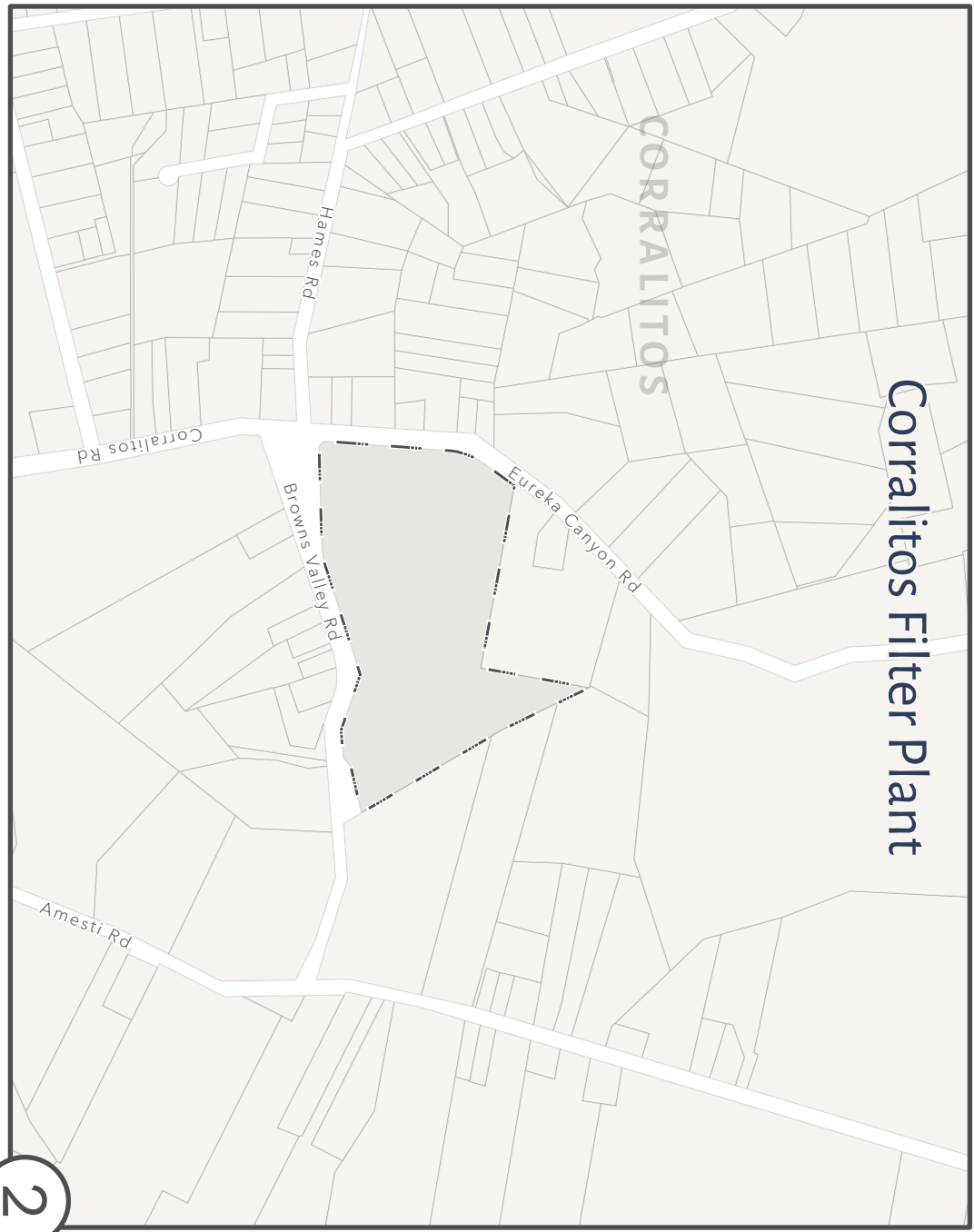
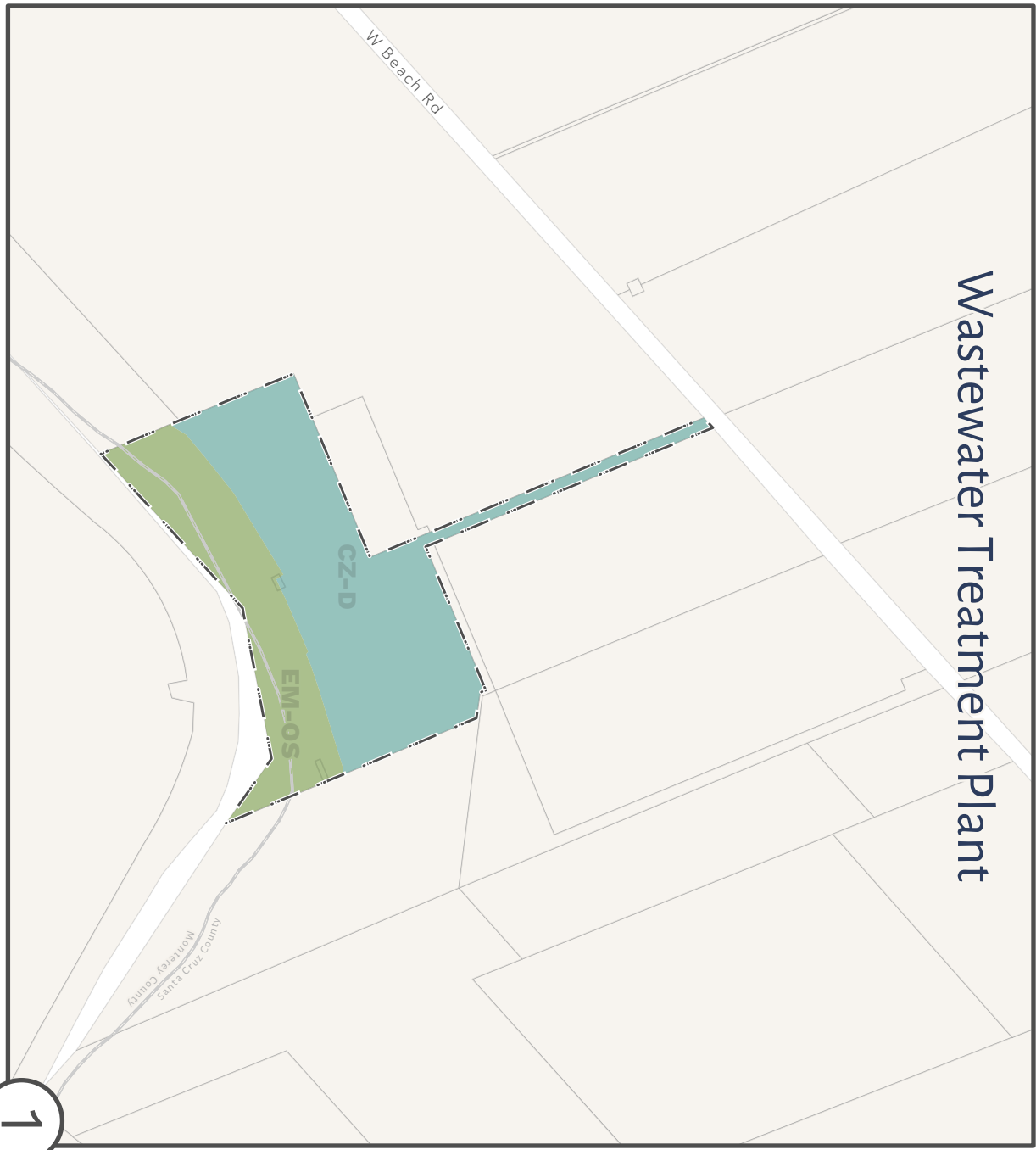
Project Number	Proposal Title	Action Date
215	Alden (Area 38) Annexation	6/17/1970
255	Airport No. 3 (Area 39) Annexation	1/20/1971
272	Airport No. 4 (Area No. 40) Annexation	4/21/1971
279	Airport Blvd. Detachment	5/19/1971
313	Levee Two Annexation	3/15/1972
365	Riverside Annexation	7/18/1973
383-A	Freedom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

APPENDIX C:

Overview of sewer systems within and near the City of Watsonville

CITY OF WATSONVILLE - SEWER SERVICES

Wastewater Division

The Wastewater Division protects public health and the environment, serving as the first line of defense in protecting the Monterey Bay's precious water quality. The Watsonville Wastewater Treatment Facility, first constructed during the 1920s, has seen its mission grow from servicing a small agricultural community to treating wastewater for tens of thousands of residents, as well as commercial and industrial businesses. Over 120 miles of sanitary sewer pipeline and 13 lift stations are used to transport wastewater to the facility for treatment where up to 12 million gallons of wastewater can be processed every day during dry weather, and 36 million gallons during wet weather.

Wastewater Treatment

The wastewater is treated to the advanced secondary treatment level for ocean discharge and advanced tertiary treatment for food crop irrigation. Both levels of treatment undergo extensive monitoring and testing to ensure compliance with all Local, State and Federal pollution prevention laws prior to being discharged into the Monterey Bay over a mile off shore, or for agricultural reuse. Biosolids, the organic residual of wastewater treatment processes, are applied to farmland used to grow hay crops for livestock. Biosolids are produced by an anaerobic digestion process which also produces methane (biogas). An energy recovery facility places the methane in a generator to produce electricity and hot water. At times, the energy recovery facility generates more energy than is needed for the entire wastewater plant and exports excess electricity to the power grid. Wastewater treatment, drinking water quality, and landfill analysis are performed at the Public Works & Utilities Laboratory located at the Water Resources Center to ensure compliance with all applicable State and Federal Laws.

Service Area

The City of Watsonville's treatment plant serves 21 square miles, composed of the city limits and the unincorporated communities of Pajaro, Freedom, and Salsipuedes. In total, the City serves a population of approximately 60,000.

Neighboring Sanitation Districts

There are two sanitation districts that are immediately adjacent to the City of Watsonville: Freedom County Sanitation District ("FSD") and Salsipuedes Sanitary District ("SSD"). Attached is a vicinity map showing the two sanitation districts in relation to the City of Watsonville (refer to **Map 1**). A comprehensive overview of all the sanitation districts in Santa Cruz County, including FSD and SSD, is available on LAFCO's website¹.

Freedom County Sanitation District

The Freedom County Sanitation District provides wastewater collection service for the Buena Vista/Calabasas area of Freedom and the Green Valley Road corridor outside the Watsonville city limits. FSD also serves three connections outside its boundaries, including one duplex, one single family dwelling, and the Pinto Lake County Park ranger's residence. The Santa Cruz County Board of Supervisors acts as FSD's Board of Directors. The County Public Works Department operates FSD's sewage collection system. The District contracts with the City of Watsonville to treat, recycle, and dispose of the District's wastewater at the city treatment plant.

¹ 2019 Sanitation Service & Sphere Review: <https://santacruzlafco.org/wp-content/uploads/2019/10/Comprehensive-Sanitation-Service-Sphere-Review-ADOPTED-VERSION.pdf>

Salsipuedes Sanitary District

The Salsipuedes Sanitary District has provided wastewater collection services to the unincorporated area northeast of Watsonville since 1965. The service area of SSD encompasses about 800 acres. Today, SSD provides services to residential properties, as well as Lakeview Middle School, St. Francis High School, Our Lady Help of Christians Catholic Church, the Santa Cruz County Fairgrounds, and several commercial businesses. The main streets in SSD's jurisdictional boundary include East Lake Avenue (Highway 152) and College Road. SSD has 512 connections, and rents an office at 739 East Lake Avenue in Watsonville. SSD has a five-person board of directors and employs a part-time Secretary-Manager. Similar to FSD, SSD also has a contract with the City of Watsonville to treat, recycle, and/or dispose sewage at the City's plant on Beach Road.

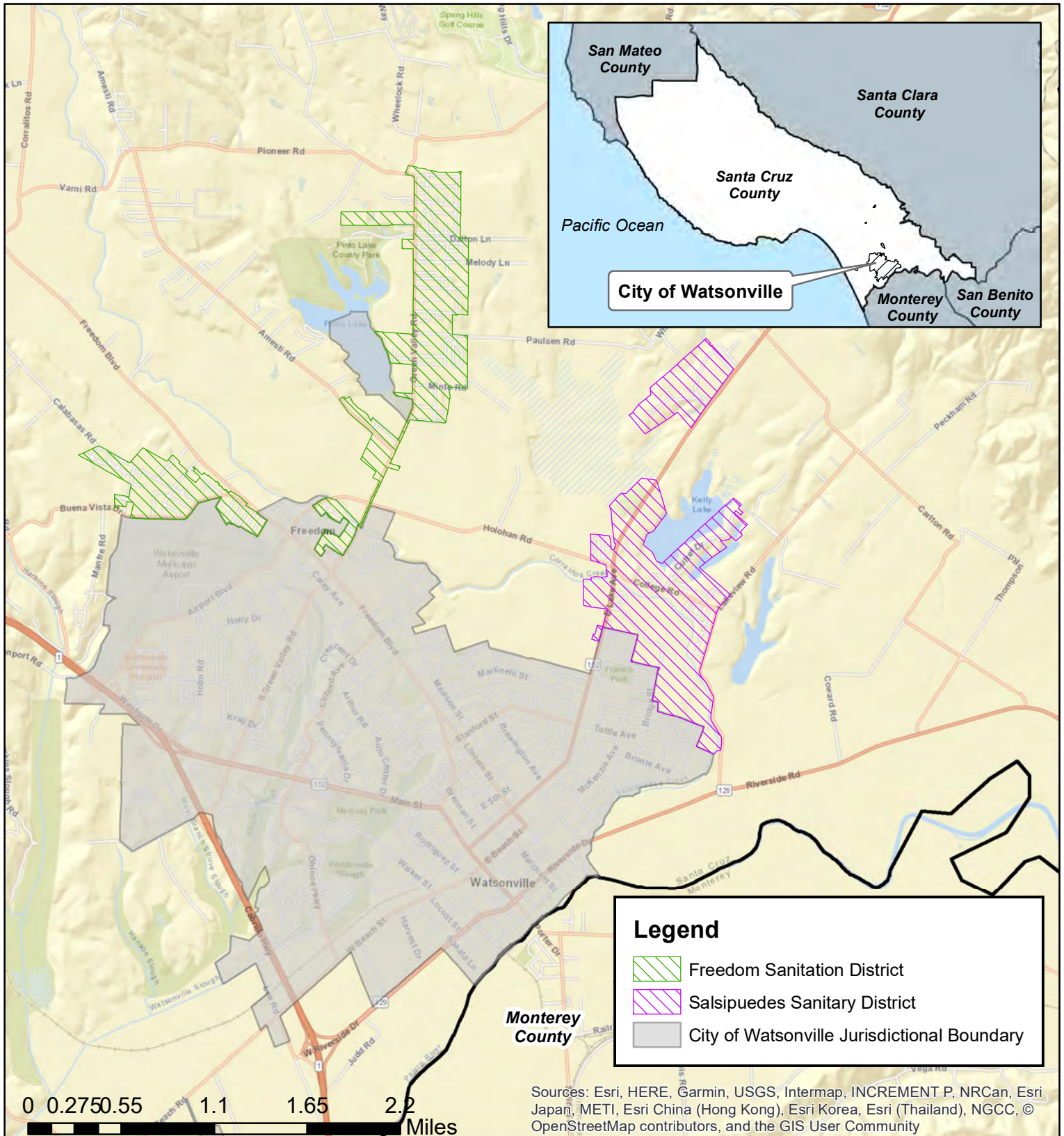
LAFCO Recommendation

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

Based on LAFCO's analysis, the City of Watsonville already provides services to the Freedom County Sanitation District and the Salsipuedes Sanitary District. It may be beneficial for the three agencies to consider exploring ways to improve their working relationship and overall service delivery model.

Private Septic Systems

There are approximately 24,000 septic systems in the rural areas of Santa Cruz County. County Service Area 12 ("CSA 12") provides funding to support the septic system inspection and maintenance programs operated by the Environmental Health Division of the Santa Cruz County Health Services Agency. In September 2023, LAFCO will publish a report that analyzes CSA 12 and the private septic systems surrounding the City of Watsonville, as shown in **Map 2**.

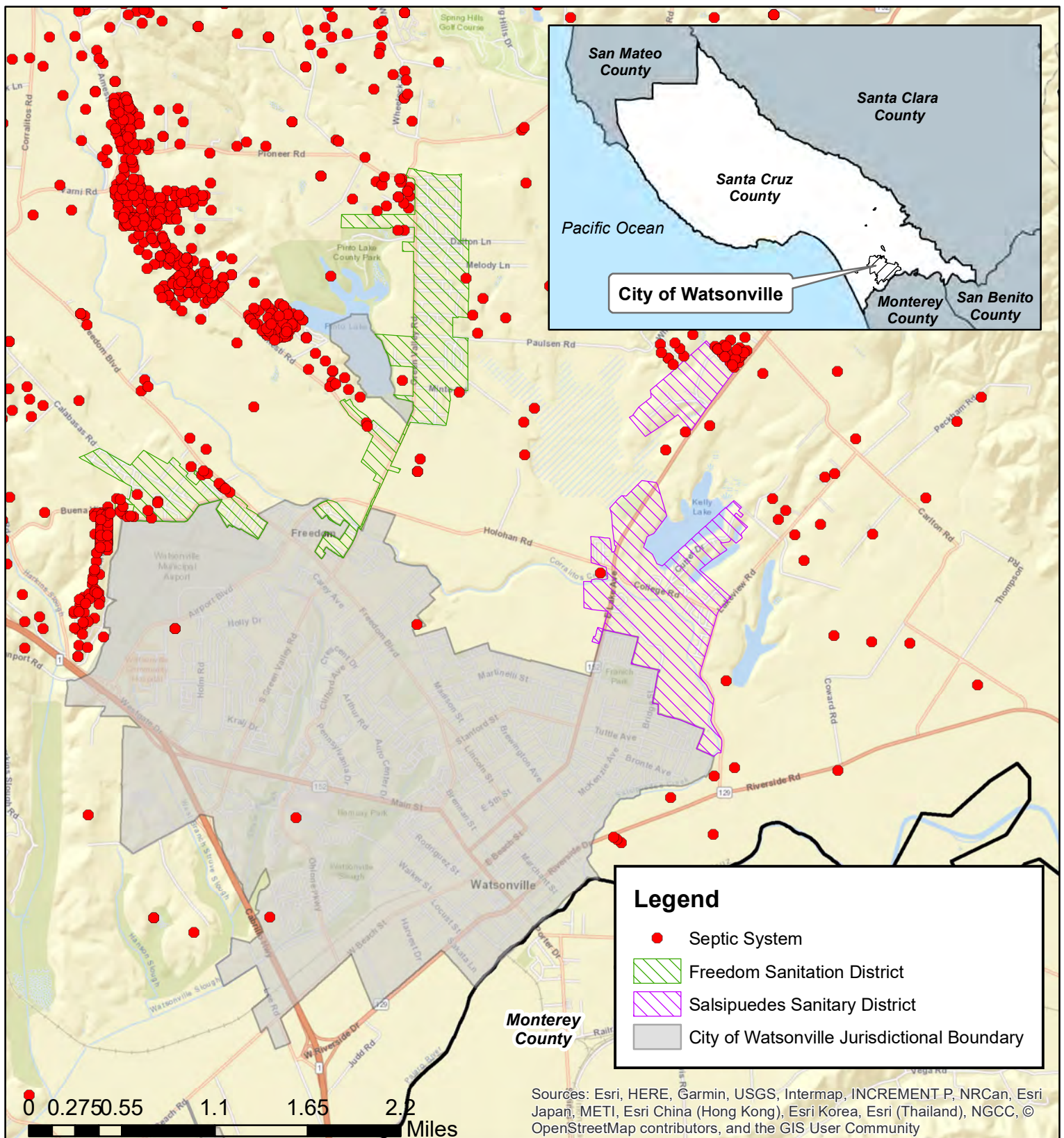


City of Watsonville (Sewer Systems Overview)

Based on LAFCO's analysis, over 120 miles of sanitary sewer pipeline and 13 lift stations are used to transport wastewater to the City's facility for treatment that can process up to 12 million gallons of wastewater every day during dry weather, and 36 million gallons during wet weather.



Two additional sanitation districts provide wastewater services to areas outside the city limits: Freedom and Salsipuedes, as shown in the map.



City of Watsonville (Private Septic Systems)

There are approximately 24,000 septic systems in the rural areas of the County. County Service Area 12 provides funding to support the septic system inspection and maintenance programs.



LAFCO will analyze CSA 12 and the private septic systems surrounding the City of Watsonville in 2023. The report is scheduled to be published in September 2023.



APPENDIX D:

LAFCO Letter Requesting Annexation Plan (dated September 2021)



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

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.

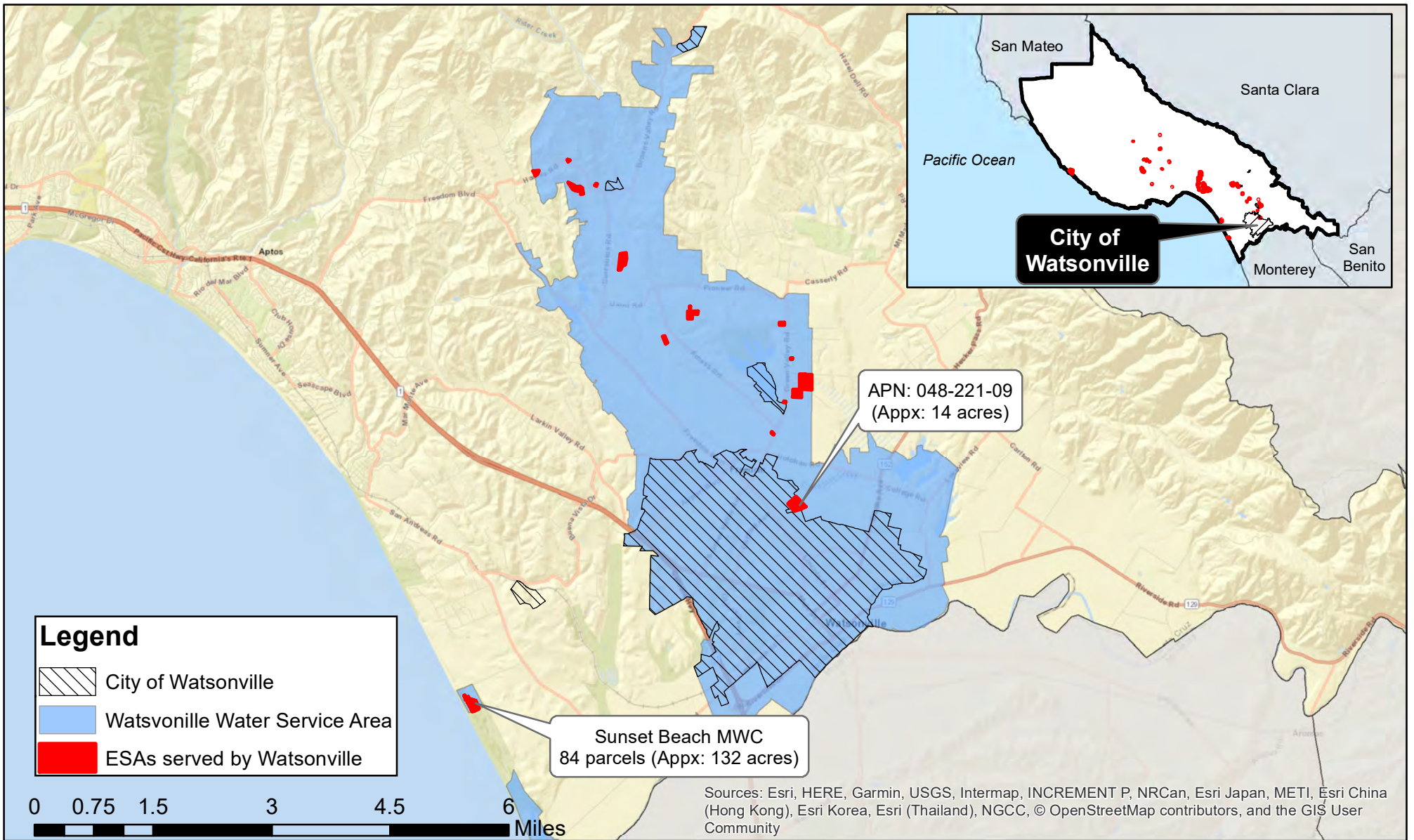
Sincerely,

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

Joe A. Serrano
Executive Officer

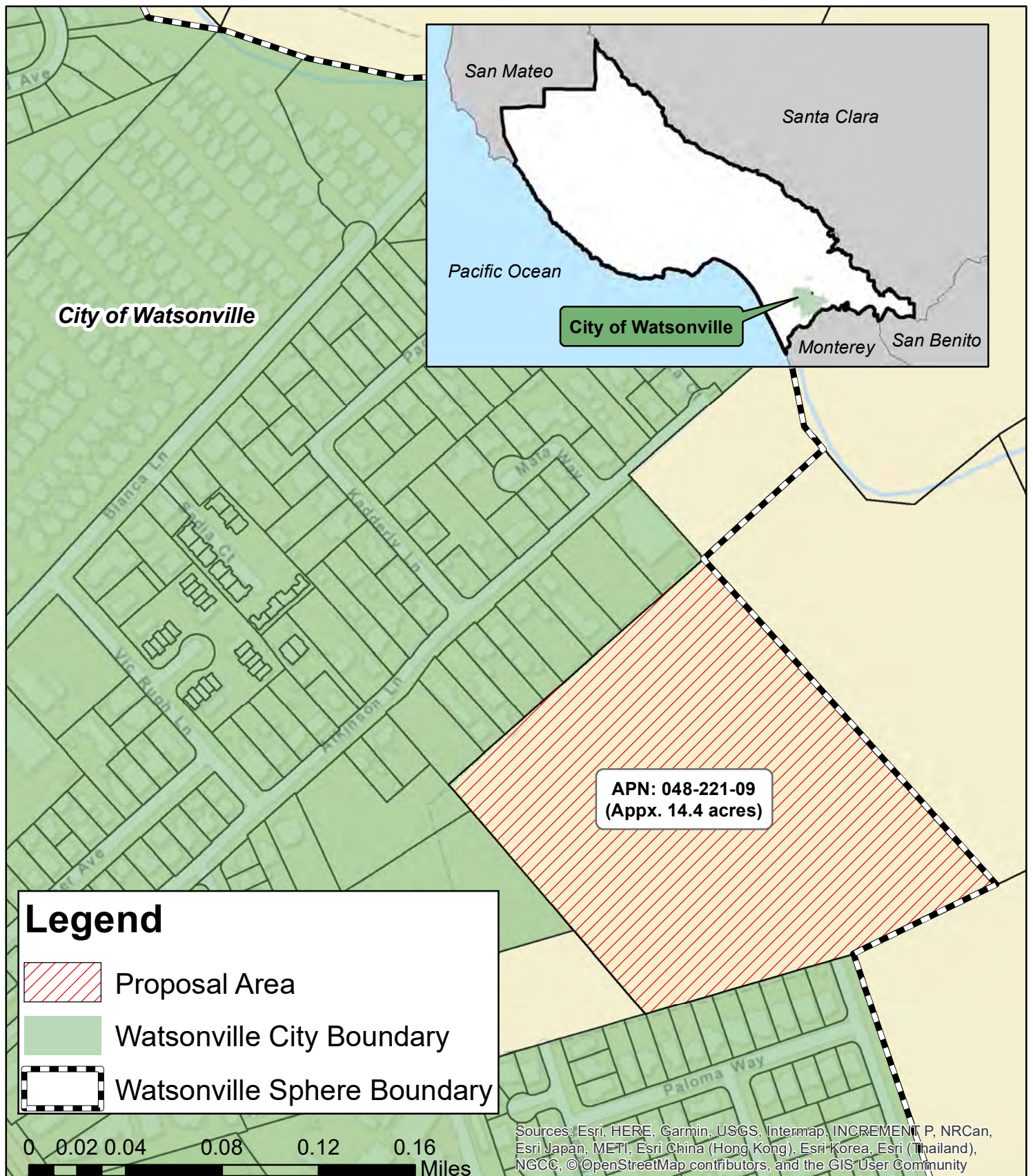
Attachments:

- 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