



Santa Cruz Local Agency Formation Commission

Date: January 10, 2024
To: LAFCO Commissioners
From: Joe Serrano, Executive Officer
Subject: **Service and Sphere Review for County Service Area 38**

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 County Service Area 38 ("CSA 38") 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 CSA 38, 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. 2024-02) approving the 2024 Service and Sphere of Influence Review for CSA 38 with the following conditions:
 - a. Reaffirm sphere boundary for CSA 38 with the condition that the County establish more transparency towards CSA 38's operation, governance, and finances. This information should be made publicly available on the County Sheriff Department's website or within a standalone webpage no later than January 30, 2025;
 - b. Review the status of CSA 38 on February 5, 2025 and consider any changes to the existing sphere boundary, if warranted; and
 - c. Direct the Executive Officer to distribute a copy of the adopted service and sphere review to CSA 38 representatives and any other interested or affected parties, including but not limited to the County Public Works Department, the County Administrative Office, and the four cities (Capitola, Santa Cruz, Scotts Valley, and Watsonville).

EXECUTIVE OFFICER'S REPORT:

State law requires LAFCO to periodically review and update the services and spheres of all cities and special districts. LAFCO staff has prepared a service and sphere review for the CSA (refer to **Attachment 1**). Key findings and recommendations are presented in the *Executive Summary* of the attached report. The review also includes an analysis of the CSA'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.

Purpose & Key Findings

The goal of this analysis is to accomplish the Commission's direction to complete a service and sphere review for the CSA 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. CSA 38 provides extended police protection countywide.

The CSA was created in 1983 as a funding mechanism to provide "extended police protection" in areas outside the four cities. However, there is no clear correlation between CSA 38 and the County Sheriff Department. LAFCO could not determine how CSA 38 provides services, how many employees operate the district, whether it has a standalone board and regular meetings, and could not locate an official webpage providing additional information, including but not limited to policies/bylaws. For these reasons, the County should clearly define CSA 38's purpose and role in the county by providing more transparency and easier access to supporting documents (ex. agendas, minutes, policies, maps, finances, etc.)

LAFCO is recommending that the County establish a webpage dedicated to CSA 38 and/or add CSA 38 related information to the County Sheriff Department's website. This task should be completed no later than January 30, 2025. If this task is not completed, the County should consider initiating dissolution by January 30, 2025 or request LAFCO to initiate the dissolution in accordance with Government Code Section 56375(a)(2)(B).

2. CSA 38 is financially stable at this time.

The CSA's primary source of revenue is from property taxes. During the last six fiscal years, the revenue and expenditures were virtually identical. CSA 38 had a zero balance in reserves until FY 2021-22, when it ended with a balance of \$9,400. The current balance represents less than half of a percent of the total budget amount. At present, financial information for the CSA is not readily available to the public. LAFCO is recommending that the County provide this information on the County Sheriff Department's website or within a standalone webpage.

3. CSA 38's sphere boundary should be reaffirmed with a condition.

LAFCO originally adopted a coterminous sphere of influence for CSA 38 in 1985. No boundary change, such as annexations or detachments, have occurred since the CSA's inception. Staff is recommending that the Commission reaffirm the existing sphere with one condition: the County establish more transparency towards CSA 38's operation, governance, administration, and finances. This information should be made available on the County Sheriff Department's website or within a standalone webpage. LAFCO is recommending that this task be completed no later than January 30, 2025.

If this task is not completed, the Commission may consider adopting a zero sphere. A “zero” sphere of influence (encompassing no territory) is adopted by LAFCO when the Commission has determined that the service functions of the affected agency are either: nonexistent, no longer needed, or should be reallocated to some other local government. In other words, a zero sphere designation is a precursor to dissolution. The Commission should receive a status update in February 2025 to determine if LAFCO’s recommendations were fulfilled and whether changes to the existing sphere boundary are warranted.

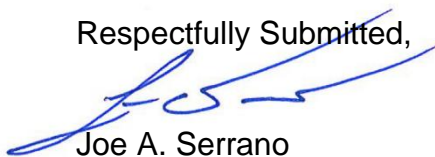
Environmental Review

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 December 12th issue of the Santa Cruz Sentinel (**Attachment 3**). The draft service and sphere review is attached to this staff report. As part of the thorough LAFCO process, an administrative draft of the report was also shared with representatives of CSA 38, including County Sheriff Jim Hart. This allowed the CSA an opportunity to review LAFCO staff’s findings and provide corrections and/or feedback before the report was finalized. The assistance of Sheriff Hart and other County representatives on this project 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. 2024-02](#)

cc: Jim Hart, Santa Cruz County Sheriff Department
Matt Machado, Santa Cruz County Public Works Department
Carlos Palacio, Santa Cruz County Administrative Office