



**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

*******SPECIAL LOCATION*******

Wednesday, February 7, 2024 at 9:00 a.m.
(hybrid meeting may be attended remotely or in-person)

Attend Meeting by Internet: <https://us02web.zoom.us/j/85603836977>
(Password 208678)

Attend Meeting by Conference Call: **Dial 1-669-900-6833 or 1-253-215-8782**
(Webinar ID: 856 0383 6977)

Attend Meeting In-Person: **Watsonville City Chambers**
(275 Main Street, Top Floor, Watsonville, CA 95076)

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 three (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 three (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, but 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 the appropriate arrangements. Persons with disabilities may also 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. Welcome Recently Appointed Commissioners

The Commission will welcome Fred Keeley (Santa Cruz) and Eduardo Montesino (Watsonville) as the new city representatives on LAFCO.

Recommended Action: No action required; Informational item only.

3. ADOPTION OF MINUTES

The Commission will consider approving the minutes from the January 10, 2024 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. SPECIAL PRESENTATIONS

This is an opportunity for the Commission to receive special presentations from local representatives regarding LAFCO-related matters. These presentations may or may not require Commission action.

a. Big Basin Water Company – Status Update

The Commission will receive a verbal update regarding the Big Basin Water Company from the court-appointed receiver (Silver & Wright LLP).

Recommended Action: No action required; Informational item only.

6. 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. Service & Sphere Review for the City of Santa Cruz

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

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, 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. 2024-03) approving the 2024 Service and Sphere of Influence Review for the City of Santa Cruz with the following conditions:
 - a. Reaffirm the City's current sphere of influence;
 - b. Santa Cruz should analyze and consider annexation of the existing extraterritorial service agreements and/or areas within their current sphere boundary;
 - c. Santa Cruz should explore shared services opportunities and other strategic partnerships with neighboring agencies, including but not limited to the Central Fire District. If the two agencies move forward with a feasibility study, staff encourages them to include LAFCO in the process; and
 - d. Direct the Executive Officer to distribute a copy of this adopted service and sphere review to the City of Santa Cruz and any other interested or affected agency identified in the service review.

b. "Reclamation District No. 2049 Dissolution" – Initiating Resolution

The Commission will consider the adoption of a resolution to initiate the dissolution of the Reclamation District No. 2049.

Recommended Actions:

- 1) Terminate the application (LAFCO Project No. DDI 23-03) due to inactivity; and
- 2) Adopt LAFCO Resolution (No. 2024-04) initiating the dissolution of the Reclamation District No. 2049 in accordance with Government Code Section 56375(a)(2)(B).

7. OTHER BUSINESS

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

a. Employee Performance Evaluation

The Commission will consider adjusting staff's salary based on their annual performance evaluation.

Recommended Action: Adopt the draft resolution (No. 2024-05) approving the salary adjustment for LAFCO's Executive Officer and Analyst.

b. City of Capitola Annexation Plan

The Commission will consider the City's request for LAFCO to potentially provide financial assistance towards the completion of an annexation plan.

Recommended Action: Consider collaborating with the City of Capitola and provide financial assistance in hiring an outside consultant to complete an annexation plan.

c. Comprehensive Quarterly Report – Second Quarter (FY 2023-24)

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

Recommended Action: No action required; Informational item only.

8. 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.

a. January Correspondence

The Commission will review a letter sent from Marin LAFCO regarding staff's assistance during their January 12, 2024 Workshop.

Recommended Action: No action required; Informational item only.

9. 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 December and January

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.

10. 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.

11. CLOSED SESSION

Pursuant to State law, a closed session may be held to appoint, employ, evaluate the performance of, discipline, or dismiss a public employee. Prior to the closed session, the public is invited to address the Commission regarding the closed session items.

a. Conference with Legal Counsel – Anticipated Litigation

Significant exposure to litigation pursuant to paragraph (2) of subdivision (d) of Section 54956.9: 1 Case (litigation threat from Becky Steinbruner regarding Scotts Valley Fire Protection District's voting process).

12. ANNOUNCEMENTS FROM CLOSED SESSION

The Chair and/or Legal Counsel will announce any reportable actions from the Closed Session.

13. ADJOURNMENT

LAFCO's next regular meeting is scheduled for Wednesday, March 6, 2024 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 LAFCO staff 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 will require special assistance in order to participate, please contact the LAFCO office at 831-454-2055 at least 24 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, #318-D, 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, January 10, 2024
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 9:06 a.m. and welcomed everyone in attendance. She asked staff to conduct the roll call.

The following Commissioners were present:

- Chair Yvette Brooks
- Commissioner Jim Anderson
- Commissioner Roger Anderson
- Commissioner Justin Cummings
- Commissioner Zach Friend
- Commissioner Rachél Lather
- Commissioner Allan Timms
- Alternate Commissioner Ed Banks
- Alternate Commissioner John Hunt
- Alternate Commissioner Manu Koenig

The following LAFCO staff members were present:

- Legal Counsel, Joshua Nelson
- Executive Officer, Joe Serrano

2. EXECUTIVE OFFICER'S MESSAGE

2a. Virtual Meeting Process

Executive Officer Joe Serrano had two announcements to make to the Commission. The first announcement is that the meeting was 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 also noted that this meeting was being held at the Watsonville City Chambers.

2b. Joint Request for Proposal – Auditing Services

The second announcement was to inform the Commission on a collaborative effort between multiple LAFCOs for shared auditing services. A joint draft Request for Proposals (RFP) for shared auditing services is currently being developed in conjunction with the participating LAFCOs. The collaborative effort is expected to result in cost savings and further financial transparency for LAFCO.

Chair Yvette Brooks requested comments or clarifying questions from the Commission. **Commissioner Roger Anderson** inquired if other LAFCOs, such as Monterey LAFCO, had been invited to participate in this effort. **Executive Officer Joe Serrano** noted that all LAFCOs were invited to join and participate in this project, with only six other LAFCOs indicating interest in joining the collaborative effort.

Chair Yvette Brooks moved to the next item since no Commission action was required.

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 a motion. **Commissioner Zach Friend** motioned for approval of the November 1st Meeting Minutes and **Commissioner Allan Timms** seconded the motion.

Chair Yvette Brooks called for a voice vote on the approval of the draft minutes.

MOTION: Zach Friend

SECOND: Allan Timms

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

AGAINST: None

ABSTAIN: None

MOTION PASSES: 7-0

4. ORAL COMMUNICATIONS

Chair Yvette Brooks requested public comments on any non-agenda items. **Executive Officer Joe Serrano** noted that there was one request to address the Commission.

Becky Steinbruner, a member of the public, informed the Commission that written correspondence was submitted requesting updated information regarding CalPERS and the Branciforte Fire Protection District (BFPD) reorganization. Additionally, Ms. Steinbruner informed the Commission of her intent to bring legal action against the Scotts Valley Fire Protection District regarding their election process.

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

5. PUBLIC HEARINGS

Chair Yvette Brooks indicated that there were two public hearing items for Commission consideration today.

5a. "RTC Parcel Annexation"

Chair Yvette Brooks requested staff to provide a presentation on the proposed single parcel annexation into the Davenport County Sanitation District.

Executive Officer Joe Serrano informed the Commission that the proposed district annexation was initiated by the landowner, the Regional Transportation Commission of Santa Cruz County (RTC), and its purpose is the provision of water and sewer service to a future rest stop area with restroom facilities. The proposal area is one parcel, approximately six acres in size, and the District has indicated that it is willing and capable of providing the requested services. The annexation, if approved, will include a sphere amendment to reflect the annexation area and provide consistency with the jurisdictional boundary. The recommended action fulfills requirements under LAFCO law and within the Commission's policies. Mr. Serrano further noted that an effort was made to include an adjacent parcel owned by the CEMEX corporation, which currently has an active extraterritorial service agreement, in the proposed annexation. After some discussion and consideration, representatives from CEMEX declined to pursue annexation as part of this application.

Chair Yvette Brooks requested comments or clarifying questions from the Commission. **Commissioner Rachél Lather** inquired whether RTC would be subject to County fees associated with connecting into the infrastructure and receiving the proposed services. **Executive Officer Joe Serrano** mentioned that the County had not identified any exemptions and is expected to pay all associated fees related to the project. Ms. Lather added that payment for these services benefits the community of Davenport and also expressed regret in CEMEX's decision against pursuing annexation.

Commissioner John Hunt inquired about public support for the proposed annexation from nearby commercial and residential neighbors. **Executive Officer Joe Serrano** noted that LAFCO had not heard concerns or received opposition to the proposed annexation. **Commissioner Justin Cummings** noted that residents in the Davenport community are in support of the proposed project as it will help alleviate issues related to rest stop accessibility for visitors and commuters in the area. Mr. Cummings also agreed with Commissioner Lather's comments regarding payment of annual service fees.

Executive Officer Joe Serrano introduced **Grace Blakeslee**, an RTC representative, who explained that the proposed North Coast Rail Trail project is a seven in a half mile trail connecting Wilder Ranch to Davenport with significant public support. Ms. Blakeslee noted that RTC is expected to go out to bid soon and will be subject to the fees associated with water and sewer services.

Chair Yvette Brooks requested public comments on the item. **Executive Officer Joe Serrano** indicated that there was one request to address the Commission. **Becky Steinbruner**, a member of the public, inquired why CEMEX had opposed formal annexation if they are already receiving and paying for services. **Executive Officer Joe**

Serrano shared that after careful consideration from their legal department, CEMEX determined that there was no added benefit in pursuing annexation.

Chair Yvette Brooks closed public comments and called for a motion. **Commissioner Jim Anderson** motioned for approval of staff recommendation and **Commissioner Roger Anderson** seconded the motion.

Chair Yvette Brooks called for a voice vote on the motion based on the staff's recommendation: **Adopt the draft resolution (No. 2024-01) approving the single parcel annexation into the Davenport County Sanitation District.**

MOTION: Jim Anderson
SECOND: Roger Anderson
FOR: Jim Anderson, Roger Anderson, Yvette Brooks, Justin Cummings, Zach Friend, Rachél Lather, and Allan Timms.
AGAINST: None
ABSTAIN: None

MOTION PASSES: 7-0

6b. Service & Sphere Review for County Service Area 38

Chair Yvette Brooks requested staff to provide a presentation on the draft service and sphere review for County Service Area 38 (Sheriff's Patrol).

Executive Officer Joe Serrano informed the Commission that CSA 38 provides extended police protection services to the unincorporated areas of Santa Cruz County. Mr. Serrano noted the challenges in finding readily available information regarding the operations of the CSA. The lack of information on its history, purpose, financial health, and other important matters is a concern to LAFCO staff. Mr. Serrano then explained that after communication and coordination with the County, it was agreed steps would be taken in the next 12 months to better inform the public on CSA 38, either through a standalone website or by updating existing County webpages. If after 12 months the County and Sheriff's Department have failed to meet their obligations, LAFCO may consider dissolution of the CSA as an option.

Chair Yvette Brooks requested comments or clarifying questions from the Commission. **Commissioner Jim Anderson** asked about accessing financial information for CSA 38. **Executive Officer Joe Serrano** explained that from the limited information he was able to retrieve, it was determined that 99% of the revenues collected by CSA 38 come from property taxes, and that expenditures traditionally mirror revenues.

Commissioner Justin Cummings asked to better understand the impact of dissolving CSA 38. **Executive Officer Joe Serrano** explained that CSA 38 is a funding mechanism, but if it were to be dissolved, funds would be transferred to a successor agency (the County) and the level of services provided to residents would not be affected.

Commissioner Rachél Lather inquired about the rate changes made by CSA 38. **Executive Officer Joe Serrano** explained that rates charged by the CSA have remained the same since its inception.

Commissioner Roger Anderson asked what percentage of the Sheriff's total budget was represented by CSA 38. **Executive Officer Joe Serrano** responded that CSA 38 represented less than one percent of the department's total budget. Mr. Anderson followed up with a question regarding the overall transparency of the Sheriff's Department website. Although Mr. Serrano noted that the website for the Sheriff's Department was robust and transparent, it still lacked information specific to CSA 38. Mr. Anderson also asked about past service and sphere reviews completed for CSA 38. Mr. Serrano explained that the last service and sphere review completed provided a limited assessment on the operations and management of the CSA.

Commissioner Zach Friend expressed support for the recommended actions and was content to hear that the County would take additional steps to further inform the public about CSA 38.

Chair Yvette Brooks requested public comments on the item. **Executive Officer Joe Serrano** indicated that there was one request to address the Commission. **Becky Steinbruner**, a member of the public, remarked that as a taxpayer she was concerned over the perceived lack of transparency and accountability for CSA 38. **Melodye Serino**, Deputy County Administrative Officer, explained to the Commission how CSA 38 functions as a funding mechanism to fund patrol services in the unincorporated areas of the county.

Chair Yvette Brooks closed public comments and called for a motion. **Commissioner Zach Friend** motioned for approval of staff recommendation and **Commissioner Roger Anderson** seconded the motion.

Chair Yvette Brooks called for a voice vote on the motion based on staff recommendation: **(1) Find the report to be exempt from CEQA, (2) Determine that the report fulfills the requirements under GCS 56425, (3) Determine that the report fulfills the requirements under GCS 56430, and (4) Adopt the LAFCO Resolution (No. 2024-02) approving the 2024 Service & Sphere Review for CSA 38 with the following conditions: (a) Reaffirm sphere boundary for CSA 38 with the condition that the County establishes 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).**

MOTION: Zach Friend

SECOND: Roger Anderson

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

AGAINST: None

ABSTAIN: None

MOTION PASSES: 7-0

6. OTHER BUSINESS

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

6a. Appoint New Chair and Vice-Chair

Chair Yvette Brooks requested staff to provide a presentation on the process to appoint a Chair and Vice-Chair for the 2024 calendar year.

Executive Officer Joe Serrano explained that in accordance with the Commission's Meeting Rules Policy, the Commission appoints a new Chair and Vice-Chair in January of each year. Mr. Serrano noted that the new officers' terms will begin on February 7, 2024. Mr. Serrano also indicated that there is no rule of succession or rotation, however, the acting Vice-Chair has historically been elected as the new Chair. Staff is recommending that the Commission discuss and appoint a new Chair and Vice-Chair.

Chair Yvette Brooks requested comments or clarifying questions from the Commission. **Commissioner Zach Friend** expressed his appreciation to Chair Yvette Brooks for her leadership during the past year and nominated **Commissioner John Hunt** as LAFCO Chair and **Commissioner Manu Koenig** as LAFCO Vice-Chair for the 2024 calendar year. **Commissioner Justin Cummings** seconded the motion.

Executive Officer Joe Serrano made a note regarding the voting and non-voting status for the nominated Commissioners. **Legal Counsel Joshua Nelson** informed the Commission that alternate members may be appointed as a Chair or Vice-Chair but may not be eligible to vote unless the regular member is absent. **Commissioner Zach Friend** mentioned that Commissioner Manu Koenig is expected to be appointed as a LAFCO regular member in an upcoming meeting for the Board of Supervisors.

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

Chair Yvette Brooks called for a voice vote on the motion: **Appoint Commissioners John Hunt and Manu Koenig as LAFCO's new Chair and Vice-Chair, respectively.**

MOTION: Zach Friend

SECOND: Justin Cummings

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

AGAINST: None

ABSTAIN: None

MOTION PASSES: 7-0

6b. Appoint New Personnel Committee

Chair Yvette Brooks requested staff to provide a presentation on the selection process for LAFCO's Personnel Committee.

Executive Officer Joe Serrano explained that the role of the Personnel Committee is to address administrative matters, including staff performance evaluations. Mr. Serrano noted that the Commission typically appoints at least two Commissioners to be on the Personnel Committee in accordance with LAFCO's Personnel Committee Policy. Staff is recommending that the Commission assign at least two Commissioners to be part of LAFCO's Personnel Committee for a two-year term, ending in December 2025.

Chair Yvette Brooks requested comments or clarifying questions from the Commission. **Commissioner Zach Friend** nominated Commissioners Roger Anderson, Rachél Lather, and Allan Timms to the Personnel Committee. **Commissioner Justin Cummings** seconded the motion.

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

Chair Yvette Brooks called for a voice vote on the motion: **Appoint Commissioners Roger Anderson, Rachél Lather, and Allan Timms to the LAFCO's Personnel Committee for a two-year term ending in December 2025.**

MOTION: Zach Friend

SECOND: Justin Cummings

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

AGAINST: None

ABSTAIN: None

MOTION PASSES: 7-0

6c. Upcoming LAFCO Seat Vacancies

Chair Yvette Brooks requested staff to provide an update on the upcoming vacancies involving various seats on LAFCO.

Executive Officer Joe Serrano explained to the Commission that the terms for Commissioners Roger Anderson and John Hunt, as the Public Member and Alternate Public Member respectively, would conclude in May. Under state law, LAFCO must advertise the upcoming vacancies, and if approved, a notice will be published requesting applications for the open public seats on LAFCO. To apply, candidates must be residents of Santa Cruz County and not be employed by the County, a city, or special district. The new public members will be seated at the May 2024 meeting. Finally, Mr. Serrano provided an update on the City Selection Committee rotation schedule.

Chair Yvette Brooks requested comments or clarifying questions from the Commission. **Commissioner Jim Anderson** clarified that the selection of the regular and alternate public members is determined by the Commission.

Chair Yvette Brooks requested public comments on the item. **Executive Officer Joe Serrano** indicated that there was one request to address the Commission. **Becky Steinbruner**, a member of the public, commented on the City Selection Committee and asked what would happen to Commissioner Manu Koenig's seat on LAFCO if he were

not reelected to the Board of Supervisors. **Executive Officer Joe Serrano** explained that in that situation, LAFCO would coordinate with the Board of Supervisors to determine a replacement.

Chair Yvette Brooks closed public comments. **Commissioner Zach Friend** motioned to support staff recommendation and **Commissioner Rachél Lather** seconded the motion.

Chair Yvette Brooks called for a voice vote on the motion based on staff recommendation: **Direct the Executive Officer to begin the selection process and advertise the upcoming public seat openings in accordance with Government Code Section 36325(d).**

MOTION: Zach Friend

SECOND: Rachél Lather

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

AGAINST: None

ABSTAIN: None

MOTION PASSES: 7-0

6d. LAFCO Meeting Location – February 7, 2024 Hearing

Chair Yvette Brooks requested staff to provide an update on the location for the next regularly scheduled Commission meeting in February 2024.

Executive Officer Joe Serrano informed the Commission that for the remainder of the year, LAFCO's regular meetings are scheduled to be held in the Board of Supervisors chambers, except for the upcoming meeting in February. Staff recommended that the Commission hold the February 7th meeting at the Watsonville City Chambers once again.

Chair Yvette Brooks requested comments or clarifying questions from the Commission. **Commissioner Justin Cummings** expressed his support in holding the next LAFCO meeting at the City of Watsonville. **Commissioner Manu Koenig** noted that the added commute helps build connection with and empathy for the residents of south county. **Commissioner John Hunt** also noted the positive impact of visiting south county and seeing activities such as the construction for the College Lake Water Supply Project pipeline in action. **Commissioner Allan Timms** mentioned that having rotating locations would benefit LAFCO by making it more accessible to the wider public. **Commissioner Jim Anderson** asked if there were fees associated with use of the chambers at the City of Watsonville. Mr. Joe Serrano acknowledged that the City of Watsonville does charge a small fee for use of their facility, while the County does not charge a fee for use of their facilities. **Commissioner Roger Anderson** asked staff to consider individual agenda items when selecting a location for future meetings outside the Board of Supervisors' chambers.

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

Commissioner Justin Cummings motioned to support staff recommendation and **Commissioner Jim Anderson** seconded the motion.

Chair Yvette Brooks called for a voice vote on the motion to: **Select Watsonville's City Council Chambers for the next LAFCO meeting on February 7, 2024 at 9:00 a.m.**

MOTION: Justin Cummings

SECOND: Jim Anderson

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

AGAINST: None

ABSTAIN: None

MOTION PASSES: 7-0

7. WRITTEN CORRESPONDENCE

Chair Yvette Brooks inquired whether there was any written correspondence submitted to LAFCO. **Executive Officer Joe Serrano** informed the Commission that the Commission received two correspondences from Becky Steinbruner, a member of the public. An email requested additional information on the recently completed BFPD reorganization. Mr. Serrano noted that in the certificate of completion, located on the LAFCO website, important information on the reorganization including CalPERS reports can be found. The second correspondence was a letter sent by Ms. Steinbruner to SVFPD regarding potential litigation to compel the District to transition to district-based elections.

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. **Commissioner Allan Timms** expressed his appreciation to Commissioner Yvette Brooks for serving as LAFCO Chair in 2023.

Chair Yvette Brooks moved to the next item since no Commission action was required.

10. CLOSED SESSION

Chair Yvette Brooks indicated that a closed session will be held to cover the performance evaluation of LAFCO staff. **Executive Officer Joe Serrano** noted that LAFCO's legal counsel will host the closed session in a separate remote meeting room and requested that the Commission reconvene to the regular LAFCO meeting once the closed session concluded.

11. ANNOUNCEMENTS FROM CLOSED SESSION

Legal Counsel Joshua Nelson noted that there was no reportable action.

12. ADJOURNMENT

Chair Yvette Brooks adjourned the Regular Commission Meeting at 10:40 a.m. to the next regular LAFCO meeting scheduled for Wednesday, February 7, 2024 at 9:00 a.m.

JOHN HUNT, CHAIRPERSON

Attest:

JOE A. SERRANO, EXECUTIVE OFFICER



Santa Cruz Local Agency Formation Commission

Date: February 7, 2024
To: LAFCO Commissioners
From: Joe Serrano, Executive Officer
Subject: **Service and Sphere Review for the City of Santa Cruz**

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 Santa Cruz ("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 Santa Cruz, 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. 2024-03) approving the 2024 Service and Sphere of Influence Review for the City of Santa Cruz with the following conditions:
 - a. Reaffirm the City's current sphere of influence;
 - b. Santa Cruz should consider analyzing the possible annexation of the existing extraterritorial service agreements and/or areas within their current sphere boundary as part of any future strategic plan or general plan updates;
 - c. Santa Cruz should explore shared services opportunities and other strategic partnerships with neighboring agencies, including but not limited to the Central Fire District. If the two agencies move forward with a feasibility study, staff encourages them to include LAFCO in the process; and
 - d. Direct the Executive Officer to distribute a copy of this adopted service and sphere review to the City of Santa Cruz 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. Due to the size of the report, the appendices are not attached but are available on LAFCO's website¹. Below is a summary of the findings for the service and sphere review.

Purpose & Key Findings

The goal of this analysis is to comply with 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 list are the main conclusions of the report:

1. The City provides multiple services to over 64,000 constituents.

Santa Cruz provides a full range of services including but not limited to police and fire protection, water, sewer, street construction and maintenance. In 2020, the City's population was estimated to be 64,000. LAFCO staff projects that the City's population will reach approximately 79,000 constituents by 2040.

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

Santa Cruz currently provides water services to approximately 96,000 people within 27 square miles, most of which extends beyond the city limits. Santa Cruz offers five types of water services: Agriculture Water, Retail Potable Water, Wastewater (Sewer), Water Treatment, and Water Conservation. At present, it has approximately 25,000 connections through 300 miles of pipeline.

3. The City is financially stable.

Santa Cruz has an annual budget of approximately \$200 million. Overall, the City has experienced an annual surplus in the three of the last five fiscal years. Only two fiscal years ended with a slight deficit: FY 2017-18 (\$6 million) and FY 2019-20 (\$473,000). Audited financial statements from 2018 to 2022 indicate that the City's annual surplus ranged from approximately \$12 million to \$54 million. The rise in net position is due to increased investment in capital assets for governmental and business type activities. As of June 30, 2022, the City was operating with a net position of approximately \$400 million.

4. The City's fire department should explore ways to improve efficiencies.

The Commission's 2021 countywide fire report noted that the City's fire department was experiencing some financial constraints based on LAFCO's analysis and the City's audited financial statements from FY 2014-15 to FY 2019-20. LAFCO encourages Santa Cruz 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. LAFCO is willing to help with this effort.

¹ City MSR Appendices: <https://santacruzlafco.org/wp-content/uploads/2024/01/Appendices-A-E.pdf>

5. The City has a transparent website.

Santa Cruz has a robust website with an assortment of useful information regarding each of their 14 city departments. The website is also embedded with recent news and announcements, including information on how to stay connected with the City. Based on LAFCO's assessment, the City's website met 17 out of the 18 transparency benchmarks evaluated in this service review. Overall, the City has an exceptionally transparent website.

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

The original sphere boundary for Santa Cruz was established in August 1983. At present, the current sphere goes beyond City limits and includes 10,800 parcels totaling approximately 4,900 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.

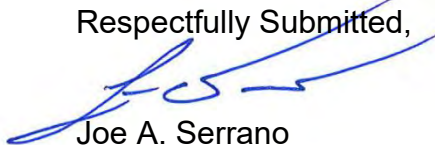
Environmental Review

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 January 17th 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 City staff including but not limited to City Manager Matt Huffaker. 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. Huffaker 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. 2024-03

cc: Matt Huffaker, Santa Cruz City Manager

City of Santa Cruz

Service and Sphere of Influence Review

Administrative Version (February 7, 2024)

Local Agency Formation Commission of Santa Cruz County

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

Website: www.santacruzlafco.org

Phone: (831) 454-2055



TABLE OF CONTENTS

EXECUTIVE SUMMARY	2
Introduction	2
City Overview	2
Key Findings	3
Recommended Actions	4
CITY OVERVIEW	6
History & Background.....	6
Services & Operations.....	6
Population and Growth.....	12
Disadvantaged Unincorporated Communities	12
FINANCES	13
Revenues.....	14
Assets	14
Expenditures	15
Liabilities	15
Net Position.....	16
GOVERNANCE	19
Legal Authority	19
Local Accountability & Structure.....	19
Opportunities and Challenges	21
SPHERE OF INFLUENCE	25
Cortese-Knox-Hertzberg Act	25
Current & Proposed Sphere Boundary	25
CITY PROFILE SUMMARY.....	27
SERVICE AND SPHERE REVIEW DETERMINATIONS.....	28
Service Provision Determinations.....	28
Sphere of Influence Determinations	29
APPENDICES	30
Appendix A: Past Boundary Changes (1963 to Present).....	30
Appendix B: City Zoning Map	30
Appendix C: City Districting Map (2022 Version).....	30
Appendix D: Handbook for City Advisory Bodies (2023 Version)	30
Appendix E: Capital Investment Program (2023 to 2027).....	30

EXECUTIVE SUMMARY

Introduction

This Service and Sphere of Influence Review provides information about the services and boundaries of the City of Santa Cruz (“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 January 9, 2019.

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 an 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 Santa Cruz was incorporated as a town in 1866 under the laws of the State of California. It later became a city in 1876 and operates as a charter city pursuant to the laws of the State of California. The city limits encompass approximately 12 square miles and has a population estimated at 64,000. The City provides an array of services, including but not limited to, water, parks and recreation, law enforcement, and fire protection. 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 August 3, 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 9** on page 26.

Key Findings

The following are key findings of the 2024 Service and Sphere of Influence Review for the City of Santa Cruz:

1. The City provides multiple services to over 64,000 constituents.

Santa Cruz provides a full range of services including but not limited to police and fire protection, water, sewer, street construction and maintenance. In 2020, the City's population was estimated to be 64,000. LAFCO staff projects that the City's population will reach approximately 79,000 constituents by 2040.

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

Santa Cruz currently provides water services to approximately 96,000 people within 27 square miles, most of which extends beyond the city limits. Santa Cruz offers five types of water services: Agriculture Water, Retail Potable Water, Wastewater (Sewer), Water Treatment, and Water Conservation. At present, it has approximately 25,000 connections through 300 miles of pipeline.

3. The City is financially stable.

Santa Cruz has an annual budget of approximately \$200 million. Overall, the City has experienced an annual surplus in the three of the last five fiscal years. Only two fiscal years ended with a slight deficit: FY 2017-18 (\$6 million) and FY 2019-20 (\$473,000). Audited financial statements from 2018 to 2022 indicate that the City's annual surplus ranged from approximately \$12 million to \$54 million. The rise in net position is due to increased investment in capital assets for governmental and business type activities. As of June 30, 2022, the City was operating with a net position of approximately \$400 million.

4. The City's fire department should explore ways to improve efficiencies.

The Commission's 2021 countywide fire report noted that the City's fire department was experiencing some financial constraints based on LAFCO's analysis and the City's audited financial statements from FY 2014-15 to FY 2019-20. LAFCO encourages Santa Cruz 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. LAFCO is willing to help with this effort.

5. The City has a transparent website.

Santa Cruz has a robust website with an assortment of useful information regarding each of their 14 city departments. The website is also embedded with recent news and announcements, including information on how to stay connected with the City. Based on LAFCO's assessment, the City's website met 17 out of the 18 transparency benchmarks evaluated in this service review. Overall, the City has an exceptionally transparent website.

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

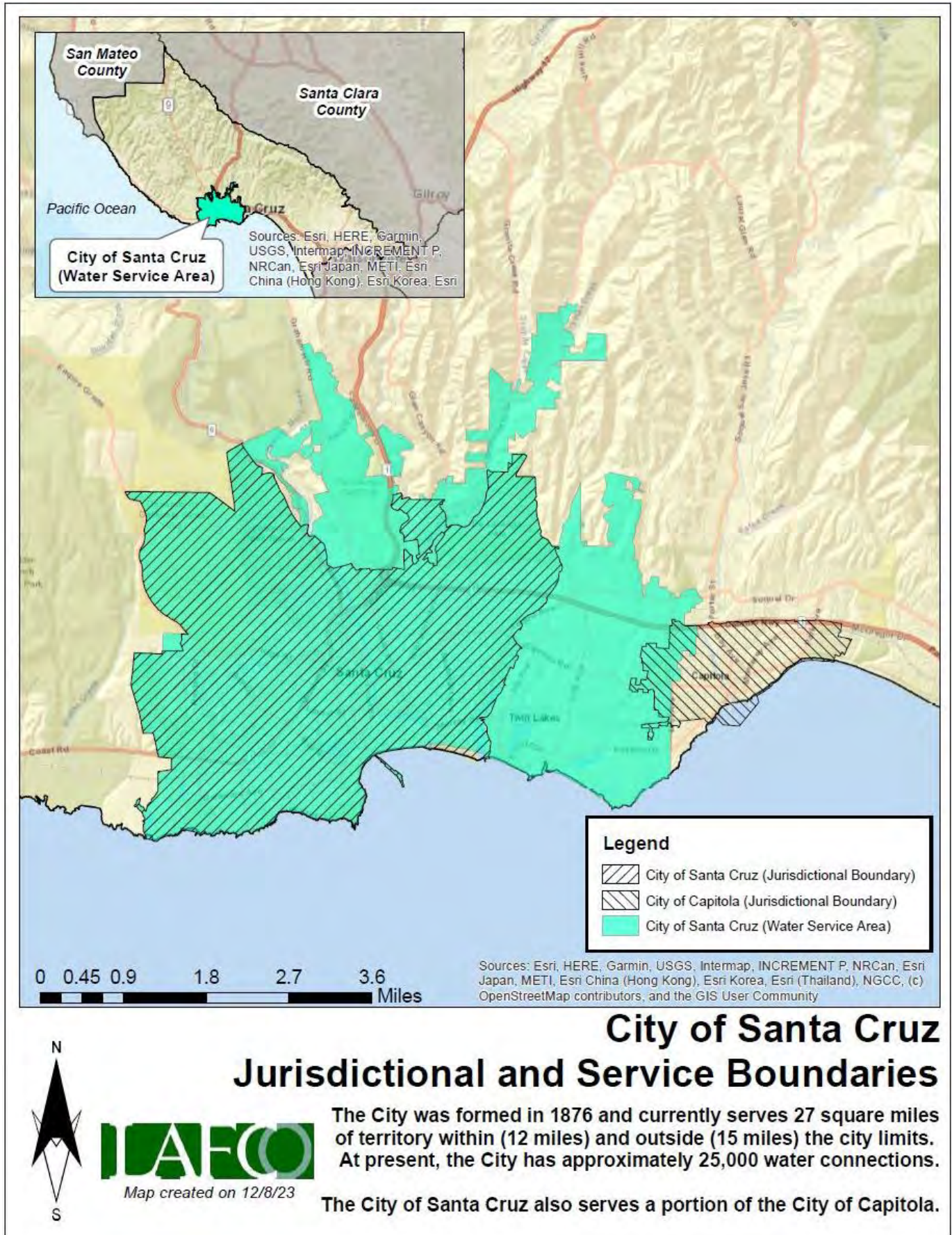
The original sphere boundary for Santa Cruz was established in August 1983. At present, the current sphere goes beyond City limits and includes 10,800 parcels totaling approximately 4,900 acres. The last sphere update occurred in August 2022 which expanded the sphere boundary to reflect the City's water 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 2024 Service and Sphere of Influence Review for the City of Santa Cruz, 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 Santa Cruz, 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. 2024-03) approving the 2024 Service and Sphere of Influence Review for the City of Santa Cruz with the following conditions:
 - a. Reaffirm the City's current sphere of influence;
 - b. Santa Cruz should consider analyzing the possible annexation of the existing extraterritorial service agreements and/or areas within their current sphere boundary as part of any future strategic plan or general plan updates;
 - c. Santa Cruz should explore shared services opportunities and other strategic partnerships with neighboring agencies, including but not limited to the Central Fire District. If the two agencies move forward with a feasibility study, staff encourages them to include LAFCO in the process; and
 - d. Direct the Executive Officer to distribute a copy of this adopted service and sphere review to the City of Santa Cruz and any other interested or affected agency identified in the service review.

Figure 1: Vicinity Map



CITY OVERVIEW

History & Background

The City of Santa Cruz was incorporated as a town in 1866 and as a city in 1876. At present, the city encompasses approximately 12 square miles with a population of approximately 64,000. The City is located on the northern part of the Monterey Bay approximately 74 miles south of San Francisco and 30 miles west of San Jose, as shown in the map on page 5. The City of Santa Cruz was founded in 1769 by Spanish explorer Don Gaspar de Portola, who, along with Father Junipero Serra, began land-based settlements in the area. Santa Cruz is the county seat for the County of Santa Cruz and is a charter city which operates under the provisions of a voter-approved charter.

Santa Cruz is home to the University of California, Santa Cruz which first opened in 1965 with 650 students. It now has a current enrollment level of approximately 17,000 undergraduate and 2,000 graduate students, and is the City's largest employer with approximately 8,000 employees. The main campus has over 2,000 acres overlooking the Monterey Bay National Marine Sanctuary. The City is also home to the historical Santa Cruz Beach Boardwalk and the Santa Cruz Warriors' basketball team from the NBA G League. Major industries include tourism, manufacturing, and technology. The City has experienced minimal growth since inception. **Appendix A** provides a timeline of all the boundary changes approved by LAFCO (37 boundary changes in total). The last LAFCO action involving the City was in November 2023 involving an extraterritorial service agreement to provide water services outside the city limits. 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 Santa Cruz provides a broad range of services including police and fire protection, construction and maintenance of streets, parks, flood control and other infrastructure, a wharf facility, a golf course, recreational and cultural activities including a performing arts center, economic development, and human services programs. It also operates municipal utilities for water, wastewater, storm water, and refuse in addition to enterprise operations for parking facilities. The water utility provided approximately 2.49 billion gallons of clean, safe water in 2022. Service extends beyond the municipal boundaries, increasing its total service population to approximately 98,000.

Santa Cruz has a total of 14 city departments. The following pages summarize the role and purpose of each department based on the information found on the City's website.

City Attorney

The City Attorney is appointed by the City Council and represents the City of Santa Cruz in all legal proceedings. Their role is to advise the City Council, City administrative staff, and City advisory bodies on a variety of legal matters. The City Attorney attends meetings of the City Council and frequently provides legal advice and opinions for items being considered by the Council. In addition, the City Attorney either prepares or approves legal content for proposed ordinances, resolutions, contracts, and other legal documents.

City Clerk

The City Clerk Administrator is appointed by the City Manager and is responsible to the City Council. The Clerk stewards and protects the democratic process, such as elections and access to official records, and is responsible for fulfilling the legal requirements as set forth in the City Charter, City codes, and State law. The City Clerk's Office has three divisions: (1) Operations, (2) Records, and (3) Elections.

City Manager

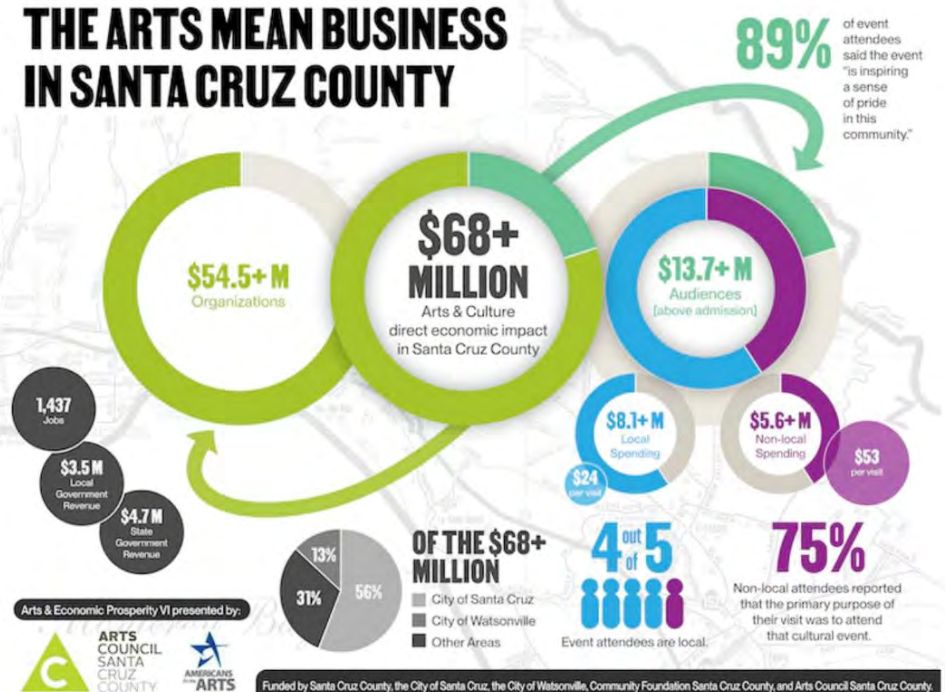
The City Manager is appointed by and reports directly to the City Council. The City Manager is responsible for the overall administration of the City and for ensuring that the City Council policies are carried out. The duties of the City Manager include coordinating the work of all City departments and advising the City Council on matters relative to the operation of those departments; preparing the annual budget and administering the budget after it is adopted by Council; appointing all department heads (except the City Clerk and the City Attorney) and serving as the final administrative authority on personnel matters. The City Manager and their staff also handle special projects and Council assignments which do not fall within the jurisdiction of any other City department. The Community Relations Office and the Commission for the Prevention of Violence Against Women (CPVAW) are part of the City Manager's Office.

Economic Development & Housing

The Economic Development & Housing Department assists residents, businesses, and others with their efforts to grow within the City in a safe and orderly manner that respects the City's heritage, while also sustaining opportunities for present and future generations. Under this department, the City provides business services, identifies development projects, provides a latest Santa Cruz Wharf Master Plan, offers housing assistance information, and operates the City's Arts Commission. In 2023, the City released a study highlighting the economic impact from arts and culture. The Arts Council commissioned two additional studies locally, one for the City of Santa Cruz and one for the City of Watsonville.

The total economic impact figures included \$38 million in the City of Santa Cruz and less than \$9 million in the City of Watsonville.

THE ARTS MEAN BUSINESS IN SANTA CRUZ COUNTY



Finance

The Finance Department provides chief financial support of and advises on financial matters for the City, including its Public Safety, Water, Refuse, Wastewater, Public Works, Parks & Recreation, and other key programs. It also provides contract support services for the Santa Cruz Public Libraries Joint Powers Authority, UCSC Fire, and supports the Successor Agency of the City of Santa Cruz (former Redevelopment Agency). The department is organized in five functional sections: (1) Accounting, Administration, Budgeting, and Reporting; (2) Accounts Payable and Payroll; (3) Purchasing and Applications Management; (4) Revenue and Treasury Compliance, Management, and Revenue Audits; and (5) Risk Management, Advanced Debt Collections, and Safety. A full analysis of the City's financial health is evaluated later in this report (refer to page 13).

Fire

The Santa Cruz Fire Department is charged with protecting the City residents. Additionally, Santa Cruz provides services around the city as part of mutual aid and auto aid agreements with neighboring fire agencies and the County. The City currently has four 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 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. Specifically, Human Resources offers support services to city departments and employees, including recruitment, benefits, employee relations, equal employment opportunities, employee development, and volunteer opportunities. At present, the City has approximately 927 full-time employees.

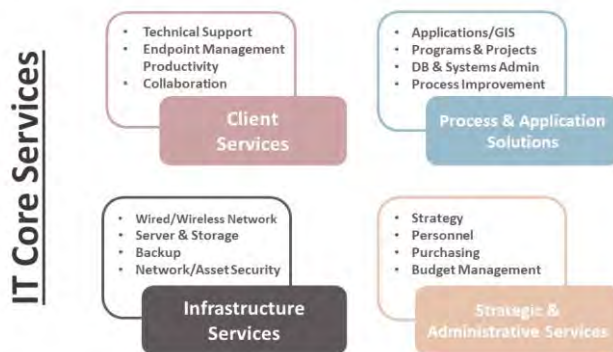
Information Technology

The Information Technology (IT) Department's mission is to efficiently deliver business-driven, quality technology solutions and services for the City of Santa Cruz staff and public. To this end, IT focuses on infrastructure, communications, business services (including Geographic Information Services), workplace services, relationship management, and administration services.

The IT Department's mission is "Cultivating Increased Connectivity of people, technology, and processes."

Library

The Santa Cruz Public Library offers a variety of information,



materials, and services in a welcoming and trusted place where people come to gather, learn, and celebrate their shared multi-cultural community. The City's library has been serving county residents since 1917. The Santa Cruz Public Library System serves the cities of Santa Cruz, Capitola, and Scotts Valley. It also serves all the unincorporated areas of the County. The Library operates ten branches across the county from La Selva Beach to Boulder Creek, a bookmobile, and provides outreach services for both children and seniors. The Santa Cruz Public Library System operates under the authority of a Library Joint Powers Board. The City of Santa Cruz provides some administrative services to the Library System. All Library workers are officially employees of the City, and the Director of Libraries is a City Department Head. However, the Library operates independently of the City Council. Its Board makes legislative decisions for the Library.

Parks & Recreation

The Santa Cruz Parks & Recreation Department develops and implements quality programs that encourage healthy lifestyles, preserve the City's heritage, provide recreational experiences, and strengthen community bonds. The department's mission is to provide quality public spaces and experiences that support community health, foster equity, and that help better steward the environment. The Parks and Recreation department is funded primarily through general fund revenue sources, such as property taxes, sales and use tax, and transient occupancy tax (TOT). In a typical year, the department generates enough revenue via program fees, permits, and other service charges to offset about one-third of its expenditure budget. In FY 2021-22, department activities were conservatively projected to bring in nearly \$4.2 million in revenues. The department also develops annual reports. The latest report (2022) is available on the City's website: <https://www.cityofsantacruz.com/home/showpublisheddocument/96557/638350405599070000>.

Planning & Community Development

The Planning and Community Development Department has five divisions: (1) Current Planning, (2) Advance Planning, (3) Code Compliance, (4) Building and Safety, and (5) Administration. The Department also supports the following advisory boards: Planning Commission, Historic Preservation Commission, Zoning Administrator, and Board of Building and Fire Appeals. Under this department, the City allows the public an opportunity to receive notification on development/housing projects, as shown in the image on the right. Under this department, the public can access information regarding planning, building and safety, code compliance, short-term rentals, and home inspections.

Planning & Community Development Department

NEWS

City of Santa Cruz Housing Element Meets Requirements for Certification
 City of Santa Cruz's 6th Cycle Housing Element Update
 FY 2023 Development Impact Fee Annual Reports for Childcare Impact Fee and Citywide Public Safety Impact Fee (Police & Fire) Fund Fiscal Year Ending June 30, 2023

[More News](#)

Stay Connected: News Categories Available for Sign-Up

1. Enter your Email Address and Name
 2. Select the News Topics that interest you
 3. Submit

[Notification Signup](#) | [Change Notification Preferences](#)

Email Address *
 Reenter Email Address *
 First Name *
 Last Name *

News

<input type="checkbox"/> 101 Felix Street - Significant Project	<input type="checkbox"/> 111 Ervett Circle - Significant Project	<input type="checkbox"/> 119 Coral Street - Significant Project
<input type="checkbox"/> 126 Eucalyptus Ave - Significant Project	<input type="checkbox"/> 130 Center Street - Significant Project	<input type="checkbox"/> 150 Felker Street - Large Project
<input type="checkbox"/> 190 West Cliff - Significant Project	<input type="checkbox"/> 1930 Cowan Street Extension - Significant Project	<input type="checkbox"/> 2025 N Pacific Ave
<input type="checkbox"/> 247 High Street	<input type="checkbox"/> 314 Jessie Street	<input type="checkbox"/> 324 1/2 Iron Street (Cruz Hotel) - Significant Project
<input type="checkbox"/> 530 Front Street - Significant Project	<input type="checkbox"/> 631 Water St - Significant Project	<input type="checkbox"/> 908 Ocean Street - Significant Project
<input type="checkbox"/> Accessory Dwelling Units (ADUs)	<input type="checkbox"/> Bunking	<input type="checkbox"/> Board of Building and Fire Appeals
<input type="checkbox"/> Building	<input type="checkbox"/> Cannabis	<input type="checkbox"/> Community Meetings - Planning
<input type="checkbox"/> Development Projects	<input type="checkbox"/> Downtown Plan	<input type="checkbox"/> Environmental Review/Documents
<input type="checkbox"/> Green Building	<input type="checkbox"/> Historic Preservation Commission	<input type="checkbox"/> Homelessness
<input type="checkbox"/> Housing	<input type="checkbox"/> Large Development Project	<input type="checkbox"/> Local Coastal Program
<input type="checkbox"/> Medium Project	<input type="checkbox"/> Objective Standards	<input type="checkbox"/> Ordinance & Policy Updates

Police

The Santa Cruz Police Department is committed to providing public safety through engagement, education, enforcement, and professional development. A team of 133 employees, 102 budgeted sworn officers and 31 non-sworn civilian staff, serve the residents of Santa Cruz. The City is divided into five patrol beats: West, East, Beach, Central, and Downtown. The beats are designed to maximize coverage and provide efficient response to calls for service. The department has also identified five main priorities: (1) Downtown Safety, (2) Recruitment and Retention, (3) Mental Health Response, (4) Quality of Life Issues, and (5) Traffic Safety. Members of the department work diligently to meet the unique challenges of public safety in a city that plays host to a large tourist population, special events, and seasonal attractions.

Public Works

The Public Works Department provides the City of Santa Cruz with a variety of services including engineering design, traffic engineering and maintenance, storm water management, street maintenance, resource recovery management, waste reduction programs, wastewater system management, flood control and parking control.

- Engineering Division provides engineering design services and construction supervision, city surveying, maintenance of maps and records, special assessment district administration, and all other basic engineering inspections and services.
- Resource Recovery Operations includes Resource Recovery Collection which is responsible for refuse and recycling collection, street sweeping, and curbside recycling programs, and the Resource Recovery Facility which is responsible for the processing of recycled materials, household hazardous waste, and the operation and maintenance of the landfill.
- Operations: Fleet, Facilities, Homelessness Response, and Streets. The latter is responsible for constructing and maintaining City streets, sidewalks, and storm drains and flood control management duties, and traffic maintenance which maintains street markings, street signs, streetlights, and traffic signals.
- Transportation Engineering and Parking Division performs traffic engineering studies and projects, operates all downtown parking facilities, the wharf gate, and parking control.
- Wastewater Treatment Facility Division maintains and operates the Wastewater Treatment Facility and Wastewater and Storm Water Collections, responsible for operating and maintaining City wastewater pump station facilities, all wastewater collection lines and manholes in the wastewater system. 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>

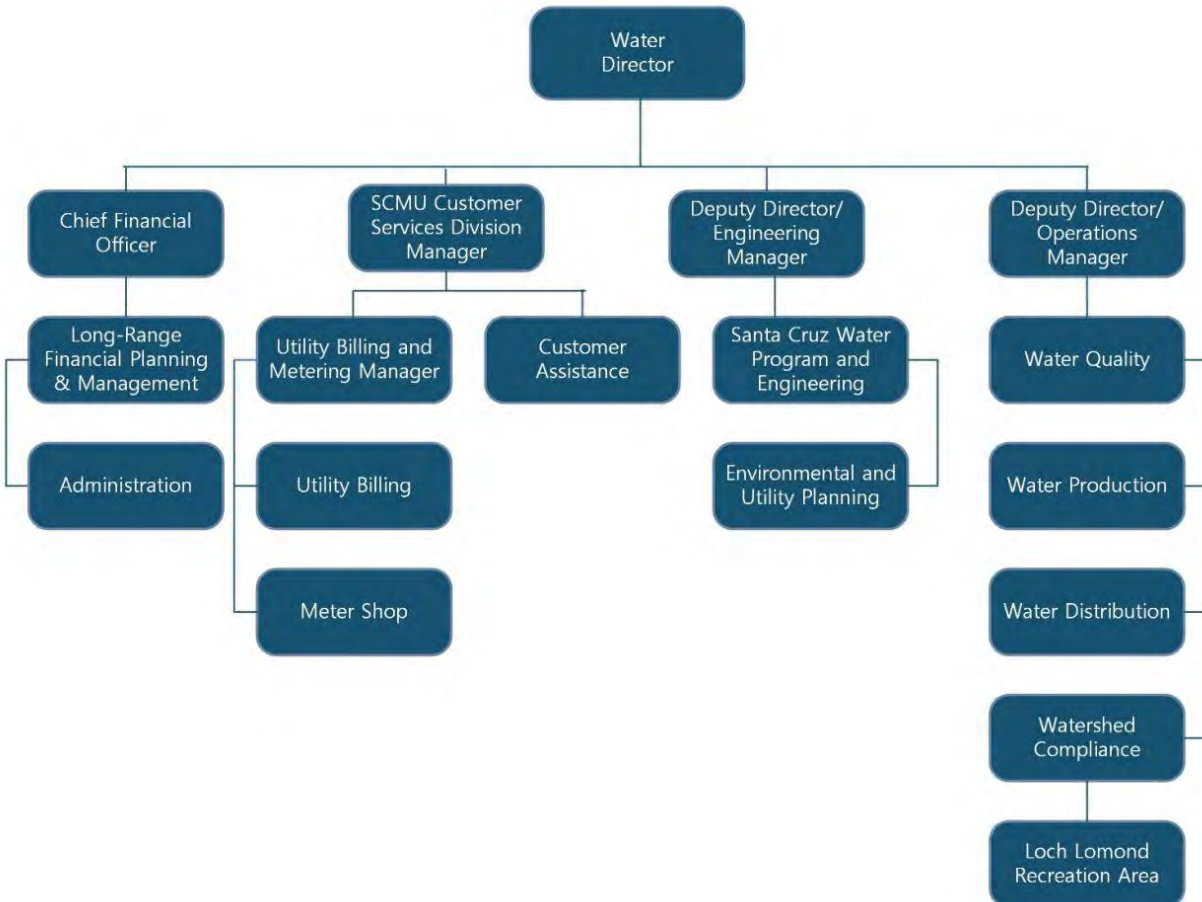
Water Service Area

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 portion of the City of Capitola, and serves untreated water to coastal agricultural lands north of the City. There are approximately 28,000 connections within the City's water service area (totaling approximately 17,000 acres). Almost 100,000 people rely on the Santa Cruz Water Department for water service. The City operates a system that includes more than 300 miles of pipes to deliver water to customers, pumps, and lift stations where and when needed, and a water storage reservoir that captures the water supply before the City purifies and sends it their constituents.

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>.

Governance Structure

The governing body for the Water Department is the City Council. The Director of the Water Department reports to the City Manager. A seven-member Water Commission advises the City Council on policy matters involving the operations and management of the water system. The following chart shows the water department's organizational structure.



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 Santa Cruz in 2020 was estimated to be around 64,000. **Table 1** shows the City's anticipated population over the next twenty years. The City's average rate of change is 5.18%. Under this rate, projections indicate that the entire population of Santa Cruz will be approximately 79,000 by the year 2040. In addition, the City of Santa Cruz provides water to areas outside its jurisdictional boundary. The total population within the City's water service area is expected to reach approximately 113,000 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 Santa Cruz	64,424	68,845	72,218	75,257	78,828	5.18%
City of Santa Cruz (Water Service Area)	96,168	101,964	106,072	109,193	112,853	4.09%

Source: 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.

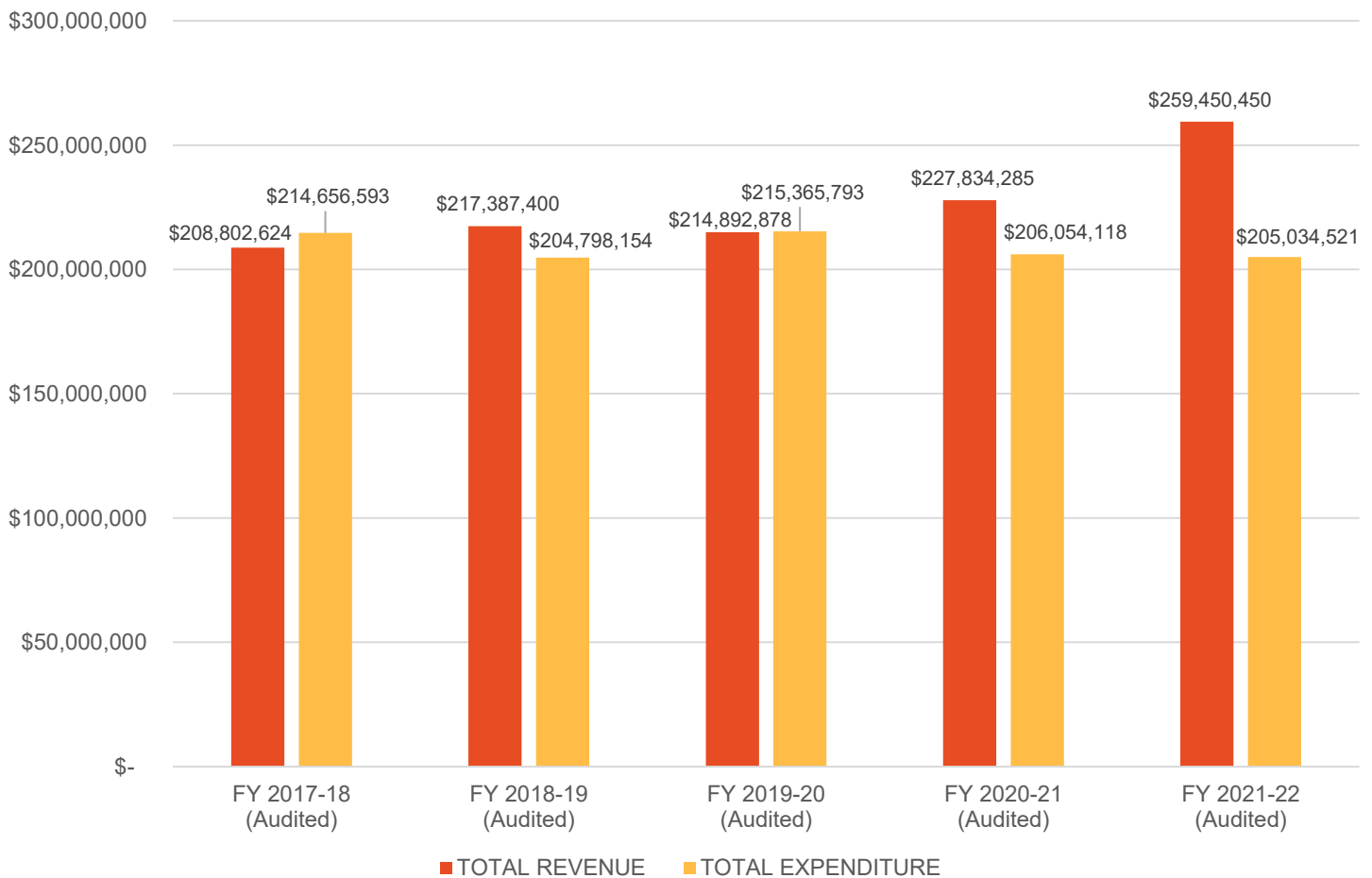


FINANCES

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 2017 to 2022. A comprehensive analysis of the City's financial performance during the past six years is shown in **Tables 4 and 5** on pages 17 and 18. LAFCO extracted the financial data from the City's Comprehensive Annual Financial Reports located on the City's website¹.

At the end of Fiscal Year 2021-22, total revenue collected was approximately \$259 million, representing a 14% increase from the previous year (\$228 million in FY 20-21). Total expenses for FY 2021-22 were approximately \$205 million, which decreased from the previous year by half a percent (\$206 million in FY 20-21). The City experienced an annual surplus in three of the last five fiscal years, as shown in **Figure 2**. LAFCO staff believes that the latest positive trend may continue based on the current management practices and the five-year performance but revenue growth is expected to slow since it was bolstered by one-time COVID relief grant money in FY 2021-22.

**Figure 2: Statement of Revenues & Expenditures
(FY 2017-18 to FY 2021-22)**

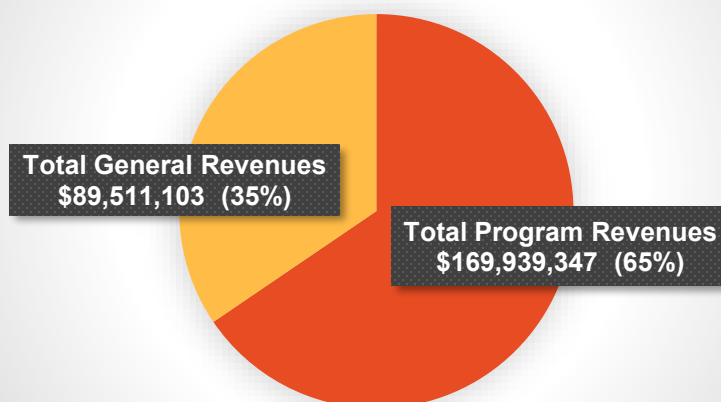


¹ CAFRS Webpage: <https://www.cityofsantacruz.com/government/city-departments/finance/financial-reports>

Revenues

The City provides various municipal services to the Santa Cruz community. The City's revenue stream can be categorized into two groups: Program Revenues and General Revenues. Program revenues include funds from charges for services (such as water and sewer), operating grants and contributions, and capital grants and contributions. General revenues include funds from various taxes (including property taxes), unrestricted investment earnings, and gains on sales of assets. **Figure 3** indicates that the majority of the City's revenue comes from program revenues. In FY 2021-22, charges for services (\$123 million; 47%) represented the highest revenue stream for the City.

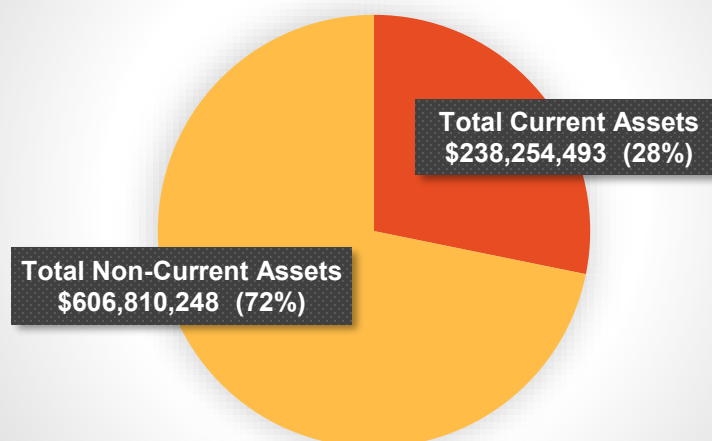
Figure 3: Revenue Breakdown (FY 21-22)



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. Santa Cruz has approximately \$845 million in total assets. Over 70% of the City's total assets are from non-current assets, such as land, buildings, and infrastructure. The remaining amount comes from current assets, such as cash & investments, as shown in **Figure 4**. In FY 2021-22, cash & investments (\$176 million; 21%) and capital assets including buildings & infrastructure (\$568 million; 67%) represented the highest assets for the City.

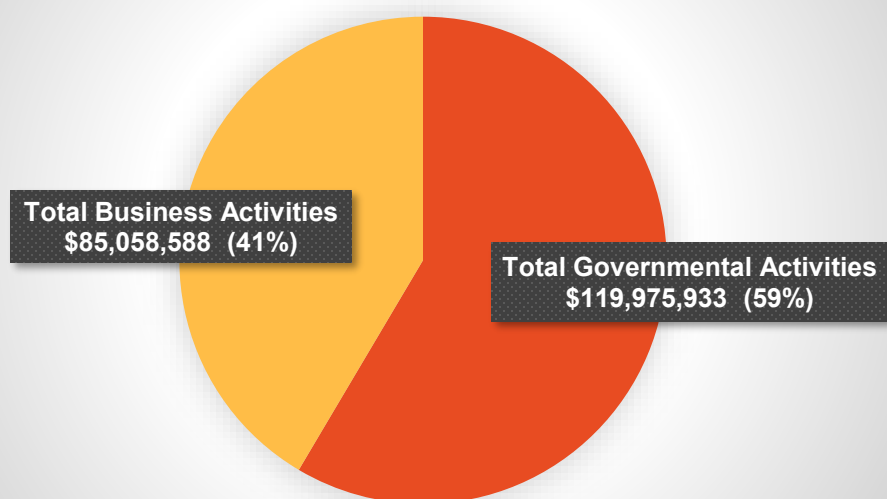
Figure 4: Total Assets (FY 21-22)



Expenditures

The City's expenses are split into two categories or "activities": Government and Business. Government activities for the City of Santa Cruz include general government, public safety, parks & recreation, library, public works, transit, community & economic development, and social services. The business-type activities of the City of Santa Cruz include water, sewer, refuse, parking, and storm water services. As **Figure 5** shows, Government Activities represent more than half of the City's total expenses during Fiscal Year 2021-22.

Figure 5: 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. Santa Cruz has approximately \$490 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 2**.

Table 2: Total Liabilities (FY 2021-22)

	Amount (\$)	Percentage (%)
Current Liabilities	\$49,806,050	10%
Non-Current Liabilities	\$339,705,176	70%
Deferred Inflows of Resources	<u>\$99,954,367</u>	<u>20%</u>
Total Liabilities	\$489,465,593	100%

Net Position

As of June 30, 2022, the total net position balance ended with approximately \$400 million. The following table highlights the fund balance from 2017 to 2022. As shown in **Table 3 and Figure 6**, the City's net position balance experienced an increase each year, excluding FY 2019-20. This healthy balance of \$400 million will be critical in the event that Santa Cruz encounters unintended expenses, major capital improvement projects, or emergency repairs.

Table 3: Net Position (2017 to 2022)

	FY 17-18 (Audited)	FY 18-19 (Audited)	FY 19-20 (Audited)	FY 20-21 (Audited)	FY 21-22 (Audited)
Beginning Balance	-	\$312,197,497	\$324,786,743	\$324,313,828	\$346,094,031
Ending Balance	\$312,197,497	\$324,786,743	\$324,313,828	\$346,094,031	\$400,509,960
Difference (\$)		\$12,589,246	\$(472,915)	\$21,780,203	\$54,415,929
Difference (%)		4.03%	-0.15%	6.72%	15.72%

Figure 6: Net Position from 2017 to 2022 (Ending Balance)



Table 4: Total Revenue & Expenditure (FY 2017-18 to FY 2021-22)

	FY 2017-18 (Audited)	FY 2018-19 (Audited)	FY 2019-20 (Audited)	FY 2020-21 (Audited)	FY 2021-22 (Audited)
REVENUE					
<u>Program Revenues</u>					
Charges for Services	\$ 119,426,176	\$ 121,932,519	\$ 117,251,857	\$ 120,151,072	\$ 123,046,409
Operating Grants & Contributions	\$ 5,783,243	\$ 6,631,615	\$ 10,723,824	\$ 9,916,766	\$ 8,917,751
Capital Grants & Contributions	\$ 8,697,888	\$ 5,032,786	\$ 6,041,232	\$ 13,972,656	\$ 37,975,187
Total Program Revenues	\$133,907,307	\$133,596,920	\$134,016,913	\$ 144,040,494	\$169,939,347
<u>General Revenues</u>					
Property Taxes	\$ 20,810,078	\$ 23,204,022	\$ 23,836,366	\$ 24,393,225	\$ 26,079,579
Sales & Use Taxes	\$ 17,400,320	\$ 21,860,332	\$ 21,376,655	\$ 23,578,620	\$ 27,223,493
Franchise Taxes	\$ 3,678,560	\$ 4,025,643	\$ 4,014,250	\$ 3,953,531	\$ 4,089,489
Transient Occupancy Taxes	\$ 10,185,738	\$ 10,985,786	\$ 8,035,134	\$ 9,121,782	\$ 12,066,476
Utility Users Taxes	\$ 11,568,654	\$ 11,517,468	\$ 11,459,173	\$ 11,600,692	\$ 12,264,890
Admissions Taxes	\$ 2,679,859	\$ 2,646,472	\$ 1,721,753	\$ 663,919	\$ 8,586,123
Other Taxes	\$ 6,930,592	\$ 6,219,024	\$ 6,911,076	\$ 7,696,545	\$ 2,131,088
Unrestricted Investment Earnings	\$ 1,009,243	\$ 3,299,182	\$ 3,514,079	\$ 2,675,923	\$ (2,987,682)
Gain (Loss) on Sales of Assets	\$ 632,273	\$ 32,551	\$ 7,479	\$ 109,554	\$ 57,647
Total General Revenues	\$ 74,895,317	\$ 83,790,480	\$ 80,875,965	\$ 83,793,791	\$ 89,511,103
TOTAL REVENUE	<u>\$208,802,624</u>	<u>\$217,387,400</u>	<u>\$214,892,878</u>	<u>\$ 227,834,285</u>	<u>\$259,450,450</u>
EXPENDITURE					
<u>Governmental Activities</u>					
General Government	\$ 19,350,479	\$ 20,614,327	\$ 20,322,085	\$ 23,476,418	\$ 21,935,750
Public Safety	\$ 51,394,586	\$ 56,513,231	\$ 57,811,196	\$ 54,785,622	\$ 53,197,958
Parks & Recreation	\$ 17,650,040	\$ 17,529,459	\$ 17,067,868	\$ 15,098,626	\$ 17,025,262
Library	\$ 1,559,242	\$ 1,553,115	\$ 1,474,896	\$ 1,888,881	\$ 213,503
Public Works	\$ 15,609,565	\$ 16,471,190	\$ 17,352,820	\$ 14,170,843	\$ 19,034,665
Transit	\$ 745,940	\$ 798,782	\$ 1,013,564	\$ 797,240	\$ 1,063,500
Community & Economic Development	\$ 10,516,746	\$ 4,185,767	\$ 6,268,475	\$ 4,199,540	\$ 4,112,247
Social Services	\$ 2,159,544	\$ 2,027,873	\$ 2,005,337	\$ 2,191,401	\$ 2,601,450
Interest & Fiscal Charges on Long-Term Debt	\$ 1,581,810	\$ 1,456,449	\$ 1,152,581	\$ 972,836	\$ 791,598
Total Governmental Activities	\$120,567,952	\$121,150,193	\$124,468,822	\$ 117,581,407	\$119,975,933
<u>Business-Type Activities</u>					
Water Services	\$ 33,284,532	\$ 36,562,160	\$ 37,405,164	\$ 38,078,715	\$ 36,703,987
Wastewater Services	\$ 21,785,697	\$ 20,933,694	\$ 24,170,115	\$ 23,392,966	\$ 21,004,203
Refuse Services	\$ 18,451,537	\$ 19,253,241	\$ 21,556,523	\$ 19,809,687	\$ 18,538,166
Parking Services	\$ 5,226,564	\$ 5,530,210	\$ 6,199,876	\$ 5,527,325	\$ 6,261,166
Storm Water Services	\$ 1,673,093	\$ 1,368,656	\$ 1,565,293	\$ 1,664,018	\$ 2,551,066
Loss from Impairment of Capital Assets	\$ 13,667,218	\$ -	\$ -	\$ -	\$ -
Total Business-Type Activities	\$ 94,088,641	\$ 83,647,961	\$ 90,896,971	\$ 88,472,711	\$ 85,058,588
TOTAL EXPENDITURE	<u>\$214,656,593</u>	<u>\$204,798,154</u>	<u>\$215,365,793</u>	<u>\$ 206,054,118</u>	<u>\$205,034,521</u>
SURPLUS / (DEFICIT)	<u>\$ (5,853,969)</u>	<u>\$ 12,589,246</u>	<u>\$ (472,915)</u>	<u>\$ 21,780,167</u>	<u>\$ 54,415,929</u>
NET POSITION					
Beginning Balance	\$ 318,051,466	\$ 312,197,497	\$ 324,786,743	\$ 324,313,864	\$ 346,094,031
Ending Balance	<u>\$312,197,497</u>	<u>\$324,786,743</u>	<u>\$324,313,828</u>	<u>\$ 346,094,031</u>	<u>\$400,509,960</u>

Table 5: Total Assets & Liabilities (FY 2017-18 to FY 2021-22)

	FY 2017-18 (Audited)	FY 2018-19 (Audited)	FY 2019-20 (Audited)	FY 2020-21 (Audited)	FY 2021-22 (Audited)
ASSETS					
Current Assets					
Cash & Investments	\$ 109,876,228	\$ 137,121,687	\$ 138,215,509	\$ 166,845,335	\$ 175,790,304
Restricted Cash & Investments	\$ 10,853,721	\$ 11,431,494	\$ 19,265,208	\$ 14,248,380	\$ 11,643,102
Interest Receivable	\$ 1,153,761	\$ 1,549,713	\$ 1,091,796	\$ 1,902,131	\$ 2,245,040
Taxes Receivable	\$ 7,375,291	\$ 9,176,591	\$ 7,977,055	\$ 9,142,057	\$ 11,254,895
Accounts Receivable - Net	\$ 13,216,270	\$ 12,492,827	\$ 12,650,143	\$ 17,120,731	\$ 20,118,126
Grants Receivable	\$ 62,630	\$ 1,276,123	\$ 6,055,625	\$ 4,654,533	\$ 5,492,439
Intergovernmental Receivables	\$ 3,275,523	\$ 500,227	\$ 1,820,921	\$ 785,930	\$ 4,886,322
Notes Receivable - Net	\$ 285,001	\$ 279,286	\$ 476,179	\$ 417,846	\$ 382,429
Loans Receivable - Net	\$ 7,980	\$ 4,200	\$ 1,920	\$ 1,920	\$ 11,465
Leases Receivable	\$ -	\$ -	\$ -	\$ -	\$ 1,330,883
Prepaid Items	\$ 7,325,232	\$ 4,256	\$ 1,217	\$ 790,762	\$ 4,439
Inventories	\$ 165,255	\$ 135,390	\$ 100,573	\$ 84,259	\$ 74,092
Deposits	\$ 2,965,452	\$ 2,996,858	\$ 2,982,500	\$ 4,243,587	\$ 5,020,957
Total Current Assets	\$156,562,344	\$176,968,652	\$190,638,646	\$220,237,471	\$238,254,493
Non-Current Assets					
Restricted Cash & Investments	\$ 5,487,270	\$ 1,037,322	\$ 1,052,524	\$ 2,036,320	\$ 1,053,461
Notes Receivable	\$ 14,988,297	\$ 14,695,044	\$ 14,021,040	\$ 15,497,060	\$ 15,232,066
Loans Receivable	\$ 2,579,724	\$ 2,576,439	\$ 2,576,181	\$ 2,575,104	\$ 2,863,684
Leases Receivable	\$ -	\$ -	\$ -	\$ -	\$ 19,591,573
Capital Assets					
Land	\$ 71,709,544	\$ 72,709,544	\$ 74,844,715	\$ 76,973,464	\$ 88,258,650
Land Improvements	\$ 24,435,348	\$ 27,039,080	\$ 27,299,680	\$ 28,193,423	\$ 35,168,296
Infrastructure	\$ 438,292,387	\$ 448,308,643	\$ 462,405,357	\$ 475,868,889	\$ 503,166,642
Buildings	\$ 222,832,554	\$ 226,568,700	\$ 226,914,219	\$ 232,786,485	\$ 232,821,485
Machinery & Equipment	\$ 68,578,603	\$ 23,447,648	\$ 72,583,366	\$ 79,284,770	\$ 81,690,055
Lease Improvements	\$ 553,846	\$ 47,854,238	\$ 615,943	\$ 615,943	\$ 643,239
Right-to-use leased assets	\$ -	\$ -	\$ -	\$ -	\$ 3,596,165
Intangibles	\$ 2,443,174	\$ 2,454,246	\$ 2,460,683	\$ 2,460,683	\$ 2,479,443
Software	\$ -	\$ -	\$ -	\$ -	\$ -
Construction in Progress	\$ 41,162,577	\$ 43,681,426	\$ 65,839,966	\$ 97,728,617	\$ 132,345,387
Less Accumulated Depreciation	\$(443,731,992)	\$(458,811,176)	\$(475,570,638)	\$(492,690,282)	\$(512,099,898)
Total Non-Current Assets	\$449,331,332	\$451,561,154	\$475,043,036	\$521,330,476	\$606,810,248
TOTAL ASSETS	\$605,893,676	\$628,529,806	\$665,681,682	\$741,567,947	\$845,064,741
Deferred Outflows of Resources					
Deferred Charge on Refunding of Debt	\$ 1,442,169	\$ 1,281,867	\$ 1,121,566	\$ 961,236	\$ 814,787
Deferred Outflows Related to OPEB	\$ 1,038,185	\$ 964,741	\$ 3,284,963	\$ 4,193,255	\$ 6,352,156
Deferred Outflows Related to Pension	\$ 47,699,170	\$ 35,282,540	\$ 31,291,016	\$ 35,332,931	\$ 37,743,869
Total Deferred Outflows of Resources	\$ 50,179,524	\$ 37,529,148	\$ 35,697,545	\$ 40,487,422	\$ 44,910,812
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$656,073,200	\$666,058,954	\$701,379,227	\$782,055,369	\$889,975,553
LIABILITIES					
Current Liabilities					
Overdrafts	\$ -	\$ -	\$ -	\$ -	\$ 350,601
Accounts Payable & Other Current Liabilities	\$ 13,147,961	\$ 19,520,731	\$ 28,075,484	\$ 23,286,694	\$ 24,080,961
Interest Payable	\$ 796,710	\$ 787,582	\$ 1,013,218	\$ 1,147,878	\$ 1,452,170
Unearned Revenue	\$ 253,723	\$ 236,176	\$ 231,174	\$ 8,336,767	\$ 6,525,817
Deposits Payable	\$ 704,758	\$ 689,744	\$ 593,013	\$ 1,122,429	\$ 1,377,712
Claims & Judgments Payable	\$ 3,472,074	\$ 3,354,789	\$ 3,456,624	\$ 3,714,974	\$ 4,959,169
Compensated Absences Payable	\$ 3,425,064	\$ 3,564,455	\$ 4,198,261	\$ 4,640,972	\$ 4,628,359
Bonds, Notes, Loans, & Leases Payable Due in Less than 1 Yr	\$ 10,399,988	\$ 17,981,076	\$ 8,386,464	\$ 8,871,414	\$ 6,431,261
Total Current Liabilities	\$ 32,200,278	\$ 46,134,553	\$ 45,954,238	\$ 51,121,128	\$ 49,806,050
Non-Current Liabilities					
Claims & Judgments Payable	\$ 9,931,581	\$ 9,852,894	\$ 10,094,819	\$ 9,823,644	\$ 12,362,029
Compensated Absences Payable	\$ 1,755,751	\$ 1,739,009	\$ 2,099,129	\$ 2,320,487	\$ 2,314,178
Bonds, Notes, Loans, & Leases Payable Due in More than 1 Yr	\$ 79,139,097	\$ 69,041,576	\$ 86,720,728	\$ 130,309,844	\$ 167,070,401
Landfill Closure & Postclosure Costs	\$ 7,449,025	\$ 7,918,597	\$ 8,316,243	\$ 8,611,980	\$ 9,215,755
Total Other OPEB Liability	\$ 39,367,936	\$ 38,141,658	\$ 43,571,320	\$ 39,816,181	\$ 45,110,330
Net Pension Liability	\$ 170,132,291	\$ 159,846,743	\$ 170,977,491	\$ 183,545,438	\$ 103,632,483
Total Non-Current Liabilities	\$307,775,681	\$286,540,477	\$321,779,730	\$374,427,574	\$339,705,176
TOTAL LIABILITIES	\$339,975,959	\$332,675,030	\$367,733,968	\$425,548,702	\$389,511,226
Deferred Inflows of Resources					
Deferred Inflows to Leases	\$ -	\$ -	\$ -	\$ -	\$ 20,887,663
Deferred Inflows Related to Pensions	\$ 3,899,744	\$ 5,227,452	\$ 6,480,119	\$ 4,585,615	\$ 73,818,363
Deferred Inflows Related to OPEB	\$ -	\$ 3,369,729	\$ 2,851,312	\$ 5,827,048	\$ 5,248,341
Total Deferred Inflows of Resources	\$ 3,899,744	\$ 8,597,181	\$ 9,331,431	\$ 10,412,663	\$ 99,954,367
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	\$343,875,703	\$341,272,211	\$377,065,399	\$435,961,365	\$489,465,593
NET POSITION					
Net Investment in Capital Assets	\$ 359,743,916	\$ 366,386,600	\$ 385,142,330	\$ 400,190,206	\$ 415,704,998
Restricted for:					
Capital Projects	\$ 4,225,901	\$ 6,535,238	\$ 7,098,794	\$ 7,983,146	\$ 10,375,141
Debt Service	\$ 1,682,256	\$ 1,422,937	\$ 1,548,781	\$ 1,646,374	\$ 1,700,071
Public Safety	\$ 441,331	\$ 543,025	\$ 672,832	\$ 752,543	\$ 899,678
Parks & Recreation	\$ 1,283,774	\$ 1,717,380	\$ 1,836,974	\$ 2,781,331	\$ 3,119,374
Community & Economic Development	\$ 19,217,519	\$ 21,826,324	\$ 22,650,447	\$ 27,612,920	\$ 32,776,269
Retiree Benefits	\$ 10,250,072	\$ -	\$ -	\$ -	\$ -
Unrestricted	\$ (84,647,272)	\$ (73,644,761)	\$ (94,636,330)	\$ (94,872,489)	\$ (64,065,571)
Total Net Position	\$312,197,497	\$324,786,743	\$324,313,828	\$346,094,031	\$400,509,960
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, & NET POSITION	\$656,073,200	\$666,058,954	\$701,379,227	\$782,055,396	\$889,975,553

GOVERNANCE

Legal Authority

The City of Santa Cruz 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 Santa Cruz 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 Santa Cruz is governed by an elected seven-member City Council elected at-large. However, it is LAFCO’s understanding that the City is currently transitioning to a district-based election process. **Appendix C** shows the district boundaries once the transition is completed in 2024. At that time, each district will have conducted its next scheduled election and have its respective representative seated on the City Council. The Council is responsible for the establishment of policy relative to the City’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 as well as State and Federal legislation. **Table 6** is a list of the Council’s current composition:

Table 6: Santa Cruz City Council

Board Member	Term of Office
Mayor – Fred Keeley	First Elected: 2022 Current Term Ends: 2026
District 1 – Martine Watkins	First Elected: 2016 Current Term Ends: 2024
District 2 – Sonja Brunner	First Elected: 2020 Current Term Ends: 2024
District 3 – Shebreh Kalantari-Johnson	First Elected: 2020 Current Term Ends: 2024
District 4 – Scott Newsome	First Elected: 2022 Current Term Ends: 2026
District 5 – Sandy Brown	First Elected: 2016 Current Term Ends: 2024
District 6 – Renee Golder	First Elected: 2022 Current Term Ends: 2026

Footnote: Starting in 2022, the City will have six members elected by districts to four-year terms and a Mayor elected at-large to serve a four-year term

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 in the afternoon and evening.

Other Boards / Commissions

The City of Santa Cruz has a varying number of advisory bodies, each with distinct responsibilities. LAFCO has identified 16 different advisory boards, including but not limited to the Arts Commission, the Equal Employment Opportunity Committee, and the Water Commission. **Appendix D** provides a copy of the City's official handbook for "City Advisory Bodies."

Website Transparency

Recently, laws requiring more transparency for local governments have been adopted, 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 7** summarizes LAFCO's findings on whether the City's website is meeting the transparency benchmarks. At present, the City meets all benchmarks, excluding one. The only item that was 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 7: Website Transparency

Website Components	Status (Yes = ✓)
1. Names and Contract Information of Board Members	✓
2. Board Member Term Limits	✓
3. Names of Key Staff, including City Manager	✓
4. Contract Information for Staff	✓
5. Election / Appointment Procedure & Deadlines	✓
6. Board Meeting Schedule	✓
7. Mission Statement	✓
8. Description of City's Functions & Service Area	✓
9. Authorizing Statute / Enabling Act	✓
10. Adopted Annual Budgets	✓
11. Audited Financial Statements / Financial Audits	✓
12. Archive of Board Meeting Agendas & Minutes	✓
13. Policies & Procedures / Bylaws	✓
14. Home Page Link to Agendas / Meetings	✓
15. SB 272 – Compliance-Enterprise Catalogs	✓
16. Machine Readable / Searchable Agendas	✓
17. Recipients of Grant Funding or Assistance	✓
18. Link or Copies of LAFCO's Service & Sphere Reviews	-
Total Score	17 (94%)

Opportunities and Challenges

Santa Cruz has been a city for almost 150 years, and it has endured significant moments and events such as economic recessions and natural disasters. The City is now experiencing a new normal post-COVID and recent fires. Unanticipated occurrences place a considerable amount of strain on local agencies, including cities. While cities struggle to maintain the same level of service to their residents in the face of obstacles, there are also opportunities to be explored during these challenging times. The following sections detail opportunities that Santa Cruz can consider or incorporate to maximize efficiencies, increase strategic partnerships, and/or identify possible cost-savings for the residents.

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 Santa Cruz has six ESAs involving 67 parcels for a total of approximately 40 acres. The first ESA was approved in 2006 to provide water services to the Rolling Woods Mutual Water Company (22 acres; 62 parcels in total). The following five ESAs involved single parcels and were approved between 2006 to 2023 (ranging from 0.6 to 9.7 acres). **Figure 7** on page 22 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 was approved by LAFCO in November 2023 and involved one parcel (APN: 068-121-27). The subject parcel is within the City’s sphere boundary and substantially surrounded by the City, as shown in **Figure 8** on page 23. This ESA may be a candidate for future annexation, if desired by the landowner and supported by the City.

LAFCO Staff Recommendation: Santa Cruz should consider analyzing the possible annexation of the existing extraterritorial service agreements and/or areas within their current sphere boundary as part of any future strategic plan or general plan updates.

Figure 7: Active Extraterritorial Service Agreements

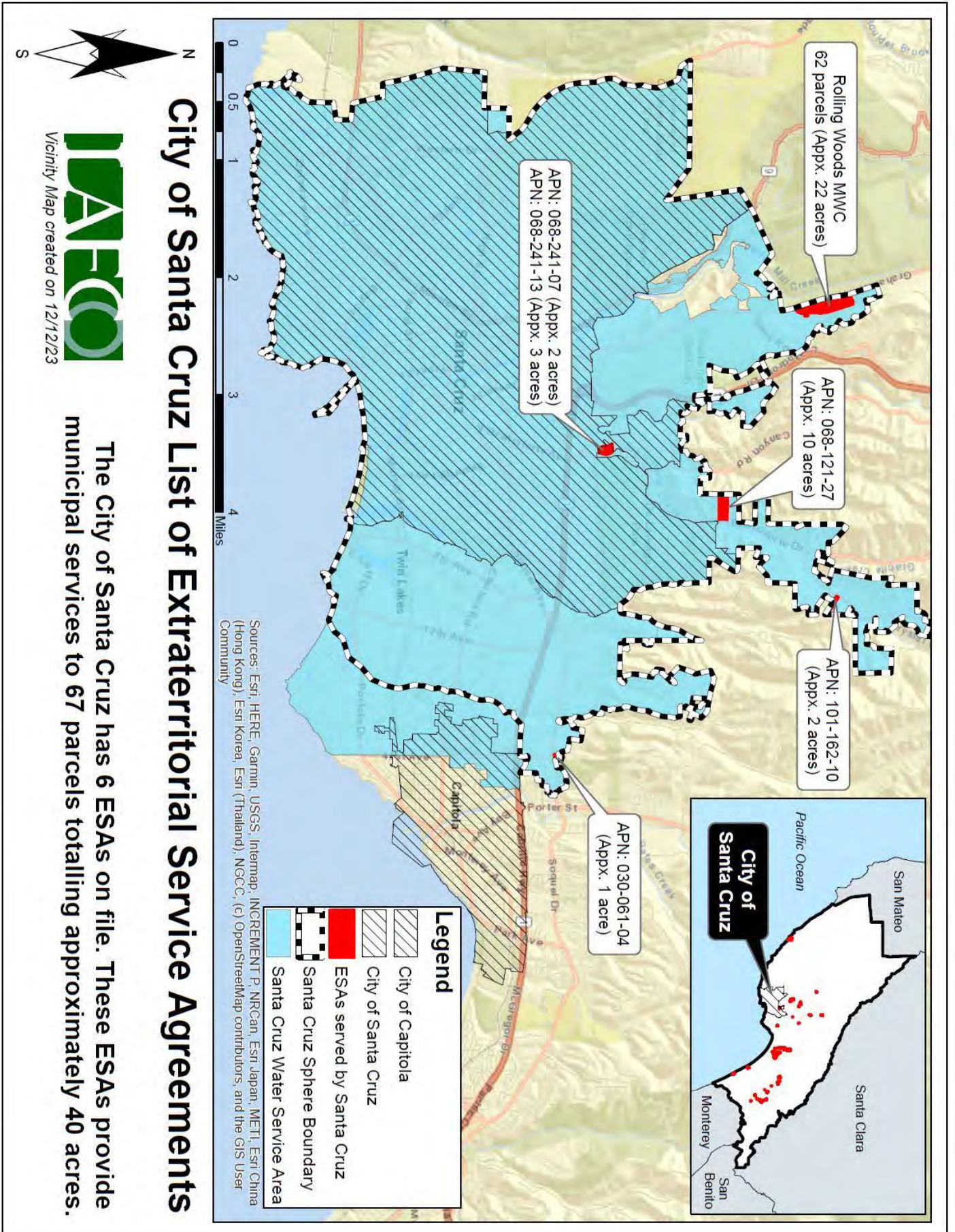
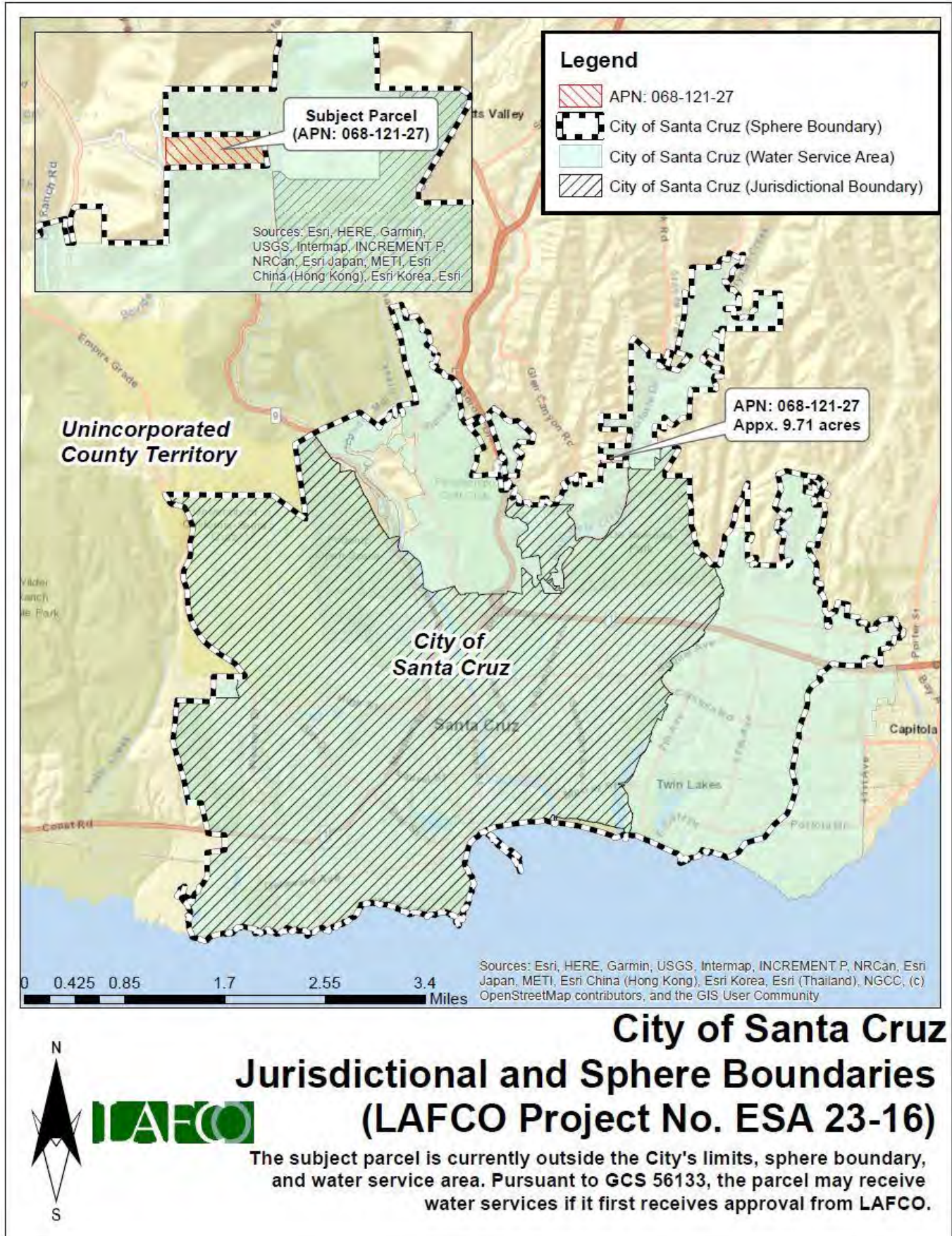


Figure 8: Most Recent Extraterritorial Service Agreement



Shared Services – Strategic Partnerships

While the City is fiscally stable, LAFCO is concerned about the long-term sustainability of the City's fire department. LAFCO's 2021 countywide fire report noted that the fire department ended each fiscal year, from FY 2014-15 to FY 2019-20, in a deficit. The deficit amount ranged from \$13 million to almost \$16 million. The City's latest financial statements indicate that FY 2020-21 will end with a \$13 million deficit. If that holds, the City will experience seven consecutive years where revenues collected were not enough to cover the annual expenses needed to provide fire protection and emergency services within the city limits. LAFCO encourages Santa Cruz to explore cost-saving opportunities and other 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 associated with joint procurements. Such coordination may address the ongoing fiscal constraints facing the City's fire department.

Latest Efforts

It is LAFCO's understanding that the City has been coordinating with the Central Fire District to explore possible shared services opportunities, including but not limited to reorganization. The two agencies held a meeting in September and invited LAFCO to discuss the development of a feasibility study and LAFCO's potential involvement with the request for proposal process. LAFCO staff supports the two agencies' efforts to explore ways to provide the best level of service to their constituents and encourages them to include LAFCO as a partner in these efforts.

LAFCO Staff Recommendation: Santa Cruz should explore shared services opportunities and other strategic partnerships with neighboring agencies, including but not limited to the Central Fire District. If the two agencies move forward with a feasibility study, staff encourages them to include LAFCO in the process, if possible.

Long-Term Plans

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. In 2023, the City adopted a five-year capital investment program, which identified over 40 different projects. Additionally, the City has developed over long-range plans including a Climate Action Plan² and a multi-year housing element update³. These efforts highlight the City's proactive leadership in climate, environmental protection, and smart growth.

LAFCO Staff Recommendation: Santa Cruz should provide an update to LAFCO during the 2025 calendar year summarizing the status of their housing and climate change resilience efforts.

² Climate Action Plan: <https://www.cityofsantacruz.com/government/city-departments/city-manager/climate-action-program/climate-action-plan>

³ Housing Element Update: <https://www.cityofsantacruz.com/government/city-departments/planning-and-community-development/long-range-policy-planning/general-plan/housing-element>

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.

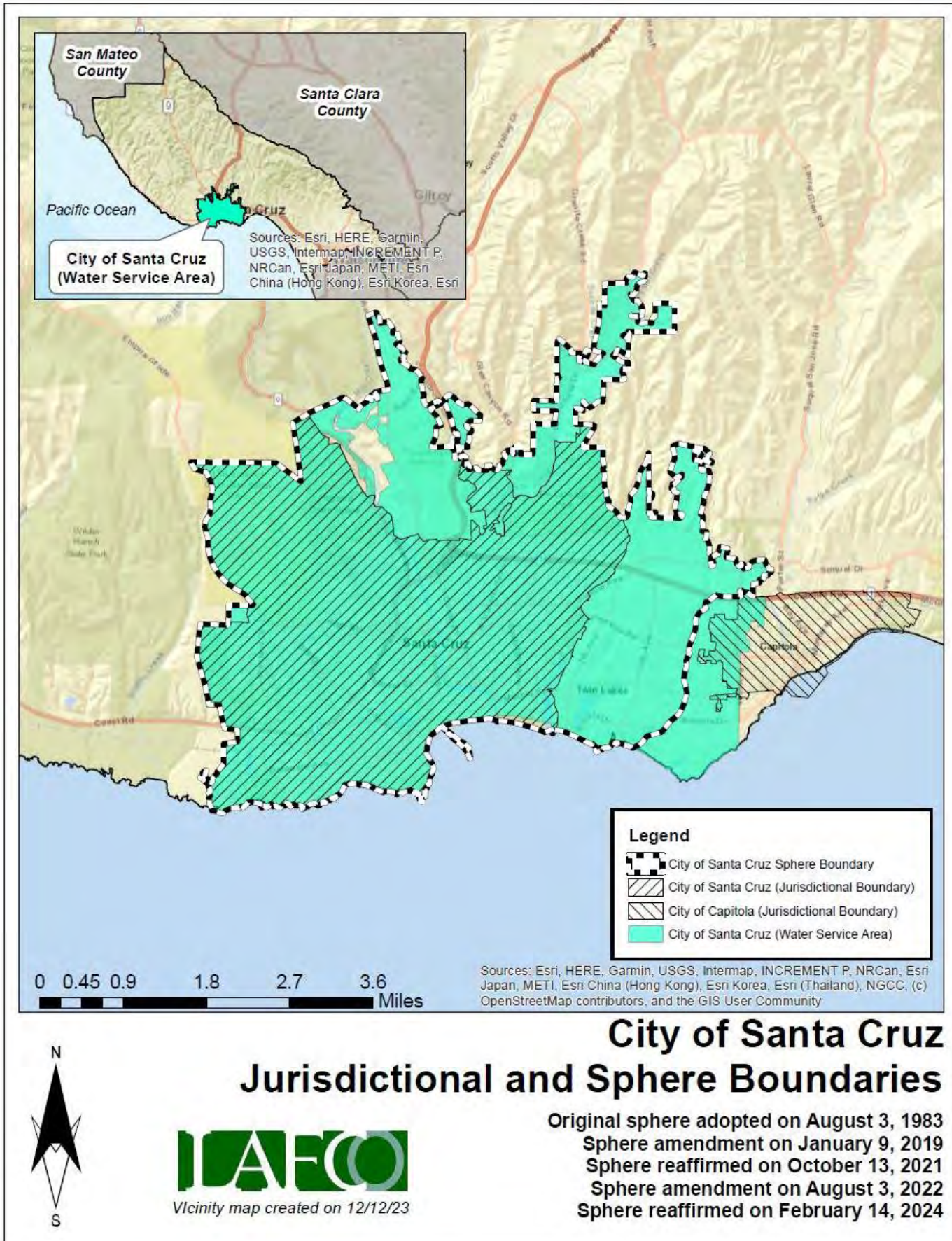
Current & Proposed Sphere Boundary

Santa Cruz LAFCO adopted the City's first sphere of influence on August 3, 1983. The current sphere includes areas outside the City's jurisdictional boundary. The current sphere goes beyond city limits and includes approximately 10,800 parcels. The last sphere update occurred in August 2022 which expanded the sphere boundary to reflect the City's water service area. While the initiation of any boundary change is not mandatorily required, it may be beneficial for the City to consider analyzing potential future annexation areas as part of their next general plan update or future strategic plan effort to prepare for future growth and/or service demand.

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). Such analysis would occur if annexation were to be 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 9** on page 26.



Figure 9: Proposed City Sphere Reaffirmation



CITY PROFILE SUMMARY

City of Santa Cruz	
Formation	California Charter City Law (Article XI, section 3(a) of the California Constitution)
City Council	Starting in 2022, six members, elected by districts to four-year terms, and a Mayor, elected at-large to serve a four-year term
Contact Person	Matt Huffaker, City Manager
Employees	Approximately 927 Full-Time Employees
City Area	City Limits: 12 square miles (8,200 acres) Water Service Area: 27 square miles (17,000 acres)
Sphere of Influence	Larger than the City (i.e., sphere boundary goes beyond existing City limits)
FY 2021-22 Audit	Total Revenue = \$259,450,450 Total Expenditure = \$205,034,521 Net Position (Ending Balance) = \$400,509,960
Contact Information	Mailing Address: 809 Center Street, Room 10, Santa Cruz, CA 95060 Phone Number: (831) 420-5010 Email Address: mhuffaker@santacruzca.gov Website: https://www.cityofsantacruz.com/home
Public Meetings	City Council meetings are typically held on the second and fourth Tuesday of each month in the afternoon.
Mission Statement	Varies (each city department has adopted their own vision and mission statements).

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 64,000. Moderate growth is projected to occur for the next twenty years. LAFCO staff estimates that the entire population will reach 79,000 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 based on the 2020 data used to conduct LAFCO's 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.

Santa Cruz is financially stable. Audited financial statements from Fiscal Years 2017-18 to 2021-22 indicate that the City has ended in a surplus in three of the last five fiscal years. As of June 30, 2022, the City is operating with a net position of approximately \$400 million.

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

LAFCO recommends that the City continue exploring collaborative efforts with neighboring agencies to improve efficiencies, including but not limited to fire protection services. Potential joint ventures may address the fire department's fiscal issues.

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 consider analyzing the possible annexation of the existing extraterritorial service agreements and/or areas within their current sphere boundary as part of any future strategic plan and/or general plan update.

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.

Santa Cruz 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.

Santa Cruz provides various types of municipal services, including but not limited to law enforcement and public works. Designated city departments are tasked to efficiently provide these public services to their constituents. The City's robust website provides detailed information about each of the 14 city departments.

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.

Santa Cruz 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 16 boards, such as the Arts Commission, the Equal Employment Opportunity Committee, and the Water Commission.

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 based on the 2020 data used to conduct LAFCO's analysis.

APPENDICES

Appendix A: Past Boundary Changes (1965 to Present)

Appendix B: City Zoning Map

Appendix C: City Districting Map (2022 Version)

Appendix D: Handbook for City Advisory Bodies (2023 Version)

Appendix E: Capital Investment Program (2023 to 2027)



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 Santa Cruz

Project Location: The City of Santa Cruz was incorporated as a town in 1866 and as a city in 1876. At present, the city encompasses approximately 12 square miles with a population of approximately 64,000. The City is located on the northern part of the Monterey Bay approximately 74 miles south of San Francisco and 30 miles west of San Jose. A vicinity map depicting the **City's** jurisdictional and sphere boundaries is attached (refer to Attachment A).

Project Location City: Santa Cruz
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 of Santa Cruz. The purpose of the report is to ensure the effectiveness and efficiency in the delivery of public services by the agency, 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 February 7, 2024.

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: 
Joe A. Serrano, Executive Officer

Date: February 8, 2024

☒ Signed by Lead Agency



NOTICE OF PUBLIC HEARING LOCAL AGENCY FORMATION COMMISSION

NOTICE IS HEREBY GIVEN that at 9:00 a.m., Wednesday, February 7, 2024, the Local Agency Formation Commission of Santa Cruz County (LAFCO) will hold public hearings on the following:

- **“Reclamation District No. 2049 Dissolution” (Project No. DDI 24-01):** The Commission will consider initiating the dissolution of the District in accordance with Government Code Section 56375(a)(2)(B). The reclamation district’s jurisdictional boundary includes 24 parcels totaling approximately 500 acres, and is located north of Holohan Road, east of Green Valley Road, west of East Lake Avenue, and south of Paulsen Road. The Commission will hold an additional public hearing to consider the official dissolution of the reclamation district once LAFCO fulfills the statutory requirements regarding dissolutions.
- **City of Santa Cruz Service and Sphere of Influence Review:** Consideration of a service and sphere review for the City of Santa Cruz. The City encompasses approximately six square miles with a population of approximately 64,000. The City is located on the northern part of the Monterey Bay approximately 74 miles south of San Francisco and 30 miles west of San Jose.

In compliance with the California Environmental Quality Act (CEQA), LAFCO staff is scheduled to prepare a Categorical Exemption for the proposals listed above. 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 24 hours in advance of the meeting to make arrangements.

Joe A. Serrano
Executive Officer
Date: January 17, 2024

LOCAL AGENCY FORMATION COMMISSION OF SANTA CRUZ COUNTY
RESOLUTION NO. 2024-03

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

RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION
APPROVING THE 2024 SERVICE AND SPHERE OF INFLUENCE REVIEW
FOR THE CITY OF SANTA CRUZ

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 Santa Cruz (“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 February 7, 2024, 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 2024 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 2024 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 7th day of February 2024.

AYES:

NOES:

ABSTAIN:

JOHN HUNT, CHAIRPERSON

Attest:

Joe A. Serrano
Executive Officer

Approved as to form:

Joshua Nelson
LAFCO Counsel

EXHIBIT A
CITY OF SANTA CRUZ
2024 SERVICE REVIEW DETERMINATIONS

1. Growth and population projections for the affected area.

The City currently provides various municipal services to a population of approximately 64,000. Moderate growth is projected to occur for the next twenty years. LAFCO staff estimates that the entire population will reach 79,000 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 based on the 2020 data used to conduct LAFCO's 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.

Santa Cruz is financially stable. Audited financial statements from Fiscal Years 2017-18 to 2021-22 indicate that the City has ended in a surplus in three of the last five fiscal years. As of June 30, 2022, the City is operating with a net position of approximately \$400 million.

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

LAFCO recommends that the City continue exploring collaborative efforts with neighboring agencies to improve efficiencies, including but not limited to fire protection services. Potential joint ventures may address the fire department's fiscal issues.

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 consider analyzing the possible annexation of the existing extraterritorial service agreements and/or areas within their current sphere boundary as part of any future strategic plan and/or general plan update.

EXHIBIT B
CITY OF SANTA CRUZ
2024 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.

Santa Cruz 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.

Santa Cruz provides various types of municipal services, including but not limited to law enforcement and public works. Designated city departments are tasked to efficiently provide these public services to their constituents. The City's robust website provides detailed information about each of the 14 city departments.

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.

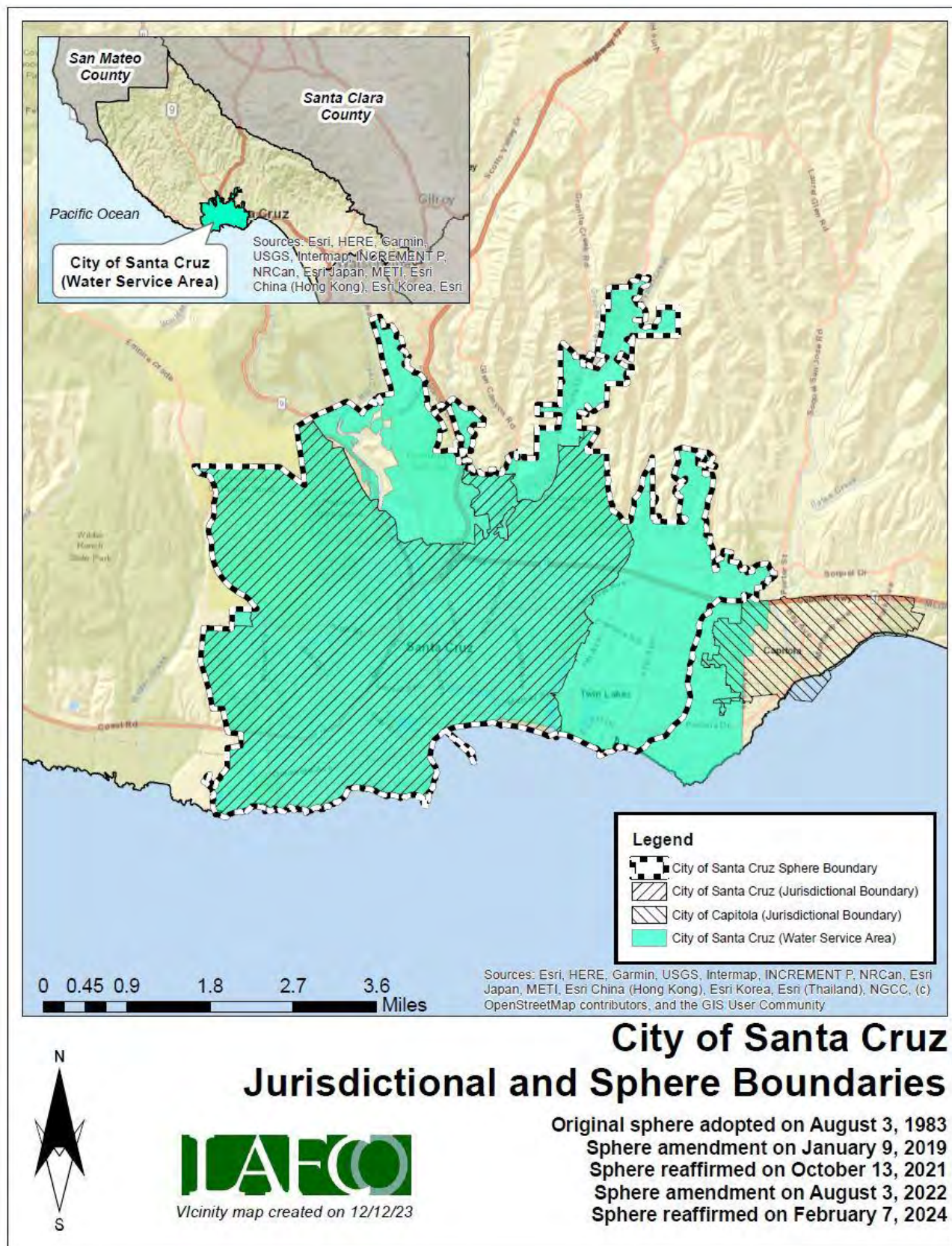
Santa Cruz appoints its citizens on an array of boards, commissions, and committees to assist and advise in formulating policies. These advisory bodies provide feedback that may help the City make significant decisions. In total, the City has 16 boards, such as the Arts Commission, the Equal Employment Opportunity Committee, and the Water Commission.

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 based on the 2020 data used to conduct LAFCO's analysis.

EXHIBIT C
CITY OF SANTA CRUZ
SPHERE OF INFLUENCE MAP

LAFCO reaffirms the Sphere of Influence for the City of Santa Cruz.





Date: February 7, 2024
To: LAFCO Commissioners
From: Joe Serrano, Executive Officer
Subject: **“Reclamation District No. 2049 Dissolution” – Initiating Resolution**

SUMMARY OF RECOMMENDATION

Representatives from the Reclamation District No. 2049 submitted an application to dissolve the agency in March 2023 based on LAFCO’s recommendations from the 2022 Countywide Water Service and Sphere Review. However, the application has remained inactive since then and LAFCO does not expect the agency to fulfill the statutory requirements necessary to move their application forward due to its depleted board, lack of staff, and no activity. State law allows LAFCOs to initiate dissolution if deemed necessary. After multiple joint meetings with representatives from the Reclamation District and the Pajaro Valley Water Management Agency (PVWMA), LAFCO has determined that the Commission should consider taking the lead in the dissolution process.

It is recommended that the Commission take the following actions:

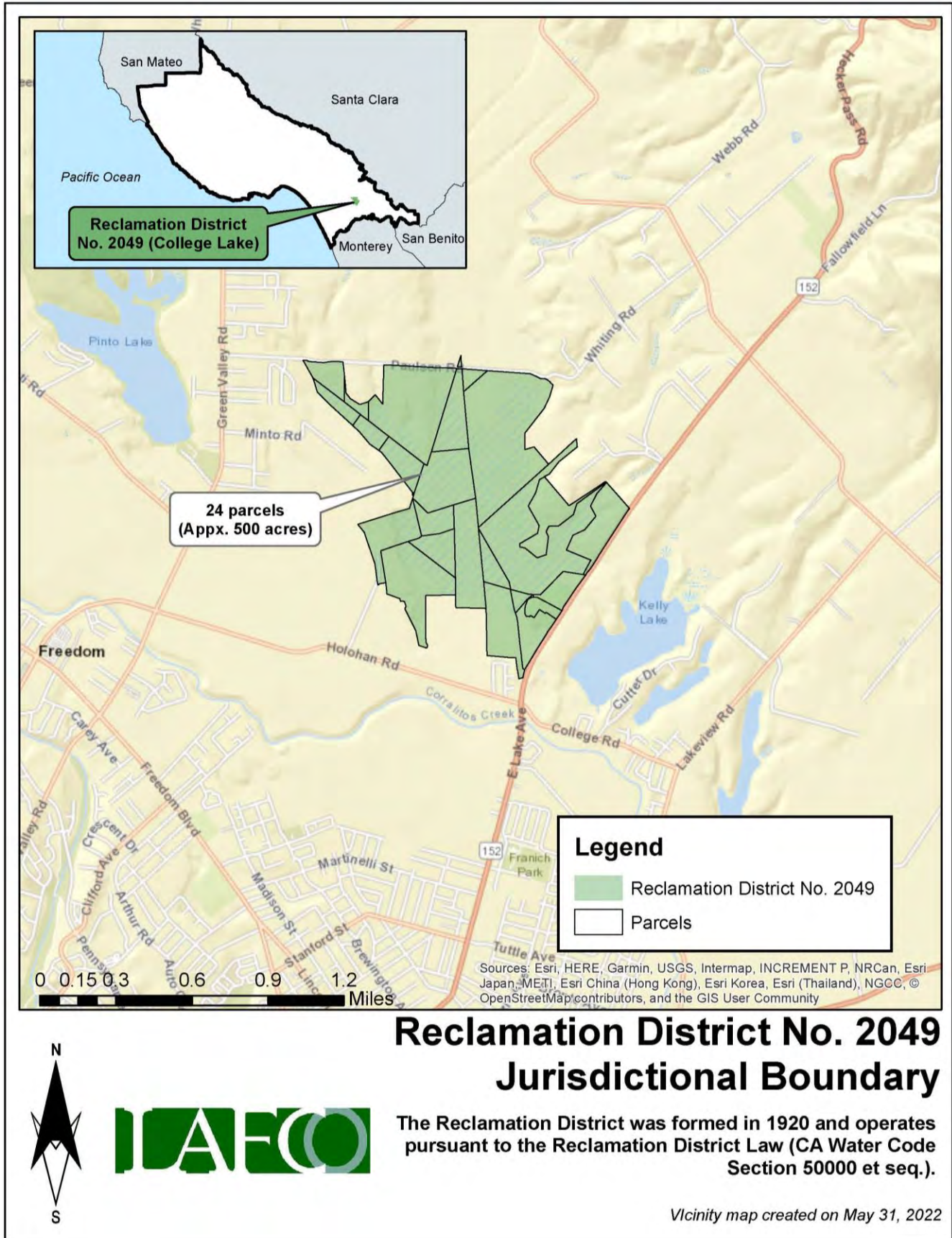
1. Terminate the application (LAFCO Project No. DDI 23-03) due to inactivity; and
 2. Adopt LAFCO Resolution (No. 2024-04) initiating the dissolution of the Reclamation District No. 2049 in accordance with Government Code Section 56375(a)(2)(B).
-

EXECUTIVE OFFICER’S REPORT

The Reclamation District No. 2049 was formed on February 2, 1920, in conformity with Division 2200 of the Deering Act and currently operates under Section 50000 et seq. of the California Water Code. The District provides drainage services for approximately 500 acres in the College Lake area, north of the City of Watsonville, as shown in **Exhibit A** on page 2. While the District’s sole purpose is to drain College Lake once a year to allow for farming during the summer season, 2024 will be the first year the District will not drain the lake. This lack of action was due to the following:

- In March 2023, the District submitted an application for dissolution;
- In May 2023, the board of directors decided not to adopt a budget for FY 2023-24 and have not held a board meeting since then;
- In late-2023, the board of directors went from three members to only a single member; and
- Throughout 2023, PVWMA continued their efforts to construct a new pump station, water treatment plant and six-mile pipeline at College Lake (thus making the Reclamation District obsolete).

Exhibit A – Vicinity Map



District's Dissolution Application

The board president of the Reclamation District No. 2049 submitted a signed application on March 8, 2023. State law requires LAFCO to review the application and inform the applicant whether the application is complete or incomplete within 30 days of submittal. LAFCO sent a status letter to the applicant on April 7, 2023, as shown in **Attachment 1**, informing them that the application was incomplete because it was missing various items including but not limited to the following:

- Signed copy of the initiating resolution adopted by the District's board of directors;
- Signed copy of the indemnification agreement; and
- Payment of LAFCO's filing fee of \$1,250.

It is normal for applications to be missing items upon initial inspection, and applicants typically submit the outstanding items in a timely manner. However, the District has not been able to submit the required documentation because it no longer has an acting board and cannot take any official action beyond administrative tasks (i.e. paying monthly bills) – resulting in the application being dormant for almost a year. Therefore, LAFCO staff is recommending that the application be terminated due to inactivity.

LAFCO's Proposed Dissolution Effort

While the initial application to dissolve the Reclamation District has remained inactive, LAFCO has continued to proactively engage with representatives from the District and PVWMA to discuss the future of College Lake and the Reclamation District. After determining that the original application would not be able to move forward, the two parties and LAFCO believed that the State Controller's Office would designate the Reclamation District as an "inactive district" under GCS 56042. This designation would have required a mandatory dissolution. The District met all the requirements to be considered an inactive district with the exception of the criteria regarding fund balances. State law requires an inactive district to have a zero-fund balance and to date, the District has approximately \$40,000 in the bank. As a result, the two agencies agreed that LAFCO should initiate the dissolution process to ensure that the lake receives adequate drainage services from a reliable public agency. Government Code Section 56375(a)(2)(B) allows the Commission to exercise its power and duty to initiate the dissolution of a district by adopting a resolution. A full analysis of the proposed dissolution will be conducted, if initiated by the Commission and after it is deemed complete and ready for Commission consideration by the Executive Officer. LAFCO staff is recommending that the Commission adopt the attached resolution to initiate the dissolution process.

Environmental Review

LAFCO will be the lead agency under CEQA for the District's dissolution. A project is defined in CEQA Guidelines Section 21065, in part, as "an activity which may cause either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment." The dissolution of a district that provides no services would have no direct or reasonably foreseeable indirect impact on the environment and is therefore not considered to be a project. A Notice of Exemption will be recorded after the Commission officially dissolves the District later this year.

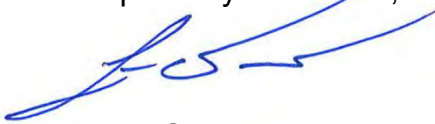
Public Hearing Notice

Pursuant to Government Code Section 56879(c), the Commission's action associated with this dissolution must occur following a public hearing. While notification is not required when initiating a dissolution, LAFCO provided notice of the hearing by means of publication in the Santa Cruz Sentinel Newspaper on January 17, 2024, as shown in **Attachment 2**.

Conclusion

The Reclamation District does not have a general manager or adequate staff. It also does not have a website, a physical office or any accessible contact information, adopted policies in place, and has four vacancies on the five-member board. The last official board meeting was held in May 2023. In early-2023, the District submitted an application to dissolve the agency, however, it did not provide all the required documentation in accordance with state law. As a result, the application has remained inactive for almost a year and there is no plan to address the outstanding items. Therefore, staff is recommending that the Commission terminate the original application and adopt the draft resolution, as shown in **Attachment 3**, to initiate the dissolution process and continue the joint effort to ensure adequate drainage services in the College Lake area.

Respectfully Submitted,



Joe A. Serrano
Executive Officer

Attachments:

1. Status Letter (dated April 7, 2023)
2. Public Hearing Notice
3. Draft Resolution No. 2024-04

cc: Reclamation District No. 2049
Pajaro Valley Water Management Agency



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

April 7, 2023

John Diffenbaugh, Board President
 Reclamation District No. 2049
 445 Summit Road
 Watsonville, CA 95076

Subject: Proposed "Reclamation District No. 2049 Dissolution"
(LAFCO Project No. DDI 23-03)

Dear Mr. Diffenbaugh:

LAFCO staff has reviewed the application and accompanying documents for the above-referenced proposal. This notice is to advise you whether your application is complete or whether additional information is required.

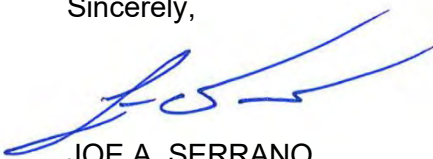
The application is **incomplete**, and the following information or action is required:

1. **INITIATING RESOLUTION:** The applicant is required to provide an initiating document. It is LAFCO's understanding that the District's Board of Directors adopted a resolution to initiate the dissolution process. Please submit a signed copy of the adopted resolution to LAFCO.
2. **INDEMNIFICATION AGREEMENT:** Commission policy requires a signed indemnification agreement in the event that a lawsuit is filed against the proposed boundary change during any point of the LAFCO process (**Attachment 1**). Please submit a signed copy to LAFCO.
3. **FILING FEE:** Applications for boundary changes, such as dissolutions, require a fee deposit. A policy discussing the cost breakdown for applications has been adopted by LAFCO and is enclosed for your reference (**Attachment 2**). The applicant is required to provide a check payable to Santa Cruz LAFCO for \$1,250.
4. **LEGAL DESCRIPTION AND MAP:** Commission policy requires the applicant to provide a map and legal description illustrating the proposed boundary change. The applicant is also responsible for paying the processing fee to the State Board of Equalization (SBE) in order to finalize the boundary change. Due to the size of the proposal area, LAFCO staff may determine that a vicinity map (**Attachment 3**) would be sufficient to fulfill the mapping requirement. *No action is required by the applicant for this item.*
5. **COMMENTS FROM AFFECTED AND OTHER PUBLIC AGENCIES:** Several factors must be considered when reviewing a proposal, including comments from any affected or interested local agencies (Government Code Section 56668[j]). Attached is a copy of the referral letter sent to the public agencies within the affected area (refer to **Attachment 4**). This letter is soliciting comments on the proposal from those agencies, if any. The deadline to submit comments to LAFCO will be Friday, May 5, 2023. *No action is required by the applicant for this item.*

6. ENVIRONMENTAL REVIEW: The applicant is typically required to provide an environmental document that fulfills the requirements under the California Environmental Quality Act (CEQA). However, Santa Cruz LAFCO will assume this responsibility and serve as the lead agency for assessing impacts under CEQA. Staff believes the proposal qualifies as a project under CEQA, and therefore, an environmental review is currently underway. *No action is required by the applicant for this item.*
7. PROPERTY TAX EXCHANGE AGREEMENT: California Revenue and Taxation Code Section 99(b)(6) requires the adoption of a property tax exchange agreement by the affected local agencies before LAFCO can consider a jurisdictional change. The Board of Supervisors (BOS) acts as the authorizing body for the Reclamation District regarding property tax adjustments. LAFCO staff will coordinate with the County Administrative Office to schedule this item at an upcoming BOS meeting. *No action is required by the applicant for this item.*
8. MANDATORY DISSOLUTION: Government Code Section 58879 requires the State Controller's Office to create an annual list of inactive special districts based on the information in the special district's Financial Transactions Report. The State Controller's Office is also required to notify LAFCOs when an inactive special district within their county is identified. 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. *No action is required by the applicant for this item.*

Once LAFCO receives the requested information and all the required milestones are completed, the application will be deemed complete and ready for Commission consideration. If you have any questions regarding this letter or the LAFCO process, please contact me at (831) 454-2055 or by email at joe@santacruzlafco.org.

Sincerely,



JOE A. SERRANO
Executive Officer

Attachments:

1. Indemnification Agreement
2. Fee Schedule Policy
3. Vicinity Map
4. Referral Letter

Local Agency Formation Commission of Santa Cruz County
 Governmental Center
 701 Ocean St. #318 D
 Santa Cruz CA 95060



PROJECT NUMBER: DDI 23-03

TITLE: ~~"Reclamation District No. 2049 Dissolution"~~

INDEMNIFICATION AND DEFENSE

The undersigned applicant for the above-referenced application ("Applicant"), as a condition of submission of this application, approval of the application and any subsequent amendment of the approval which is requested by the Applicant, hereby agrees to defend, using counsel reasonably acceptable to the Local Agency Formation Commission of Santa Cruz County ("LAFCO"), indemnify, and hold harmless LAFCO, its officers, employees, and agents, from and against any claim, demand, damages, costs or liability of any kind (including attorneys' fees) against LAFCO arising from or relating to this application or any approval or subsequent amendment to the approval thereof, subject to the conditions set forth below.

A) Notification and Cooperation

LAFCO shall notify the Applicant of any claim, action, or proceeding against which LAFCO seeks to be defended, indemnified, or held harmless. LAFCO shall reasonably cooperate in such defense.

B) Fees and Costs:

Nothing contained herein shall prohibit LAFCO from participating in the defense of any claim, action, or proceeding if either of the following occur:

- 1) LAFCO bears its own attorneys' fees and costs; or
- 2) LAFCO and the Applicant agree in writing to the Applicant paying part or all of the Commission's attorneys' fees and costs.

C) Settlement:

When representing LAFCO, the Applicant shall not enter into any stipulation or settlement modifying or affecting the interpretation or validity of any of the terms or conditions of the approval without the prior written consent of LAFCO.

D) Successors Bound:

The obligations of the Applicant under this Indemnity and Defense agreement are specifically associated with and shall run with the land that is the subject of the application and/ or approval and shall be binding upon the applicant and the successor(s) in interest, transferee(s), and assign(s) of the applicant in the land.

E) Recordation:

At any time after submission of the application, LAFCO may, at its sole option, record in the office of the Santa Cruz County Recorder a memorandum of agreement which incorporates the provisions of this condition, or this approval shall become null and void.

 (Signature of LAFCO Executive Officer)

 Joe A. Serrano
 (Printed Name)

 (Date)

 (Signature of Applicant)

 (Printed Name)

 (Date)



LOCAL AGENCY FORMATION COMMISSION OF SANTA CRUZ COUNTY

PROCESSING FEES AND DEPOSITS POLICY

Adopted on December 4, 2002 (Resolution No. 2002-9)
 Revision each year from November 5, 2003 (Resolution No. 2003-9)
 Revision on November 3, 2004 (Resolution No. 2004-13)
 Revision on December 7, 2005 (Resolution No. 2005-6)
 Revision on February 7, 2007 (Resolution No. 2007-1)
 Revision on March 4, 2009 (Resolution No. 2009-2)
 Revision on August 3, 2011 (Resolution No. 2011-8)
 Revision on February 4, 2014 (Resolution No. 2014-2)
 Previous Revision on December 6, 2017 (Resolution No. 2017-12)
 Last Revision on August 5, 2020 (Resolution No. 2020-19)

1. OVERVIEW

All deposits are initial payments toward the total cost of processing (“project cost”). Project cost is defined as staff time plus materials. Staff billing rates include personnel costs. Other application-related costs include, but are not limited to, charges for the advertisement of hearings, as well as any fees charged for project reviews by affected agencies. A cost breakdown will be completed at the end of each LAFCO application. If any funds are remaining at the end of the LAFCO process, then a refund will be provided to the applicant.

2. PETITION CHECKING

There is no charge for verification of the first 20 signatures on a petition. Beginning with the 21st signature, a fee of \$0.55 per signature shall be charged to the applicant.

3. PROCESSING

The following identifies the initial deposits for each boundary change request.

a) District annexations, detachments, and reorganizations not changing city boundaries:

Total Acreage	Fee Deposit
Less than 1	\$1,600
1 – 24.9	\$2,500
25 – 149.9	\$7,000
More than 150	\$8,000

b) Municipal annexations, detachments, and reorganizations involving at least one change in a city boundary:

Total Acreage	Fee Deposit
Less than 1	\$3,150
1 – 24.9	\$4,900
25 – 149.9	\$7,350
More than 150	\$14,600

c) Consolidations, mergers, and establishments of a subsidiary district:

Total Acreage	Fee Deposit
N/A	\$1,800

d) Dissolutions of an independent special district and county service areas:

Total Acreage	Fee Deposit
N/A	\$1,250

e) Formation of a county service area:

Total Acreage	Fee Deposit
N/A	\$5,000

Footnote: includes petition filing fee and sphere adoption

f) Addition of a service to the list of services that a county service area may perform:

Total Acreage	Fee Deposit
N/A	\$1,250

g) Formation of a special district:

Total Acreage	Fee Deposit
N/A	\$15,000

Footnote: includes sphere adoption

h) City incorporations:

Total Acreage	Fee Deposit
N/A	\$30,000

Footnote: includes sphere adoption

i) Request for the State Controller's Review of a Comprehensive Fiscal Analysis on an incorporation proposal:

Actual cost billed by the Controller. If the Controller has not set a cost at the time the deposit is due, the deposit shall be \$ 38,200.

If the costs will exceed the deposit in the opinion of the Executive Officer, the Executive Officer shall bill the party who requested the Controller's review for the estimated costs to complete Controller's review. Failure to pay an additional deposit may result in cessation of the Controller's report and other remedies as determined by the Controller's office and the Commission.

j) Sphere of Influence revision or amendment:

Total Acreage	Fee Deposit
N/A	\$5,150

k) Provision of a new function or service by a district:

Total Acreage	Fee Deposit
N/A	\$1,500

l) Requests for extraterritorial service:

Total Acreage	Fee Deposit
N/A	\$950

m) Request for a service review outside the Commission's schedule in accordance with the adopted multi-year work program:

Actual cost. Note: Initiation of a service review outside of LAFCO's work program is subject to LAFCO's discretion whether the service review can be conducted in a manner that doesn't prejudice the work program, and to LAFCO's discretion as to the appropriate geographic areas, agencies, and scope of the service review.

n) Copies or other reproduction efforts:

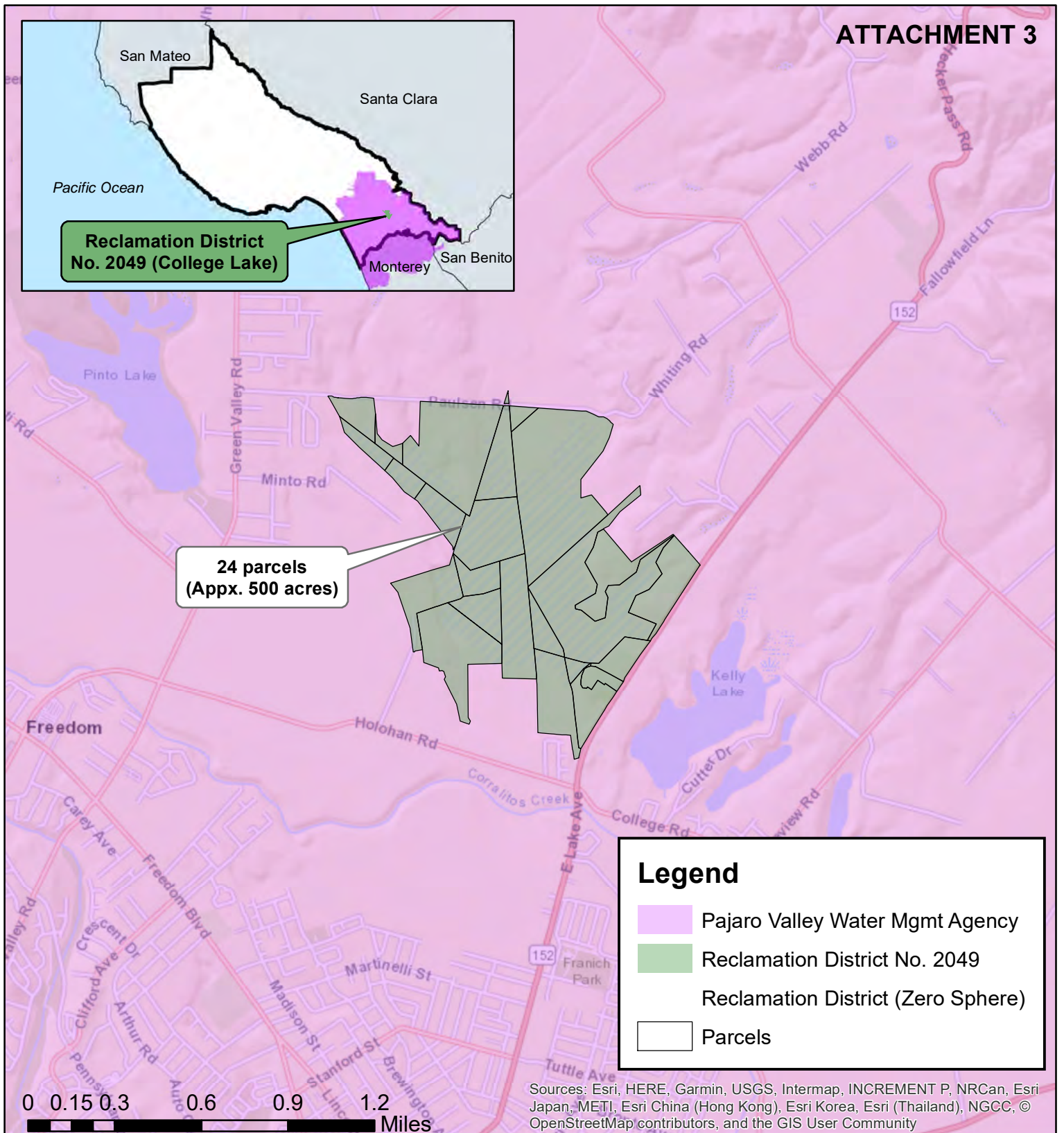
Requests	Fee Deposit
Copies	First 30 pages free; thereafter \$0.18 per page
Digital Audio Files	\$14.42 per 80-minute CD
Other Electronic Media	The fees as charged by the County of Santa Cruz on its Unified Fee Schedule

4. BILLING RATES

The Commission will review billing rates and the fee schedule on an annual basis and may adjust rates as necessary to assure the cost recovery with processing each type of application. Documentation regarding actual costs (salaries, benefits, etc.) is available in the LAFCO office.

As of August 5, 2020, staff's hourly rate are the following:

LAFCO Staff	Hourly Rate
Executive Officer	\$138.27
Commission Clerk	\$102.71
Legal Counsel	Same rate charged to LAFCO



"Reclamation District No. 2049 Dissolution" (LAFCO Project No. DDI 23-03)

The Reclamation District was formed in 1920 and operates pursuant to the Reclamation District Law (CA Water Code Section 50000 et seq.).

The District submitted an application to dissolve on 3/8/23.



Vicinity map created on 4-6-23



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

REFERRAL LETTER TO AFFECTED/INTERESTED AGENCIES

Date: April 7, 2023
Project Title: "Reclamation District No. 2049 Dissolution"
Project Number: DDI 23-03
APNs: 24 Parcels (list available upon request)
Date Rec'd by LAFCO: March 8, 2023
Submitted by: Adopted Resolution by the District Board
Subject Agencies: Reclamation District No. 2049

Sphere Adoption/Amendment: No
Contractual Service Agreement: No

Executive Officer Message: This application proposes to dissolve the Reclamation District No. 2049. If approved, the dissolution will address the inactive district and residents will continue to receive municipal services from other existing local agencies, including but not limited to, the Pajaro Valley Fire Protection District, the Pajaro Valley Water Management Agency, and the Salsipuedes Sanitary District.

Mandatory Dissolution

Government Code Section 58879 requires the State Controller's Office to create an annual list of inactive special districts based on the information in the special district's Financial Transactions Report. The State Controller's Office is also required to notify LAFCOs when an inactive special district within their county is identified. 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.

If you have any comments on this application, please provide your feedback to the LAFCO office no later than **Friday, May 5, 2023**.

Description/Justification: The proposed dissolution was initiated by the Reclamation District No. 2049 through the unanimous adoption of a board resolution. The subject area includes 24 parcels totaling approximately 500 acres. The District's sole purpose is to drain the College Lake once a year to allow for farming purposes during the summer season. The District currently uses one weir, a small water dam, to control the flow of water. The District does not provide any other services or has any other infrastructure or facility.

Location: The subject area is primarily within unincorporated county territory and is generally located north of Holohan Road, east of Green Valley Road, south of Paulsen Road, and west of Highway 152. The District's service area is completely surrounded by the Pajaro Valley Water Management Agency. Attached is a vicinity map depicting the location of the proposal area.

General Plan/Zoning: The subject area is uninhabited and the County's General Plan designates the vast majority of the area as Agriculture with a small portion designated as Public Facility. The application does not propose any changes to the existing land use designation.

Other Municipal Services: No other change of organization is required. The proposal area will continue to receive municipal services from existing public agencies, including but not limited to fire protection services from the Pajaro Valley Fire Protection District.

Environmental Review: The project site is subject to an environmental review. Santa Cruz LAFCO will serve as the lead agency for assessing impacts under CEQA. Staff believes the proposal qualifies as a project under CEQA. Therefore, an environmental review is underway.

Tax Negotiations: California Revenue and Taxation Code Section 99(b)(6) requires the adoption of a property tax exchange agreement involving the affected local agency before LAFCO can consider a jurisdictional change. The Board of Supervisors (BOS) acts as the authorizing body for the District regarding property tax adjustments.

Referrals:

Affected Agency: Reclamation District No. 2049

Interested Agencies:

Cities – Watsonville

County Departments – Assessors Office; Auditor-Controller Office; CAO Office; Elections Office; Supervisorial District 4

County Service Areas – CSA 9; CSA 9a, CSA9c; CSA 9d; CSA 38; CSA 53

School Districts – Pajaro Valley Unified School District

Other Local Agencies: Pajaro Valley Fire Protection District; Pajaro Valley Health Care District; Pajaro Valley Public Cemetery District; Pajaro Valley Water Management Agency; Resource Conservation District; Salsipuedes Sanitary District

Terms and Conditions: The LAFCO resolution will outline several terms and conditions including but not limited to the following: State Board of Equalization fees and LAFCO processing fees.

Public Hearing: Yes (hearing date: TBD)

Date File Opened: 3/8/23

Filing Fee Deposit: \$1,250

Date Paid: Pending

Date Status Letter Sent: 4/7/23

Attachment: Vicinity Map



NOTICE OF PUBLIC HEARING LOCAL AGENCY FORMATION COMMISSION

NOTICE IS HEREBY GIVEN that at 9:00 a.m., Wednesday, February 7, 2024, the Local Agency Formation Commission of Santa Cruz County (LAFCO) will hold public hearings on the following:

- **“Reclamation District No. 2049 Dissolution” (Project No. DDI 24-01):** The Commission will consider initiating the dissolution of the District in accordance with Government Code Section 56375(a)(2)(B). The reclamation district’s jurisdictional boundary includes 24 parcels totaling approximately 500 acres, and is located north of Holohan Road, east of Green Valley Road, west of East Lake Avenue, and south of Paulsen Road. The Commission will hold an additional public hearing to consider the official dissolution of the reclamation district once LAFCO fulfills the statutory requirements regarding dissolutions.
- **City of Santa Cruz Service and Sphere of Influence Review:** Consideration of a service and sphere review for the City of Santa Cruz. The City encompasses approximately six square miles with a population of approximately 64,000. The City is located on the northern part of the Monterey Bay approximately 74 miles south of San Francisco and 30 miles west of San Jose.

In compliance with the California Environmental Quality Act (CEQA), LAFCO staff is scheduled to prepare a Categorical Exemption for the proposals listed above. 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 24 hours in advance of the meeting to make arrangements.

Joe A. Serrano
Executive Officer
Date: January 17, 2024

LOCAL AGENCY FORMATION COMMISSION OF SANTA CRUZ COUNTY
RESOLUTION NO. 2024-04

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

RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION
INITIATING THE DISSOLUTION OF THE RECLAMATION DISTRICT NO. 2049
(LAFCO PROJECT NO. DDI 24-02)

WHEREAS, on August 3, 2022, the Local Agency Formation Commission of Santa Cruz County ("LAFCO" or "Commission") adopted a countywide service and sphere review for the nine water agencies in Santa Cruz County, including the Reclamation District No. 2049 ("District"); and

WHEREAS, the District is responsible for drainage services once a year for farming purposes involving 24 parcels (approximately 0.78 square miles); and

WHEREAS, the adopted countywide service and sphere review determined that the District had no website, no general manager or adequate staffing, no physical office or contact information available for the public, no adopted policies in place, multiple vacancies on the board of directors, and continues to face financial distress; and

WHEREAS, on August 3, 2022, the Commission adopted a zero sphere of influence for the District, indicating that the district should be dissolved in the foreseeable future, as shown in Exhibit A; and

WHEREAS, on March 8, 2023, the District submitted an application for dissolution. If approved, the Pajaro Valley Water Management Agency ("PVWMA") will be identified as the successor agency for drainage services to the dissolved area; and

WHEREAS, LAFCO deemed the application incomplete due to various omitted documentations, including but not limited to signed copy of the initiating resolution, signed copy of the indemnification agreement, payment of the LAFCO filing fee, and completion of a map and legal description; and

WHEREAS, the application has been inactive for almost a year with no possible action by the District since the board of directors has been reduced to only one board member. The District has not held an official board meeting since May 2022; and

WHEREAS, LAFCO has spoken with PVWMA representatives and the District's legal counsel about next steps. The two affected parties and LAFCO determined that the District should be dissolved; and

WHEREAS, in accordance with Government Code Section 56375(a)(2)(B), LAFCO may initiate dissolution; and

WHEREAS, the Commission advertised the notice of public hearing in a newspaper on January 17, 2024, which set a public hearing to consider the initiating resolution to dissolve the District at its February 7, 2024 Regular LAFCO Meeting; and

WHEREAS, pursuant to Government Code Section 56375(a)(2)(B), LAFCO held a public hearing on February 7, 2024, considered the request, received public comment and adopted a resolution of application initiating the dissolution of the Reclamation District No. 2049; and

WHEREAS, the Commission heard and considered all oral and written testimony for and against the proposal including, but not limited to, the LAFCO staff report including the staff recommendation.

NOW, THEREFORE, the Local Agency Formation Commission of Santa Cruz County does HEREBY RESOLVE, DETERMINE, AND ORDER as follows:

Section 1. The foregoing recitals are true and correct.

Section 2. Compliance with Government Code Section 56375(a)(2)(B), which allows the Commission to initiate dissolution.

Section 3. Compliance with the California Environmental Quality Act (CEQA) will be met by a categorical exemption pursuant to State CEQA Guidelines Section 15320, Class 20(b), "Changes in organization of local agencies," because the dissolution does not change the geographical area in which previously existing powers are exercised. The Commission, as a lead agency, will record a Notice of Exemption after approval of the dissolution during a public hearing.

Section 4. Pending the issuance and recordation of a Certificate of Completion, the District shall not: (1) appropriate, encumber, expend, or otherwise obligate, any revenue of the District, or (2) hire any staff or contractors.

Section 5. Upon the effective date of the dissolution (i.e., recordation of the Certificate of Completion), the District shall be dissolved, its existence shall be terminated, and all of its powers shall cease. The Pajaro Valley Water Management Agency will be identified as the successor agency for drainage services within the dissolved area post-dissolution.

Section 6. The Commission shall initiate the dissolution of the District in accordance with Government Code Section 56375(a)(2)(B) and will officially consider the dissolution of the District once staff deems the project complete.

PASSED AND ADOPTED by the Local Agency Formation Commission of Santa Cruz County this 7th day of February 2024.

AYES:

NOES:

ABSTAIN:

JOHN HUNT, CHAIRPERSON

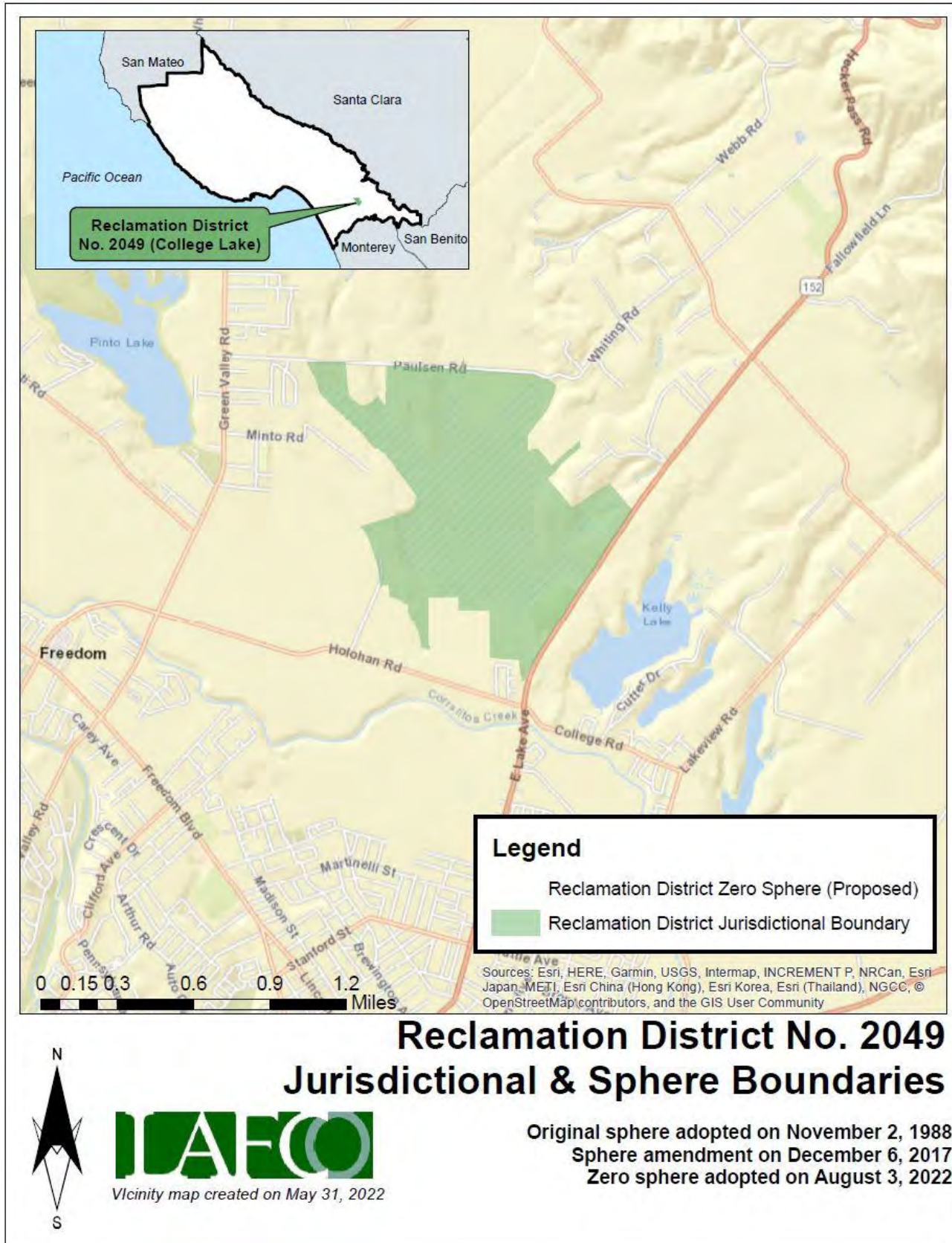
Attest:

Approved as to form:

Joe A. Serrano
Executive Officer

Joshua Nelson
LAFCO Counsel

EXHIBIT A





Date: February 7, 2024
To: LAFCO Commissioners
From: Joe Serrano, Executive Officer
Subject: **Employee Performance Evaluation**

SUMMARY OF RECOMMENDATION

The Commission reviews the performance of LAFCO staff on an annual basis. Recommendations from the Personnel Committee are also evaluated when considering changes to staff's salaries and benefits. Changes to these areas are discussed and voted upon in an open session. Any changes that occur to staff's salaries and benefits are implemented by resolution.

It is recommended that the Commission adopt the draft resolution (LAFCO No. 2024-05) approving the salary adjustment for LAFCO's Executive Officer and Analyst.

EXECUTIVE OFFICER'S REPORT:

The Commission reviewed staff's performance evaluations in closed session during the January 10th LAFCO Meeting. After the meeting, LAFCO's legal counsel informed staff that the Commission will consider implementing a 2.8% cost of living adjustment (COLA) increase for both employees (Analyst and Executive Officer). Additionally, the Commission will consider implementing an additional 5% increase to the Executive Officer based on their performance during the 2023 calendar year. The Commission also directed staff to bring forth a policy that outlines a salary step increase to establish more structure when considering future compensation. Staff is scheduled to present the proposed policy language in March. Once the policy amendments are approved, the Commission may use the designated steps for future salary increases. In the interim, the attached resolution outlines the proposed salary increases (see **Attachment 1**). If approved, the salary change will go into effect retroactively starting January 1, 2024. This retroactive start date reflects how the performance evaluations are being conducted. However, the Commission may consider changing the start date of the new salary amount.

Respectfully Submitted,

A blue ink signature of Joe A. Serrano, written in a cursive style.

Joe A. Serrano
Executive Officer

Attachment: Draft Resolution No. 2024-05

LOCAL AGENCY FORMATION COMMISSION OF SANTA CRUZ COUNTY
RESOLUTION NO. 2024-05

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

RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION
APPROVING THE ADJUSTMENTS TO STAFF'S SALARIES AND BENEFITS

WHEREAS, on June 7, 2000, the Local Agency Formation Commission of Santa Cruz County ("Commission") adopted a Personnel Policy specifying an annual process to review staff's performance and their salaries and benefits; and

WHEREAS, pursuant to this Personnel Policy, the Personnel Committee reviewed the performance evaluation for LAFCO's Executive Officer on November 27, 2023; and

WHEREAS, the Personnel Committee presented their findings and recommendations to the entire Commission during a Closed Session on January 10, 2024; and

WHEREAS, this Commission discussed the Personnel Committee's report and determined that adjustment to staff's salaries were warranted.

NOW, THEREFORE, BE IT RESOLVED that effective January 1, 2024; the Executive Officer is granted a 7.8% increase in salary from the current hourly rate of \$78.72 to \$84.86; the LAFCO Analyst if granted a 2.8% increase in salary from the current hourly rate of \$38.46 to \$39.54. The Auditor-Controller is requested to make the appropriate retroactive changes.

BE IT FURTHER RESOLVED that the Executive Officer is directed to review the salary range for the Analyst and bring potential future merit adjustments for the Analyst to the Commission for review this calendar year, which may include establishing step increases for this position.

PASSED AND ADOPTED by the Local Agency Formation Commission of Santa Cruz County this 7th day of February 2024.

AYES:

NOES:

ABSTAIN:

JOHN HUNT, CHAIRPERSON

Attest:

Approved as to form:

Joe A. Serrano
Executive Officer

Joshua Nelson
LAFCO Counsel



Santa Cruz Local Agency Formation Commission

Date: February 7, 2024
To: LAFCO Commissioners
From: Joe Serrano, Executive Officer
Subject: **City of Capitola Annexation Plan**

SUMMARY OF RECOMMENDATION

The Commission adopted a service and sphere review for the City of Capitola in May 2022 and included a recommendation to develop an annexation plan before their next service review cycle (May 2027). The City of Capitola is in the process of hiring an outside consultant to produce an annexation plan. LAFCO received a letter from the City requesting assistance to share the cost to complete the analysis.

It is recommended that the Commission consider collaborating with the City of Capitola and provide financial assistance in hiring an outside consultant to complete an annexation plan.

EXECUTIVE OFFICER'S REPORT:

In May 2022, the Commission adopted a service and sphere review for the City of Capitola. The report found that the City provides multiple services to an estimated 10,000 constituents, is financially stable, and is operating efficiently. The report also indicated that the City's sphere boundary goes beyond its city limits and includes 2,200 parcels totaling approximately 600 acres. The Commission recommended that the City develop a plan to determine if and when these parcels should be annexed. If no plan is submitted prior to their next service review cycle in May 2027, then the Commission may consider reducing their sphere boundary to better reflect the City's future growth.

Since the adoption of the report, the City Manager and LAFCO staff have worked closely to develop a draft outline of the proposed plan as well as a request for proposal (RFP). The City sent a letter to LAFCO, as shown in **Attachment 1**, requesting that the Commission match their earmarked allocation of \$30,000 to help cover the cost of hiring an outside consultant. At present, the FY 2023-24 budget has approximately \$36,000 left in the "Professional Services" budget line item. However, LAFCO is currently working with outside professionals on other projects, including AP Triton for the fire study and Piret Harmon for the Big Basin Water Company analysis. If the Commission wishes to help fund the proposed annexation plan, LAFCO staff is recommending to contribute no more than \$15,000 towards the proposed annexation plan effort.

Respectfully Submitted,

A blue ink signature of Joe A. Serrano, written in a cursive style.

Joe A. Serrano
Executive Officer

Attachment: City of Capitola Letter (dated January 5, 2024)

cc: Jaime Goldstein, City of Capitola



7B: ATTACHMENT 1

420 Capitola Avenue
Capitola, California 95010
Telephone: (831) 475-7300
FAX: (831) 479-8879

Website: <http://www.cityofcapitola.org>

January 5, 2024

Dear Local Agency Formation Commission,

The City of Capitola would like to request matching funding for an Annexation Plan Study after reviewing the results of the 2022 LAFCO service and sphere review for Capitola. As recommended by LAFCO, the City is interested in examining the viability of the City's current sphere and possible potential future annexations.

The City has budgeted \$30,000 to complete such a study; however we understand the study costs may exceed that amount. We are requesting LAFCO match the City's funding for the study to ensure it is complete and examines all necessary issues.

We appreciate the support the City has already received from LAFCO and look forward to our continued partnership on this project.

Sincerely,

Jamie Goldstein

City Manager, City of Capitola



Date: February 7, 2024
To: LAFCO Commissioners
From: Joe Serrano, Executive Officer
Subject: **Comprehensive Quarterly Report – Second Quarter (FY 2023-24)**

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 October through December. 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 is written over the text "Respectfully Submitted,". The signature is stylized and appears to be "JS" followed by a flourish.

Joe A. Serrano
Executive Officer

Attachment:

1. FY 2023-24 Comprehensive Quarterly Report (Second Quarter)

Comprehensive Quarterly Report

FISCAL YEAR 2023-24
SECOND QUARTER
(OCTOBER TO DECEMBER)



LOCAL AGENCY FORMATION COMMISSION OF SANTA CRUZ COUNTY

ACTIVE PROPOSALS

Santa Cruz LAFCO currently has five 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 is now tentatively scheduled to be presented to the Commission in Spring-2024.

2. **“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 status of the district which currently has no full-time staff, no office or website, and only one board member.

Latest Status: Since the submittal of the application, the District has not conducted a board meeting since May 2023, does not have an active budget, and only has one board member left. The application has been inactive for almost a year; therefore, LAFCO staff will be recommending that the Commission terminate the application and initiate dissolution on behalf of the District in accordance with GCS 56375(a)(2)(B).

3. **“RTC Parcel Annexation” to the Davenport County Sanitation District (Project No. DA 23-12):** This application was initiated by landowner petition on June 23, 2023 and proposes to annex a single parcel (APN: 058-072-03) owned by the Regional Transportation Commission of Santa Cruz County (“RTC”). The purpose of the annexation is for the delivery of water and sewer service to a proposed development project by RTC.

Latest Status: The Commission approved the annexation on January 10, 2024. The annexation will be recorded on Monday, February 12 after the 30-day request for reconsideration period ends (Friday, January 9, 2024).

4. **“Porter Gulch Road Parcel Annexation” to the Santa Cruz County Sanitation District (Project No. DA 23-19):** This application was initiated by landowner petition on December 14, 2023 and proposes to annex a single parcel (APN: 037-161-15). The subject parcel currently has two single-family homes, and an additional four dwelling units are being considered for construction. The purpose of the annexation is for the delivery of sewer service to the current and future homes.

Latest Status: LAFCO is waiting for the County to consider adopting a property tax exchange agreement regarding the proposed annexation. Once adopted, LAFCO will deem the project complete. The annexation is tentatively scheduled to be presented to the Commission in May 2024.

5. **“Old Coach Road / John Hall Extraterritorial Service Agreement” with the City of Scotts Valley (Project No. ESA 24-03)**: This application was initiated by landowner petition on January 5, 2024 and proposes to receive sewer service from the City under Government Code Section 56133. The purpose of the ESA is to allow the landowner to discontinue their existing septic system and connect to the City’s sewer infrastructure.

Latest Status: The application is currently pending. LAFCO is waiting to hear back from the City to determine whether Scotts Valley is willing and capable of providing services to the subject parcel, which is currently outside the City’s jurisdictional boundary but within its sphere of influence.

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. The Commission reviews and adopts the work plan on an annual basis. A total of seven separate service and sphere reviews will be completed in 2024. Below is a summary of each scheduled review.

1. **County Service Area 38 (Sheriff’s Patrol)** – 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 four cities.

Tentative Hearing Date: The Commission adopted the service and sphere review on January 10, 2024.

2. **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: The Commission will consider adopting the service and sphere review on February 7, 2024.

3. **County Service Area 3 (Aptos Seascapes)** – The CSA was formed in 1965 to provide a series of services to the unincorporated community known as Seascapes. Services allowed to be provided by CSA 3 include road median landscaping maintenance, street sweeping, beach access maintenance, beach patrol, and beach litter control.

Tentative Hearing Date: A service and sphere review is scheduled to be presented to the Commission in April 2024.

4. **County Service Area 57 (Graham Hill)** – The CSA was formed in 2001 to provide sanitary and storm sewer services to the Woods Cove Subdivision. In 2014, sanitary sewer services along Graham Hill Road were transferred to County Service Area 10 (Rolling Woods). CSA 57 continues to provide storm drain maintenance to Woods Cove.

Tentative Hearing Date: A service and sphere review is scheduled to be presented to the Commission in June 2024.

5. **Santa Cruz Port District** – The District was formed in 1950 to provide for and manage small craft harbor facilities in Santa Cruz County. The District offers slip renter services including wet berthing and dry storage, as well as visitor services such as visitor berthing, launching and parking. The District also leases space for restaurant, retail, office, and marine commercial businesses.

Tentative Hearing Date: A service and sphere review is scheduled to be presented to the Commission in August 2024.

6. **Midpeninsula Regional Open Space District** – The District was formed in 1972 to preserve the regional greenbelt in northwestern Santa Clara County. In accordance with its principal act, the District may be located within multiple counties as long as the lands are contiguous. In the last four decades, the District has expanded its services into three counties. In 1992, the District was extended to include a small portion of Santa Cruz County.

Tentative Hearing Date: A service and sphere review is scheduled to be presented to the Commission in October 2024.

7. **Sanitation Districts (10 in total)** – Wastewater services within Santa Cruz County are provided by three cities, five special districts, and six CSAs. Facilities range from individual or small community septic systems to local wastewater collection systems and regional treatment plants. This service review will focus on the following 10 special districts: Bear Creek Estates Wastewater System (San Lorenzo Valley Water District), CSA 2, CSA 5, CSA 7, CSA 10, CSA 20, Davenport County Sanitation District, Freedom Sanitation District, Salsipuedes Sanitary District, and Santa Cruz County Sanitation District.

Tentative Hearing Date: A service and sphere review is scheduled to be presented to the Commission in November 2024.

PROFESSIONAL SERVICES AGREEMENT

Santa Cruz LAFCO currently has three active professional service agreements:

1. **AP Triton (Feasibility Study):** The Commission hired AP Triton in August 2022 to produce a feasibility study evaluating the sphere boundaries of each fire agency in Santa Cruz County. The County also hired AP Triton to produce a countywide Fire Master Plan. The adopted contract notes that the services may not exceed beyond \$40,000. While the hiring of AP Triton to complete the County's master plan does provide consistency in the data source and analysis with LAFCO's feasibility study, it has also delayed the completion of our study. **Latest Status:** *The feasibility study is now tentatively scheduled to be presented to the Commission in Spring-2024.*
2. **Don Jarvis (Fire Consultant):** The Commission hired Don Jarvis in March 2022 to help with LAFCO's ongoing effort to address the efficient delivery of fire protection and emergency services throughout Santa Cruz County. During the 2022 calendar year, Mr. Jarvis worked 124 hours for LAFCO totaling \$12,410 in total cost, which was approximately 30% the amount allowed under his contract (no more than \$40,000 per calendar year). In 2023, Mr. Jarvis worked 52 hours (\$5,155 in total). **Latest Status:** *Mr. Jarvis will continue to assist staff with fire-related projects.*
3. **Piret Harmon (Water Consultant):** The Commission hired Piret Harmon in March 2023 to help LAFCO address water issues countywide, including but not limited the future governance of the Big Basin Water Company in the San Lorenzo Valley area. During the 2023 calendar year, Ms. Harmon worked two hours (\$1,000 in total). **Latest Status:** *Ms. Piret is currently helping develop a governance report for the Big Basin Water Company. This report is scheduled to be presented in March 2024.*

BUDGET REPORT

The second quarter of Fiscal Year 2023-24 ended on December 31, 2023. During this three-month period, the Commission received approximately \$3,500 in revenue. During the same period, the Commission incurred approximately \$17,000 in total expenses. In total, LAFCO used 42% of estimated costs during the first and second quarter, as shown in the table below.

	FY 23-24 (1st Qtr.)	FY23-24 (2nd Qtr.)	Available Funds	FY 23-24 Total Amt	FY 23-24 Budget	Percent (%)
Total Revenue	\$431,538	\$3,516	\$254,685	\$689,739	\$668,750	103%
Total Expense	\$176,158	\$103,316	=	\$279,475	\$668,750	42%
Difference	\$255,380	-\$99,800	\$254,685	\$410,264	-	-

Fund Balance / Reserves

Approximately \$506,000 was the ending balance of the Commission's reserves on December 31, 2023: \$254,685 is earmarked to balance the budget and the remaining \$251,067 is designated as unrestricted revenue. The unrestricted revenue may be used to address any unanticipated expenses during this fiscal year.

FY 2023-24 Budget (Financial Performance By Quarter)

FISCAL YEAR 2023-24	FY 23-24 First Qtr. (Jul - Sep)	FY 23-24 Second Qtr (Oct - Dec)	FY 23-24 Adopted Budget	FY 23-24 Actual	Difference (\$)	Budget Line Item Notes
REVENUES DESCRIPTION						
Interest	\$ 4,042	\$ 3,101	\$ 1,500	\$ 7,143	\$ 5,643	Surplus Funds
Contributions from Other Govt Agencies	\$ 419,265	\$ -	\$ 419,265	\$ 419,265	\$ -	All Dues Received
LAFCO Processing Fees	\$ 7,850	\$ -	\$ -	\$ 7,850	\$ 7,850	Application Deposits
Medical Charges-Employee	\$ 381	\$ 415	\$ -	\$ 796	\$ 796	Surplus Funds
Re-budget from Fund Balance	\$ -	\$ -	\$ 254,685	\$ 254,685	\$ 247,985	Net Position Funds (if needed)
TOTAL REVENUES	<u>\$431,538</u>	<u>\$ 3,516</u>	<u>\$675,450</u>	<u>\$689,739</u>	\$ 262,274	Additional Funds in Total Revenue
EXPENDITURES DESCRIPTION						
Regular Pay	\$ 49,999	\$ 62,808	\$ 245,000	\$ 112,808	\$ 132,192	Remaining Funds
Holiday Pay	\$ 1,560	\$ 2,812	\$ 10,000	\$ 4,372	\$ 5,628	Remaining Funds
Social Security	\$ 4,021	\$ 4,862	\$ 18,000	\$ 8,883	\$ 9,117	Remaining Funds
PERS	\$ 90,728	\$ 7,151	\$ 103,000	\$ 97,880	\$ 5,120	Remaining Funds
Insurances	\$ 9,270	\$ 9,360	\$ 45,000	\$ 18,630	\$ 26,370	Remaining Funds
Unemployment	\$ -	\$ -	\$ 250	\$ -	\$ 250	Remaining Funds
Workers Comp	\$ (3)	\$ -	\$ 500	\$ (3)	\$ 503	Remaining Funds
Salaries Sub-total	\$155,575	\$ 86,994	\$ 421,750	\$ 242,569	\$ 179,181	Remaining Funds in Salaries & Benefits
Telecom	\$ 157	\$ 584	\$ 1,200	\$ 741	\$ 459	Remaining Funds
Office Equipment	\$ 77	\$ -	\$ 200	\$ 77	\$ 123	Remaining Funds
Memberships	\$ 5,413	\$ 1,715	\$ 7,500	\$ 7,128	\$ 372	Remaining Funds
Hardware	\$ -	\$ -	\$ 150	\$ -	\$ 150	Remaining Funds
Duplicating	\$ -	\$ -	\$ 500	\$ -	\$ 500	Remaining Funds
PC Software	\$ 237	\$ -	\$ 600	\$ 237	\$ 363	Remaining Funds
Postage	\$ 12	\$ 13	\$ 1,000	\$ 25	\$ 975	Remaining Funds
Subscriptions	\$ 1,719	\$ -	\$ 1,800	\$ 1,719	\$ 81	Remaining Funds
Supplies	\$ -	\$ -	\$ 800	\$ -	\$ 800	Remaining Funds
Accounting	\$ -	\$ -	\$ 1,500	\$ -	\$ 1,500	Remaining Funds
Attorney	\$ 1,183	\$ 1,403	\$ 150,000	\$ 2,585	\$ 147,415	Remaining Funds
Data Process GIS	\$ 1,305	\$ 5,380	\$ 12,000	\$ 6,685	\$ 5,315	Remaining Funds
Director Fees	\$ 1,000	\$ 800	\$ 5,000	\$ 1,800	\$ 3,200	Remaining Funds
Prof. Services	\$ 1,991	\$ 5,594	\$ 45,000	\$ 7,585	\$ 37,415	Remaining Funds
Legal Notices	\$ 3,160	\$ 446	\$ 3,500	\$ 3,607	\$ (107)	Overbudgeted Amount
Rents	\$ -	\$ -	\$ 9,400	\$ -	\$ 9,400	Remaining Funds
Misc. Expenses	\$ 1,255	\$ 800	\$ 5,000	\$ 2,055	\$ 2,945	Remaining Funds
Air Fare	\$ -	\$ -	\$ 1,500	\$ -	\$ 1,500	Remaining Funds
Training	\$ -	\$ -	\$ 1,000	\$ -	\$ 1,000	Remaining Funds
Lodging	\$ -	\$ 238	\$ 2,000	\$ 238	\$ 1,762	Remaining Funds
Mileage	\$ -	\$ -	\$ 800	\$ -	\$ 800	Remaining Funds
Travel-Other	\$ -	\$ -	\$ 250	\$ -	\$ 250	Remaining Funds
Registrations	\$ 3,075	\$ (650)	\$ 3,000	\$ 2,425	\$ 575	Remaining Funds
Supplies Sub-total	\$ 20,583	\$ 16,322	\$253,700	\$ 36,905	\$ 216,795	Remaining Funds in Services & Supplies
TOTAL EXPENDITURES	<u>\$176,158</u>	<u>\$103,316</u>	<u>\$675,450</u>	<u>\$279,475</u>	\$ 395,975	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 (October, November, and December). A summary of those meetings is shown in the following table.

October Meetings			
Topic	Date	Subject Agency(ies)	Purpose
CALAFCO Planning Committee	10/2	CALAFCO	Staff is part of the planning committee for the 2023 annual conference. Group held last meeting before the event.
CAO Office Update	10/5	Santa Cruz County	Staff met with the County's CAO to provide an update on LAFCO-related projects affecting the County.
Prezi Interview	10/6	Prezi	Staff has been using Prezi for over a decade and Prezi has taken notice. The company interviewed staff to learn how Prezi is used by LAFCO.
CALAFCO Annual Conference Preparation	10/6	CALAFCO	Staff conducted a practice run of the "LAFCO 101" general session for the conference.
Watsonville Update	10/9	City of Watsonville	Staff met with City representatives to discuss projects that may require LAFCO action.
PV Renaissance High School	10/9	Soquel Creek Water District	Staff continues to participate in a stakeholder group which is focused on connecting the school to the water district.
Public Member Review of Project File	10/10	Branciforte Fire Protection District	Staff provided the project folder to the public member so they could review the documents related to the proposed reorganization.
Fire Study	10/11	AP Triton	Staff met with the consultant to receive an update on the ongoing fire study.
CALAFCO Annual Conference Preparation	10/11	CALAFCO	Staff conducted a practice run of the "Fire MSR" breakout session for the conference.
Lompico Roads	10/12	Santa Cruz County	Staff met with reps from the County and Supervisor McPherson's office to discuss the road conditions in Lompico.
CALAFCO Annual Conference Preparation	10/13	CALAFCO	Staff conducted a practice run of the "Disaster Preparedness" breakout session.
CSA 38 Service Review	10/16	Santa Cruz County & Sheriff's Dept.	Staff met with County reps to discuss the draft service and sphere review for CSA 38.
Lompico Roads	10/17	Santa Cruz County	Staff presented at a community workshop held at the Zayante FPD fire station to discuss the proposed formation of a new CSA for road services.
CALAFCO Conference	10/18 - 10/20	CALAFCO	Staff attended and participated at the annual conference held in Monterey County.
Big Basin Water Company (BBWC) Status Update	10/27	Court-Appointed Receiver	Staff met with the rep from Silver & Wright LLP to discuss the status of BBWC and how LAFCO may provide assistance.

November Meetings

Topic	Date	Subject Agency(ies)	Purpose
Prezi Test Run	11/1	Prezi	Staff was invited to test out new Prezi features and provide feedback to the company.
CSDA Interview	11/2	California Special Districts Association	Staff was interviewed by CSDA to discuss LAFCO's recent success and the synergy between the two agencies.
GIS Mapping	11/2	Santa Cruz County	Staff met with County reps to discuss the current status of the mapping database, which hosts LAFCO's boundary files.
Big Basin Water Company Workshop	11/2	County-Appointed Receiver	Staff attended a community workshop hosted by the receivership.
PV Health Care District Status Update	11/6	Pajaro Valley Heath Care District	Staff met with reps to discuss the district's current status and upcoming actions.
Joint Ad-Hoc Committee	11/8	Branciforte and Scotts Valley Fire Protection Districts	Staff held the final stakeholder meeting to discuss the final steps in the reorganization process.
Annexation Inquiry	11/9	City of Watsonville	Staff met with a public member to discuss the potential annexation into Watsonville.
Alternative LAFCO Meeting Location Review	11/13	City of Watsonville	Staff met with City staff to review the City Chambers in preparation for LAFCO's January meeting.
Big Basin Water Company Workshop	11/14	Santa Cruz County	Staff attended a community workshop hosted by Supervisor McPherson's office.
Performance Evaluation	11/15	LAFCO	The Executive Officer met with LAFCO's Analyst to discuss their performance during the 2023 calendar year.
Reclamation District Status Update	11/22	Reclamation District No. 2049 and the PV Water Mgmt. Agency	Staff hosted a stakeholder meeting with reps from both agencies to discuss the proposed dissolution of the reclamation district.
Personnel Committee	11/27	LAFCO	Staff met with the Personnel Committee to discuss the performance of the EO and Analyst during the 2023 calendar year.
CSA 33 Status Update	11/28	Santa Cruz County	Staff met with County reps to discuss the current status of CSA 33.

December Meetings			
Topic	Date	Subject Agency(ies)	Purpose
Big Basin Water Company Annexation	12/1	Santa Cruz County	Staff met with reps from Supervisor McPheron's office to discuss the LAFCO process for annexation.
Big Basin Water Company Inquiry	12/5	Santa Cruz County	Staff met with several BBWC residents to discuss possible options, including annexation into SLVWD.
Big Basin Water Company Update	12/6	Santa Cruz County Water Advisory Commission	Staff attended the meeting which included a status update on BBWC.
PV Renaissance High School	12/11	Soquel Creek Water District	Staff continues to participate in a stakeholder group which is focused on connecting the school to the water district.
Annexation Inquiry	12/14	Santa Cruz County Sanitation District	Staff met with a public member to discuss the potential annexation into the district.
Marin LAFCO Commission Workshop	12/15	Marin LAFCO	Staff met with Marin LAFCO to discuss their workshop in January.
Big Basin Water Company Update	12/19	Santa Cruz County, State Legislators, SLVWD, and State Water Board	Staff participated in a group meeting to discuss the potential options for BBWC.
Countywide Water Update	12/21	Santa Cruz Integrated Regional Water Management	Staff attended this stakeholder meeting to discuss water-related news.



Santa Cruz Local Agency Formation Commission

Date: February 7, 2024
To: LAFCO Commissioners
From: Joe Serrano, Executive Officer
Subject: January Correspondence

SUMMARY OF RECOMMENDATION

In January, LAFCO received written correspondence from Marin LAFCO regarding staff's assistance in their recent Commission Workshop. 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:

LAFCO received a letter from the Local Agency Formation Commission of Marin County thanking Santa Cruz LAFCO staff for facilitating their January 12th Workshop (refer to **Attachment 1**). The success of the workshop showcases the value and possibilities available under the adopted shared services agreement between Marin and Santa Cruz LAFCOs.

Respectfully Submitted,

A blue ink signature of Joe A. Serrano, written in a cursive style.

Joe A. Serrano
Executive Officer

Attachments:

1. Marin LAFCO Letter (dated January 18, 2024)



Marin Local Agency Formation Commission

Regional Service Planning | Subdivision of the State of California

Transmitted via email: ybrooks@ci.capitola.ca.us

January 18, 2024
Chair Brooks
Santa Cruz LAFCO
Santa Cruz LAFCO
701 Ocean St. #318D,
Santa Cruz, CA 95060

Dear Chair Brooks,

On behalf of Marin LAFCo, I would like to take this opportunity to extend our sincere thanks to Santa Cruz LAFCO for allowing your Executive Officer, Joe Serrano, to facilitate our January 12 workshop. EO Serrano did an excellent job, not only facilitating the workshop (keeping us focused and on time), but also sharing his significant LAFCo experience and perspectives on the items discussed. He worked closely with our EO Jason Fried to develop the workshop format, timing, and objectives. Having two experienced Executive Officers at the workshop was invaluable as we have several new Commissioners who have joined Marin LAFCo in the last year. Joe's presentation was both entertaining (which facilitated engagement) and on point. The workshop was extremely successful – Joe's skill in facilitation clearly was key. He has also committed to sending us follow-up notes with action items.

Additionally, this was the first opportunity to utilize our shared services agreement (SSA) we entered into last year. Both Joe and Jason are extremely knowledgeable, understand both routine and complex LAFCO matters and work well together. They make a great team. This collaborative effort was clearly beneficial to Marin LAFCo; I hope this is just the first example of how we can continue to work together through our SSA. Joe also mentioned that he may be able to utilize some of the deliverables that are developed pursuant to our workshop action items for consideration by Santa Cruz LAFCO.

Marin LAFCo looks forward to continuing to build on our successful partnership. Should Santa Cruz LAFCO need our assistance, feel free to contact us at any time.

Sincerely,

Barbara Coler, Chair
Marin LAFCo
Mayor, Town of Fairfax

cc: Santa Cruz LAFCO Commission
Santa Cruz LAFCO Executive Officer Joe Serrano

Administrative Office:
Jason Fried, Executive Officer
1401 Los Gatos Drive, Suite 220
San Rafael, California 94903
T: 415-448-3877 E: jfried@marinlafco.org
www.marinlafco.org

Dennis Rindert, Vice-Chair
County of Marin
Eric Lucas, Regular
County of Marin
(Previously Executive Officer, Sonoma)
County of Marin

Barbara Coler, Chair
Town of Fairfax
Steve Barco, Regular
Town of San Anselmo
Stephen Burke, Alternate
City of Mill Valley

Levy Ribus, Regular
Almonte Valley Sanitary District
Craig Murray, Regular
Las Gallinas Valley Sanitary District
Carmen Hallard, Alternate
Southern Marin Fire Protection District

Larry Cruz, Regular
Public Member
Roger Smith, Alternate
Public Member



Santa Cruz Local Agency Formation Commission

Date: February 7, 2024
To: LAFCO Commissioners
From: Joe Serrano, Executive Officer
Subject: **Press Articles during the Months of December and January**

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: "San Lorenzo Valley Water District appoints Frus as interim general manager": The article, dated December 14, notes that the water district approved a contract with Brian Frus to become their interim general manager. The vacancy is a result of Rick Rogers retirement after working with the district for almost 50 years.

Article #2: "College Lake pipeline project shifts onto Riverside Drive": The article, dated January 4, states that the new water supply project has already completed five miles of pipeline. The project, once completed, will transport treated water from the new College Lake facility on Holohan Road to more than 5,000 acres of farmland. The project is tentatively scheduled to be completed in 2025.

Article #3: "Zayante Fire Seeks Community Support": The article, dated January 10, highlights the fire district's fiscal struggles and the need for additional funds to remain solvent in the coming years. The article also incorrectly describes LAFCO's ongoing fire study as a means to "push consolidation on the four valley fire departments." This is false – the study is meant to identify the financial impact on the County and the fire districts if annexation were to occur within the fire agencies' sphere boundaries.

Article #4: "The Evolving Relationship Between LAFCO and Districts – It's Nothing to Laugh About": The article, released on January 30, was an interview with Santa Cruz LAFCO's Executive Officer. The interview focused on how LAFCOs can effectively build relationships with special districts to improve service delivery and tackle governance issues together. Staff shared best practices and tips on how LAFCOs and districts can build stronger working relationships.

Respectfully Submitted,



Joe A. Serrano
Executive Officer

Attachments:

1. "SLVWD appoints Frus as interim general manager"
2. "College Lake pipeline project shifts onto Riverside Drive"
3. "Zayante Fire Seeks Community Support"
4. "The Evolving Relationship Between LAFCO and Districts..."

pressbanner.com

San Lorenzo Valley Water District appoints Frus as interim general manager - Press Banner | Scotts Valley, CA

Staff Report

3–4 minutes

San Lorenzo Valley Water District (SLVWD) recently announced it has approved a contract for Brian Frus to be interim general manager, succeeding General Manager Rick Rogers, who retired in November after working for the District for 48 years.

Frus, a registered civil engineer who lives in Felton, has worked for the City of Salinas as the Manager of the Water, Waste and Energy division since 2017.

“The District is fortunate that a local resident with Brian’s exceptional resume stepped forward to take on this important role,” said Mark Smolley, SLVWD Board president. “We’re confident Brian has what it takes to ensure our critical infrastructure projects continue to move forward, our commitment to transparency is maintained, and our planning for fiscal sustainability remains a core focus.”

In his role with the City of Salinas, Frus has served as a stakeholder on advisory and technical committees, where he is responsible for issues pertaining to groundwater sustainability, source water supply, stream restoration, seawater intrusion, flood

control and regulatory policy. He successfully led a grant application effort, in close coordination with a partner agency, to fund improvements to Salinas infrastructure for capture and reuse of stormwater and recycling of industrial wastewater.

The Board of Directors approved his six-month, \$93,000 contract at its meeting on Nov. 2. Frus started work at SLVWD on Nov. 20, taking over for Carly Blanchard, the District's Environmental Programs Manager, who was serving as acting general manager on a temporary basis.

The District's Board of Directors continues its process to select a permanent general manager. Smolley noted that Frus would be considered for the permanent position.

San Lorenzo Valley Water District continues to recover from the CZU Fire in 2020 and damage caused by the atmospheric rivers that pummeled the region in early 2023.

The District is undertaking more than \$13 million in capital improvement projects through its Safeguarding San Lorenzo Valley program to upgrade aging infrastructure, some of which was damaged by the CZU Fire. The work includes replacing undersized pipelines, fire hardening, building larger water tanks and adding fire hydrants to improve water supply resiliency and increase firefighting capabilities.

[SLVWD](#), located in the mountains of northern Santa Cruz County, serves more than 7,500 metered connections. Established in 1941, the district supplies water to the communities of Boulder Creek, Brookdale, Ben Lomond, Zayante, Quail Hollow, Scotts Valley, Whispering Pines, Manana Woods and Felton.

pajaronian.com

College Lake pipeline project shifts onto Riverside Drive - The Pajaronian

Tarmo Hannula

2–3 minutes



Work continues along Holohan Road Wednesday to develop College Lake as a new water supply for the Pajaro Valley. The work will extend along Riverside Drive starting Monday. Photo: Tarmo Hannula/The Pajaronian

Starting Monday, construction work on the College Lake Pipeline Project in Watsonville will move onto Riverside Drive for the next six months.

With around five miles of the pipeline now completed, and a mile

left to go, the project will provide a 30-inch water main to transport treated water from a new College Lake facility on Holohan Road to more than 5,000 acres of farmland via the Coastal Distribution System already in place.

Marcus Mendiola, Water Conservation and Outreach Specialist with the Pajaro Valley Water Management Agency, said the Riverside work will take place from 9am to 4pm and 6pm to 7am.

Construction will not occur on weekends. It will start at Sakata Lane and Riverside Drive and work its way east toward Main Street.

“The job will affect eastbound traffic,” Mendiola said. “Westbound traffic should not be affected. After crossing Main Street the work will continue from Union Street east to Salsipuedes Creek by Blackburn Street and the Watsonville Buddhist Temple.”

Project details include:

- One-lane traffic control will occur on Highway 129 (Riverside Drive) west of Union Street.
- Streetside parking will be unavailable on Highway 129 (Riverside Drive) east of Union Street.
- Construction will take place on the eastbound lane.

This project will use the lake water to reduce groundwater pumping, helping to reduce groundwater overdraft and seawater intrusion, while improving habitat for the endangered South-central California coast steelhead. There are two components to the project: the water treatment plant and intake facilities, and the pipeline.

The Riverside work is expected to continue through June.

slvpost.com

Zayante Fire Seeks Community Support - San Lorenzo Valley Post

slvpost.com

7–9 minutes

By Robin Musitelli

Zayante Fire Department is struggling. The San Lorenzo Valley's second largest department geographically but poorest in tax revenue, is fighting to keep a financial fire from getting out of control and will soon face a new threat — consolidation.

As mountain residents know, our local fire departments are much more than fire responders. They are intrinsically valuable in every aspect of mountain life, from clearing roads and fallen trees to picking up elders who have fallen from bed. They are our “town halls,” and home to many community events.





***Zayante firefighters at work during last year's winter storms |
Photo contributed by Zayante Fire***

Most of the calls they respond to aren't necessarily about fires. Of the 417 calls in Zayante last year 174 were for medical responses, 54 were for ambulance transport, and 109 were for hazardous conditions, according to department records. Yes, there was a house explosion in Lompico, a kitchen fire on West Zayante Road, and a structure fire in the upper Zayante neighborhood.

Fire Chief Jeff Maxwell explains the current predicament started in 1978 when passage of Proposition 13 capped property tax assessments. Zayante, which includes Lompico, had the lowest assessed valuation of the four SLV districts (Zayante, Felton, Ben Lomond, and Boulder Creek), says Maxwell. It subsequently has continued to get a smaller cut of property taxes. For comparison, the Zayante department gets \$8 of property tax revenue for every \$200 paid to Boulder Creek Fire.

The most impactful expense is a Worker's Compensation premium of \$99,500 which doubled in one year and is expected to increase 20% during each of the next two years because of a 2019 injury claim. Liability insurance is also up 20%.

Contracts for radio dispatch, County Auditor-Controller fees, payroll

and tax administration are examples of third-party expenses that have been passed onto the district. Skyrocketing costs of diesel fuel, gasoline, electricity, natural gas, propane, and telecom services have outpaced revenue. Inflation reached 9% across all sectors while revenue is 2%, said Maxwell. The gap between revenue and expenses has left the district in deficit for the past four years.

Ironically, the department has also been hit by the lack of fires this past year. On big fires, CalFire contracts with local departments to send "strike teams," a group of five local engines. Those responses are found gold to the small department budgets. While they usually send several strikes team, last year, Zayante sent just one. The payoff was just \$26,000 to the department, while the bulk of the contract funds went to pay firefighters. That department share was used to respond to a deluge of calls from last year's atmospheric river of storm damage, when firefighters cleared trees, roads, directed traffic, and helped residents start their generators. One strike team response is not enough.

Faced with job of balancing their budget, Zayante Fire board directors have been paring down. Firefighter positions have been cut or eliminated. Maxwell's salary has been cut to \$49,000, less than half of other valley chiefs' salaries. Old equipment has been sold, and the thermostat has been set to 55 degrees at the station.

Meanwhile, the department is struggling to make the annual payments on a \$400,000 wildland engine with five more years of payments.

Historically, the district has taken pride in asking taxpayers for "just enough" to buy new equipment, paid that off, and then asked for money for the next engine, says Director Mary Clark. Typically every four years the district would buy a new engine. That hasn't happened since 2008. "We do more with less," says Maxwell of the district's reputation. "It's not in the culture of the organization to reach out." And this time they're struggling to meet operating and

capital costs, not just equipment costs.

Parcel Tax Option

Maxwell has assembled a task force of residents and fire district directors to consider the options. The best option, he says, appears to be a parcel tax. The amount that may be asked is still under discussion and Maxwell wants more feedback from the community before deciding to launch a campaign.

Consolidation Plan in the Works

Meanwhile, LAFCO, the county agency in charge of determining special district boundaries, is expected to release a study in early 2024 pushing consolidation of our four valley fire departments as a more efficient and cost effective way to deliver fire services.

Is consolidation the answer to the problems facing Zayante? Maxwell says no for many reasons.

Keep in mind that consolidation could mean a switch from a volunteer model to a paid staff model. How would this impact SLV?

Consider the recent consolidation of the Branciforte and Scotts Valley fire districts. Currently, SLV's four districts combined receive approximately \$3.8 million in tax revenues and respond from seven fire stations throughout the valley. Scotts Valley Fire with its paid staff of three each at two fire stations is funded at \$8.9 million. And the Branciforte station is unstaffed and has been shuttered.

In contrast, SLV departments are predominantly volunteer agencies. Each valley department has a modest daytime staffing crew for low-risk emergencies, but the majority of the SLV force comes from volunteer rosters of local resident firefighters. There are approximately 130 volunteer firefighters in SLV, far outnumbering the resources of any of the agencies following LAFCO's consolidated model.

The average volunteer firefighter called out in the middle of the

night to assist you collects \$12 per incident. The same firefighter extricating you from a vehicle accident – \$12. Fighting a structure fire for six hours, \$12. They're paid once a year, just before Christmas.



Zayante Fire crew | Photo by SLV Steve

Volunteers are all about their community. I would argue that the intangible benefits of the volunteer departments, not measured by LAFCO figures on dollars and response times, are huge.

The one-size-fits-all approach does not recognize that the local volunteers know our mountain “roads,” know their neighbors, and know the terrain of their districts. During the 2020 CZU fire, our locals were invaluable in their contribution to our neighborhoods and downtown cores.

Consolidation does not acknowledge that our fire departments are the civic, cultural, and social centers of our mountain communities. They are the hearts of the San Lorenzo Valley.





Robin Musitelli is a Brookdale resident and President of the Santa Cruz County Horseman's Association.

Featured photo: Zayante Fire team with Skylife Air Ambulance at Loch Lomond | Photo by SLV Steve

Have a news item to contribute? The San Lorenzo Valley Post welcomes your Santa Cruz Mountains news, story ideas, photos, and letters. [Send us an email.](#)

[Sign up for our newsletter](#) to stay connected to news and events in the Santa Cruz Mountains.

CALIFORNIA SPECIAL DISTRICTS

A Publication of the California Special Districts Association

Volume 19, Issue 1 • January-February 2024

SOLUTIONS AND INNOVATIONS

Rancho Water Energy Demand Response Program

PAGE 34

You Ask We Answer

COLA - Cost of Living Adjustments

Page 8

Money Matters

Financial Reports for Special Districts

Page 40



Interview

The Evolving Relationship Between LAFCO and Districts - It's Nothing to Laugh About

By Kristin Withrow, CSDA Communications Specialist

Local Agency Formation Commissions (LAFCO) are unique to California. They exist in each county to provide an organizational structure to the forms of local government in their county and to provide service oversight to ensure the public is receiving the services they need in an efficient manner. In some instances, an adversarial relationship between LAFCO and districts has developed. That friction appears to have begun an evolution.

Santa Cruz LAFCO Executive Officer Joe Serrano provided a LAFCO 101 crash course in August at the CSDA 2023 Annual Conference and is currently involved in helping a Santa Cruz CSDA Chapter form. We caught up with Serrano to hear how his message has been received and learn more about the shift he is helping to spearhead.

Serrano sees an alignment to four core tenets for LAFCOs across the state:

1. Helping others
2. Making things better
3. Finding out how things work
4. Connecting with others

History

After World War II, there was a surge in development in the state that was occurring without oversight or organized

boundaries, so in 1963 the Legislature created the Local Agency Formation Commission (LAFCO) with one LAFCO per county in the state. Each LAFCO represents their local area and keeps control locally. Their commissions include representatives from their County Board of Supervisors, cities, and independent special districts. They can create new districts, annex, consolidate or merge areas into districts.

Each LAFCO is required to perform an oversight review with a report created every five years. The review covers level of service, operations, governance - essentially, it's a report card. Problematically, many LAFCOs only reach out to special districts when it is time for their review. This results in a feeling of judgment and "gotcha" from the districts.

Relationship Building

Relationship building is key to the evolution that has begun. It allows more genuine conversation and the feeling of partnership versus authority and oversight. Sometimes, it is about the angles presented to districts based on the LAFCO findings.

"We found some areas of improvement' is a different message than 'here's what you're doing wrong,'" explained Serrano.

This softer tone provides an opportunity for the district to choose their direction and make changes instead of having another entity tell them what to do.

“In the last 3 years, we’ve done consolidations, reorganizations, annexations and dissolutions and most, if not all, of them were initiated by the affected agencies themselves. LAFCO is not forcing it on them. We provide findings and the districts are determining the best way to serve their community,” said Serrano.

There are three misconceptions Serrano has identified that have driven the current adversarial tenor:

- **Misconception: LAFCO is a watchdog** - this term was coined as a simple explanation of the purpose of LAFCO in the 70’s. Serrano believes a better definition is “LAFCO’s are the ones who determine which local agency is the most logical provider of public services.”
- **Misconception: LAFCO is the DeathEater of special districts** - referencing the popular Harry Potter series and the characters that could suck the soul out of someone, Serrano wants to dispel this notion. “We are not here to get rid of districts. In fact, we share the common goal of ensuring districts provide the best service to the public.”
- **LAFCO is useless to my district because our boundaries will never change** - LAFCO isn’t only there to review boundaries, they provide resources to help districts operate more efficiently and effectively.

Serrano is a proponent of better operational interaction between his Santa Cruz County LAFCO and the districts they oversee. He sees the service review as a collaborative effort to provide insight into district operations, and views including the district leadership in the process and results as key to a good relationship. Serrano provides the districts an opportunity to share things they are proud of, give insight into their challenges, and Serrano shares the draft report so the agency isn’t caught off guard once the results are published.

Additionally, the LAFCO report is meant to be a working document that is referenced to create goals and view measurable progress the district can be proud of. This allows the districts to feel like they are empowered to make changes and improvements with the LAFCO supporting their needs.

“LAFCOs are at a crossroads. We can do what we’ve been doing for the last 30 years, or we can do more to help the districts rather than be an obscure agency that tells them what they do wrong,” explained Serrano.

The LAFCO Evolution

Moving from the historic ‘watchdog’ mentality to a more collaborative, service-oriented model takes time and needs to happen over the course of natural evolution of the Commissioners, counties, cities and special district representatives. For those districts who have a long-held understanding of the LAFCO as adversarial, it may be time to reconsider district/LAFCO interactions. When Serrano presented his evolved viewpoint of the LAFCO-District paradigm at the CALAFCO Annual Conference in the fall of 2023, it was well received by LAFCO attendees from across the state. CALAFCO brings LAFCO leaders together to explore best practices in the field. They discuss many of the same topics that districts explore for their own operations - website best practices, consistency of service, service offerings, sample service reviews, and more.

Many LAFCOs, including Santa Cruz LAFCO, are leading the way with service reviews, conducting community workshops to inform residents, and forming stakeholder groups to bring parties together.

“We can operate under the status quo, or we can implement new ways to be more efficient,” said Serrano. “That’s what we’re asking districts to do, but we are also doing it as well. The LAFCOs I’ve been talking to are open to this evolution of relationship.”

Relationship 101 - Get to Know Your LAFCO

1. If there is a chapter or group already formed, include LAFCO in a meeting to get to know the group and start building that relationship.
2. Conduct one-on-one informal meetings with the district general manager and LAFCO to begin understanding each other.
3. Invite LAFCO to give an introductory presentation at the next board meeting. Provide an opportunity for the board members to ask questions.