

LOCAL AGENCY FORMATION COMMISSION

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Santa Cruz CA 95060

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LAFCO AGENDA

Wednesday, December 9, 2015

9:30 a.m.

Watsonville City Council Chambers

275 Main Street, 4<sup>th</sup> Floor

\*\*\* NOTE CHANGE IN LOCATION and ATYPICAL DATE\*\*\*

1) ROLL CALL	PAGE
2) MINUTES	
a) November 4, 2015.....	3
3) ORAL COMMUNICATIONS	
a) Anyone may briefly address the Commission concerning items not on the agenda.	
4) PUBLIC HEARINGS	
a) Salsipuedes Sanitary District, Adoption of Service Review and.....	12
Sphere of Influence Review	
5) OTHER BUSINESS	
a) Study Session on Formation of Groundwater Sustainability Agencies.....	43
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e) Personnel Committee Report	
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6) WRITTEN CORRESPONDENCE	
a) November 16 <sup>th</sup> letter from Santa Cruz Board of Supervisors to Watsonville City Mayor,...	62
Nancy A. Billichich, regarding the Pippin Apartments Project	

## 7) PRESS ARTICLES

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### City of Watsonville

- a) November 12<sup>th</sup> Sentinel article:.....64  
Housing project straddles boundary: City and LAFCO at odds over annexation

## 8) ADJOURNMENT

- a) The next regular meeting is scheduled for 9:30 a.m. Wednesday, January 6, 2016  
at the County Governmental Center.

### Campaign Contributions

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

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

### Contributions and Expenditures Supporting and Opposing Proposals

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

More information on the scope of the required disclosures is available at the web site of the Fair Political Practices Commission: [www.fppc.ca.gov](http://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 Santa Cruz Local Agency Formation Commission does not discriminate on the basis of disability, and no person shall, by reason of a disability, be denied the benefits of its services, programs or activities. The Commission meetings are held in an accessible facility. If you wish to attend this meeting and you will require special assistance in order to participate, please contact the LAFCO office at 831-454-2055 at least 72 hours in advance of the meeting to make arrangements. For TDD service the California State Relay Service 1-800-735-2929 will provide a link between the caller and the LAFCO staff.

### Late Agenda Materials

To review written materials submitted after the agenda packet is published, contact the LAFCO Secretary-Clerk at the LAFCO office or in the meeting room before or after the meeting.



PROCEEDINGS OF THE LOCAL AGENCY FORMATION COMMISSION OF SANTA CRUZ COUNTY

Wednesday, November 4, 2015  
9:30 a.m.

Room 525  
701 Ocean Street  
Santa Cruz, California

.....

The November 4, 2015 Santa Cruz Local Agency Formation Commission meeting is called to order by declaration of Chairperson Friend.

ROLL CALL

Present and Voting:	Commissioners J. Anderson, LaHue, R. Anderson, Bottorff, Lind, Leopold and Chairperson Friend
Absent:	R. Coonerty
Alternates Present:	Bobbe
Alternates Absent:	Smith
Staff:	Patrick M. McCormick, Executive Officer Brooke Miller, LAFCO Counsel Debra Means, Secretary-Clerk

MINUTES

MOTION AND ACTION

Motion: J. Anderson	To approve August 5, 2015 minutes.
Second: Leopold	Motion carries with Commissioner LaHue abstaining.

PUBLIC HEARING

SALSIPUEDES SANITARY DISTRICT, RELEASE OF SPHERE AND SERVICE REVIEW

Mr. McCormick reports that this item is a part of the Commission's Work Program to complete reviews of LAFCO regulated agencies. In the past, he has usually presented a more finalized report. This time, he is slowing the process down. He will be talking to Salsipuedes Sanitary board members this month. At the next meeting, a Salsipuedes representative will provide a presentation.

The Salsipuedes Sanitary District was formed in 1965. It serves 500 customers outside Watsonville. It is a well-governed small district. They know how to run meetings, they follow the Brown Act, and they perform audits.

They have raised their rates dramatically since their last service review. Ten years ago, they had the lowest sewer rates in the Pajaro Valley, and now they have the highest sewer rates.

He will ask them if they like being independent and like paying for it. The district has some potential partners.

Neither staff nor the district is recommending any changes to the sphere of influence map. With 500 customers, the district employs a half-time staff member. They contract for treatment from the City of Watsonville and they contract with a private contractor to do their regular and emergency maintenance.

Their budget shows the summary of their revenue which is almost all rates. Two big costs are treatment costs with the City of Watsonville and their maintenance costs. Maintenance includes clearing out lines, installing new liners, and replacing pumps.

Eleven years ago, they had almost \$700,000 in reserve. Most recently, they have about \$500,000 in reserve. They use this money for capital expenses. In the last ten years, they have had only one sewage spill of about 40 gallons. There are no red flags since this is a pretty good track record.

Eleven years ago, wastewater rates for single family dwellings were \$12 per month, the cheapest rates in the whole Pajaro Valley. The City of Watsonville has the regional treatment plant and it treats for all of the collection agencies. The other collection agencies' rates have not gone up as much as Salsipuedes even though they are paying Watsonville the same amount to treat. He thinks it is just an economy of scale issue as to why it is so expensive for Salsipuedes Sanitary District's 500 customers.

Commissioner Roger Anderson says the question of the rates is of interest to the Commission. In 2003-04, they had a deficit of \$126,000 per year. If that amount was included and the rates were raised to handle that, it makes sense.

Mr. McCormick answers that they realized they were operating at a deficit so they raised their rates to a sustainable level. The district can keep operating as they are indefinitely.

Commissioner Roger Anderson is concerned about making comparisons. Lompico Water District and Salsipuedes Sanitary District are agencies that have a similar density of development. If an agency has their collection system spread over a big area compared to the size of it, they will be disadvantaged in terms of cost.

Mr. McCormick continues that Salsipuedes Sanitary District has an extensive boundary change history with LAFCO. The district is located in suburban Watsonville, out East Lake Avenue, and includes Lakeview Middle School, Saint Francis High School, Mary Hope of Christians Church, Cutter Drive, Holohan Road, College Road, and Condit Lane.

There is a lot of agricultural land in the district. The district is in two pieces. The current sphere of influence boundary assumes a few parcels that may annex. There are some parcels by the levee that might detach.

In 1965, when LAFCO was forming, the development was suburban. Watsonville City's development was going to spread out into the countryside. In the 70s, there was debate about growth control, and it has settled into a strong consensus that there is not going to be



rampant suburban growth. The original formation boundary was too big for what is now planned by the City and the County for urbanization. They included a lot of farming property in anticipation of development that now, does not look like it will happen.

The reason some agricultural parcels are inside the district and in the district's sphere of influence is that there is a sewer line. The houses and the greenhouses along Condit Lane are in an area designated by the County as permanent agriculture and they are served by Salsipuedes Sanitary District. The County and LAFCO generally discourage this situation, but they were already connected and there was not imminent growth planned. It did not seem desirable to exclude those agricultural properties from the sphere of influence. The houses and the agricultural greenhouses with many employees were already connected.

Properties closer to the City limits and closer to the levee were inside the district in anticipation of 1960s suburbanization. They are not planned by the City or the County for development. They are designated for commercial agriculture and they are not connected to the sewer. That is why they were excluded from the sphere of influence. The property owners have not chosen to apply for detachment. They are eligible for detachment from the district if they want to.

Commissioner Leopold asks if the agricultural properties have houses or greenhouses on them.

Mr. McCormick answers that the parcels by the levee do not. They are strictly agricultural.

In the last 20 years, the principal set of connections has been to the Lakeview Middle School and Saint Francis High School. The Saint Francis development is an early 1960s subdevelopment of small lots on a private water system and private septic systems. LAFCO has included this subdivision in the sphere of influence.

In the 1990s, The Saint Francis subdivision came to LAFCO and asked to annex. The district asked for a condition that they approve an assessment district as part of the annexation because the closest collection main is on East Lake at the main entrance to the Fairgrounds. Salsipuedes does not build sewers, it accepts sewers; and this is the standard practice for all local sanitary agencies. Salsipuedes wanted them to create an assessment district to have a collection system within their subdivision and bring a main down. An engineer made the design, but the subdivision could not get the votes to pass an assessment district, even though LAFCO approved the annexation.

The County's Environmental Health Department would still like this to happen because the Saint Francis subdivision is in a problem septic area.

Commissioner Leopold asks how much it would cost.

Mr. McCormick will research this for the next report.

He continues that the Fairgrounds Reorganization occurred in the mid to late 1990s. The Fairgrounds had its own collection system. During events, the sewage ran into an open artificial pond. They paid haulers to transport the sewage to the City of Watsonville's

sewers. It was an expensive, unsatisfactory long-term practice. The Fair Board went to the State Fair Financing Authority to ask for their share of State Fair capital monies and a State Senator was able to help them receive State financing. The fairgrounds used the money to pay for a main to extend all the way to the front of the Catholic Church.

There were several environmental issues because a sewer line would have to be built through agricultural land. It would need a lot of capacity to handle peak events and minor capacity to handle additional residential connections.

The fairgrounds paid LAFCO to do an EIR on the sphere of influence amendment and the annexation. LAFCO looked at several mitigations such as building a package, realigning the sewer away from the agricultural fields, and shrinking the sewer lines to minimum capacity for additional connections. They ended up adopting an EIR that came up with a LAFCO mitigation to detach agricultural parcels with no city or county planned urban development for them and they were not connected to sewer. There were several large agricultural properties and most of them were on the east side of Highway 152. They were in the district and LAFCO packaged a reorganization that would annex the fairgrounds and detach these agricultural parcels. One parcel was on Lakeview. The fairgrounds would pay connection fee to the sanitary district. The property owners that were being detached involuntarily from the district got their past sewer assessments plus interest refunded from the annexation fees. The sanitary district stayed whole financially, the fairgrounds bought into their capacity, and the owners being detached from the district were repaid for participating in the sewer assessment that they never benefitted from. It was a complicated process that involved attorneys, and it was resolved without litigation.

Upon formation, much of the sanitary district was in the City of Watsonville starting at Hushbeck Street. All of the Senior Villages area was inside the sanitary district but outside the City limits in 1965. There have been many detachments as Watsonville annexed out into Salsipuedes.

Commissioner Roger Anderson says the draft review is a good start. He would like to look at previous budgets since the last time the district was reviewed. It looks like the district is building up their reserves. He wonders what the large reserve is intended for and what their anticipated expenses are for the reserve.

Commissioner LaHue asks about governmental structure options. He wonders if it would make sense to contract with Watsonville rather than contract with an outside service, or dissolve and be part of Watsonville. He would like to see the pros and cons of the options.

Commissioner Jim Anderson asks if Watsonville does their own maintenance or do they contract with an outside service. He wonders if it depends on the size of the project.

Mr. McCormick answers that Watsonville does most of their own maintenance. It would have to be a fairly large project before they would contract it out.

Commissioner Jim Anderson thinks the cost of outside contracting could be a large expense.

Mr. McCormick will try to get more feedback from Watsonville.

Commissioner Leopold asks what the tenure has been for this board.

Mr. McCormick replies that the current manager and everyone on the current board are new within the last ten years.

#### MOTION AND ACTION

Motion: J. Anderson Second: Lind	To release service and sphere report and schedule a public hearing for December 9, 2015 to review public comments, consider accepting the report, and confirm the current sphere of influence map, as recommended by staff. Motion carries with a unanimous voice vote.
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Commissioner Roger Anderson thinks it is possible they may not be ready next month to pass this. He wants to make sure staff's recommendation is flexible enough to delay it until January if necessary.

Mr. McCormick says they can conduct a hearing and continue it. The Commission would solicit public comment in December no matter what. There is no deadline, so the Commission can operate on their own schedule.

Commissioner Leopold asks what the next review will be.

Mr. McCormick answers that the four recreation districts are next. These districts are individual agencies, they all perform the same functions in small communities, and they all have very different issues.

#### LEGISLATION

Commissioner Leopold reports that the CALAFCO Legislative Committee meets this upcoming Friday. Senator Herzberg has asked CALAFCO about a possible cleanup bill to SB 88.

Commissioner Roger Anderson inquires about a couple of bills that CALAFCO opposed.

Commissioner Leopold replies that CALAFCO opposed AB 3, the Isla Vista bill, because CALAFCO does not like bills that go around LAFCO.

The Herzberg bill, SB 229, is about labor having some say in these agreements. CALAFCO made several recommendations and Senator Herzberg accepted all of them.

#### REPORT BACK FROM CALAFCO CONFERENCE

Commissioner Roger Anderson congratulates Commissioner Leopold for being voted on the CALAFCO board another year.

He thought the Conference was excellent. He appreciated the session about Agriculture Planning and Resources which had John Laird and Ken Alex as speakers. He wondered about

the GSAs, GSPs, and SGMAs, whether they affect the mutual private water companies, and apparently it does not. He wondered if it would relate to Santa Cruz County.

Commissioner Lind agrees about the value of the Conference. One of the topics had to do with broadband issues and the finances involved. She spoke to the attorney afterwards and appreciated his input. The information was up to date and the legal advice was worth bringing back to her City attorney.

Commissioner Leopold gives credit to Commissioner Roger Anderson when he was CALAFCO Chair. He led the organization through a very difficult period when it was at risk of breaking up. He carried out shuttled diplomacy throughout the State to create a regional system which has proven to be successful.

## STATUS OF PROPOSALS

Mr. McCormick reports that the Commission recently approved the formation of a Huckleberry Island County Service Area in Brookdale. After the approval, a protest hearing was held. The Commission delegates the Executive Officer to be the hearing officer for protest hearings. The property owners vote last after they see the results of the LAFCO process.

The Huckleberry Island protest hearing was held and there was 19% protest of the assessed value by property owners. The protest came from the same people who showed up at the first hearing opposing the CSA formation. It takes 50% of the assessed value to terminate the project. The project is going forward and it has been passed on to the Board of Supervisors where they will proceed with the assessment process. If the assessment fails, the CSA will not be set up.

There have been substantial communications with several property owners. At one of the owner's request, he included one communication in the agenda packet on page 63.

Santa Cruz LAFCO has a new website and the Secretary-Clerk is the webmaster. Melody Sharp from Website Design helped to create the new website.

Mr. McCormick continues that there is an outstanding East Zayante / Rivera Annexation application. The property owner has asked for a couple months' delay. There are negotiations pending with an adjacent property owner, and it will make the annexation process easier if they come to an agreement.

## WORK PROGRAM

Mr. McCormick says that the next service reviews to work on will be the recreation districts. Following those will be The City of Scotts Valley and the Scotts Valley Water District's reviews. They are preparing a joint set of proposals.

He attended the Watsonville Planning Commission the night before. In 2014, this Commission approved water and sewer service to a 46-unit affordable housing project off Atkinson Lane. Half of the project is inside the City limits and half is outside the City limits. The half that is outside the City limits is the half that LAFCO approved. LAFCO approved the extraterritorial service in order to let the affordable housing corporation (Mid-Pen) proceed with their grant applications. The City and the County have contributed funding towards the project but Mid-Pen still needs additional funding.

This Commission gave approval for water and sewer service to the unincorporated portion and requested that the parties begin an annexation so the whole project would be in the City. Mid-Pen agreed to be the applicant for the annexation. Part of the preliminary work on an annexation is the Planning Commission and the City Council reviewing the annexation for consistency with their General Plan. They also take a rezoning action by adopting a zoning that would become effective if the property is ultimately annexed.

Watsonville Planning Commission's staff recommendation was denial. He commented to the Commission on LAFCO's behalf that there has been 15 years of great relationships with the County and LAFCO. The Planning Commission voted 4 to 1 in support of staff recommendation. This is a project where all parties are bending to make it work if possible. The City staff's position is that it is too much staff work to process an annexation when the City is not getting any revenue for it. Some annexations make money, some are cost neutral, and some lose money but they may be for a general community benefit.

This matter will go to the Watsonville City Council with the Planning Commission's recommendation for denial.

Commissioner Leopold says this was part of a larger project the City and the County were going to do together that was scaled down due to lawsuits. He remembers the Assistant City Manager who is now the Interim City Manager said that it was too much for them to take on. It seems like they do not want to take on the expense.

Mr. McCormick says it was originally part of about a 450 unit Specific Plan area. The rest of the Specific Plan has been eliminated due to litigation in a settlement agreement with the City and the County both being parties. The Mid-Pen piece was orphaned, and it is geographically separate from the main development area which is out by Corralitos Creek close to Freedom Boulevard. It has two small parcels with a different access point. It really is not related to what was then the Specific Planning area. The other 410 units have been eliminated. City staff said at the meeting that there are no plans to revive it at the City level.

Commissioner Leopold asks who voted in favor.

Mr. McCormick replies that Mr. Corley voted in favor.

Commissioner Roger Anderson asks when this item will be before the Watsonville City Council.



Mr. McCormick requested this information from City staff but he has not received an answer yet. The new City Manager arrives November 30<sup>th</sup>.

Commissioner Roger Anderson recalls from previous meetings that City staff was agreeable to process the annexation. His conclusions seem to differ from what City staff was recently saying.

#### POSSIBLE FUTURE STUDY SESSION ON FORMATION OF GROUNDWATER SUSTAINABILITY AGENCIES

Mr. McCormick reports that this was suggested by Commissioner Anderson after hearing a presentation in Sacramento. Several Commissioners are dealing with groundwater sustainability agency formation issues. He proposes scheduling John Ricker to talk at a future meeting about the water issues in Pajaro Valley, Aptos, Soquel, and the Santa Margarita aquifer. It looks like there will be three GSAs this County will be dealing with. None of them will require any LAFCO action.

Commissioner Leopold adds that the Commission adopted their water policies a few years ago and there were three parts to it; one was about information, one was about regulation, and the other was about education. Maybe every other year, this LAFCO would host some type of event or workshop about water to help the community understand the challenges around water.

Over the last couple of months, he has been meeting with John Ricker, the County's Water Resources Division Director, and Tim Carson from the Integrated Water Research Foundation which is funded by Proposition 84. They have developed a concept called "Connecting the Drops" which is a state of the water address. Each year, Mr. Ricker presents a report about the area's water issues. It provides useful information. They want to take that report, host an event which highlights different ways water districts are working together to solve these water problems, and highlight those collaborations recognizing that the water issues in Santa Cruz County are not solved by one district alone, but a collaboration of entities.

They sent an invitation to John Laird to be a keynote speaker and have a panel of County experts talk about water recycling and other collaborations such as the community water dialogue in South County. There would also be about six stations set up that highlight different collaborative efforts such as GSA formation, work from NOAA Fisheries and the City of Santa Cruz, water conservation, and other water recycling pieces. They want to draw people from all the constituencies of the different water districts to attend this state of the water report.

They are working on the final date, but it will probably be at the end of January or beginning of February. There will probably be a request to this LAFCO, as well as the County and the Water Foundation, for a small amount of money to help pay for it.

Commissioner LaHue thinks this is a good idea. The more the public can be educated, the better. He was at the last Soquel Aptos Groundwater Management Commission (SAGMC) and thought it was a great collaborative effort. To present to this Commission an overview would



also be valuable. The next meeting of the SAGMC is 7:00 p.m., November 12, 2015 at the Capitola City Council Community Room. They started a website at [www.MidCountyGroundwater.org](http://www.MidCountyGroundwater.org).

#### CLOSED SESSION

There is nothing to report from closed session.

Meeting is adjourned at 10:32 a.m. The next LAFCO meeting is scheduled for Wednesday, December 9, 2015.

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CHAIRPERSON ZACH FRIEND

Attest:

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Patrick M. McCormick, Executive Officer



## SALSIPUEDES SANITARY DISTRICT

Date: December 2, 2015 for December 9, 2015 Agenda

To: LAFCO Commissioners

From: Patrick M. McCormick, Executive Officer *P. McCormick*

Subject: Service Review and Sphere of Influence Review for Salsipuedes Sanitary District

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*Summary: The Commission will conduct a public hearing and will consider approving a service review and confirming the current sphere of influence for the Salsipuedes Sanitary District.*

*Recommendation: Conduct a public hearing and adopt draft Resolution No. 2015-12 approving the 2015 Salsipuedes Sanitary District Service Review and Sphere of Influence Review.*

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The LAFCO staff has updated a draft of a service review and sphere of influence review for the Salsipuedes Sanitary District, which operates a sanitary sewer collection system in the unincorporated area northeast of the City of Watsonville. There are 510 connections to their system, located along East Lake Avenue (Highway 152) and College Road.

The main conclusions of this document are:

- The Salsipuedes Sanitary District is a well-governed small agency with a functional board, noticed meetings, and a trained part-time staff member.
- In the ten years since the last service review was conducted, the District's rates have gone from the lowest of all Pajaro Valley sewer agencies to the highest.
- In the next few years, the District should evaluate whether lower rates could be realized through a reorganization, and whether the loss or reduction in local control of the sewer system would be acceptable.
- Neither the LAFCO staff nor the District is recommending any changes in the District's Sphere of Influence map.

The staff RECOMMENDS that the Commission conduct a public hearing and adopt draft Resolution No. 2012-15, which approves the service review and confirms the existing sphere of influence of the Salsipuedes Sanitary District.

cc: Salsipuedes Sanitary District  
Freedom County Sanitation District  
City of Watsonville, Attention: Director of Public Works and Utilities

SANTA CRUZ LOCAL AGENCY FORMATION COMMISSION  
RESOLUTION NO. 2015-11

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

APPROVING THE 2015 SALSIPUEDES SANITARY DISTRICT  
SERVICE AND SPHERE OF INFLUENCE REVIEW

\*\*\*\*\*

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 2015 Salsipuedes Sanitary District Service and Sphere of Influence Review.
2. The Commission's Executive Officer has given notice of a public hearing by this Commission upon the service review and sphere of influence in the form and manner prescribed by law.
3. The Commission held a public hearing on this matter on December 9, 2015; and at the hearing the Commission heard and received all oral and written protests, objections, and evidence that were presented.
4. Pursuant to State CEQA Guidelines section 15061(b)(3), this LAFCO action does not change the services or the planned service area of the Salsipuedes Sanitary District. There is no possibility that the activity may have a significant impact on the environment. This LAFCO action qualifies for a Notice of Exemption under the California Environmental Quality Act.
5. The Commission hereby approves the 2015 Salsipuedes Sanitary District Service and Sphere of Influence Review.
6. The Commission hereby approves the Service and Sphere of Influence Determinations as shown on Exhibit A.
7. The Commission hereby maintains and reaffirms the Sphere of Influence of the Salsipuedes Sanitary District, as shown on Exhibit B, without amendment.

PASSED AND ADOPTED by the Local Agency Formation Commission of Santa Cruz County this ninth day of December 2015.

AYES:

NOES:

ABSENT:

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ZACH FRIEND, CHAIRPERSON

Attest:

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Patrick M. McCormick  
Executive Officer

Approved as to form:



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T. Brooke Miller, LAFCO Counsel

**Exhibit A**

**Santa Cruz LAFCO Resolution No. 2015-11**

**Salsipuedes Sanitary District**

**Service and Sphere of Influence Review Determinations**

**-SERVICE REVIEW DETERMINATIONS-  
Government Code Section 56430**

**1) Population and Growth**

Growth and population projections for the affected area.

*Determination: The Salsipuedes Sanitary District serves an unincorporated community northeast of the City of Watsonville. The population of the district is approximately 2,135. The County General Plan anticipates very little future growth within the district and the district sphere of influence.*

**2) Disadvantaged Unincorporated Communities**

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

*Determination: Neither the County of Santa Cruz, nor the Local Agency Formation Commission has identified any sub-area within or contiguous to the Salsipuedes Sanitary District Sphere of Influence that meets the definition of a disadvantaged unincorporated community.*

**3) Capacity of Facilities**

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 communities within or contiguous to the sphere of influence.

*Determination: The Salsipuedes Sanitary District serves 510 connections. It has adequate transmission and treatment capacity for the present and planned facilities within the Sphere of Influence. The district's principal needs are repair and replacement of aging infrastructure.*

**4) Financial Ability of Agencies**

Financial ability of agencies to provide services.

*Determination: Over the last ten years, the Salsipuedes Sanitary District's sewer rates have gone from the lowest in the Pajaro Valley to the highest. The rate increases have allowed the district to continue to operate, to proceed with needed main and pump repairs and replacements, and to build up a substantial fund balance.*

**5) Shared Facilities**

Status of, and opportunities for, shared facilities.

**Determination:** *The Salsipuedes Sanitary District utilizes the treatment facilities at the regional treatment plant operated by the City of Watsonville.*

**6) Accountability**

Accountability for community service needs, including governmental structure and operational efficiencies.

**Determination:** *The Salsipuedes Sanitary District has the highest sewer rates in the Pajaro Valley. In the next few years, the district should evaluate whether lower rates could be realized through a contract or a reorganization with the City of Watsonville or the Freedom County Sanitation District, and whether the loss or reduction in local control of the sewer system would be acceptable.*

**7) Matters Required by Local LAFCO Policies**

Any other matter related to effective or efficient service delivery, as required by commission policies. Santa Cruz LAFCO has adopted a policy that it will inquire whether public agencies have adopted meeting rules and a mission statement. LAFCO maintains a file of meeting rules that is available for adaptation by any local agency.

**Determination:** *The Salsipuedes Sanitary District has not adopted a mission statement or meeting rules.*



**-SPHERE OF INFLUENCE DETERMINATIONS-  
Government Code Section 56425**

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

*Determination:* The present and planned land uses in the Salsipuedes Sanitary District are principally suburban residential and public facilities (fairgrounds, schools, churches, and cemeteries). There are some neighborhood commercial uses near the corner of Holohan Road and East Lake Avenue. Rural homes and agricultural buildings in the southern agricultural portion of the district's boundary and sphere are connected to the district's mains. The County of Santa Cruz plans for the southern portion of the district, between Salsipuedes Creek and the City of Watsonville to remain in commercial agricultural uses.

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

*Determination:* The present and probable future need for public facilities and services in the Salsipuedes Sanitary District is the maintenance, repair, and replacement of aging mains and pumps.

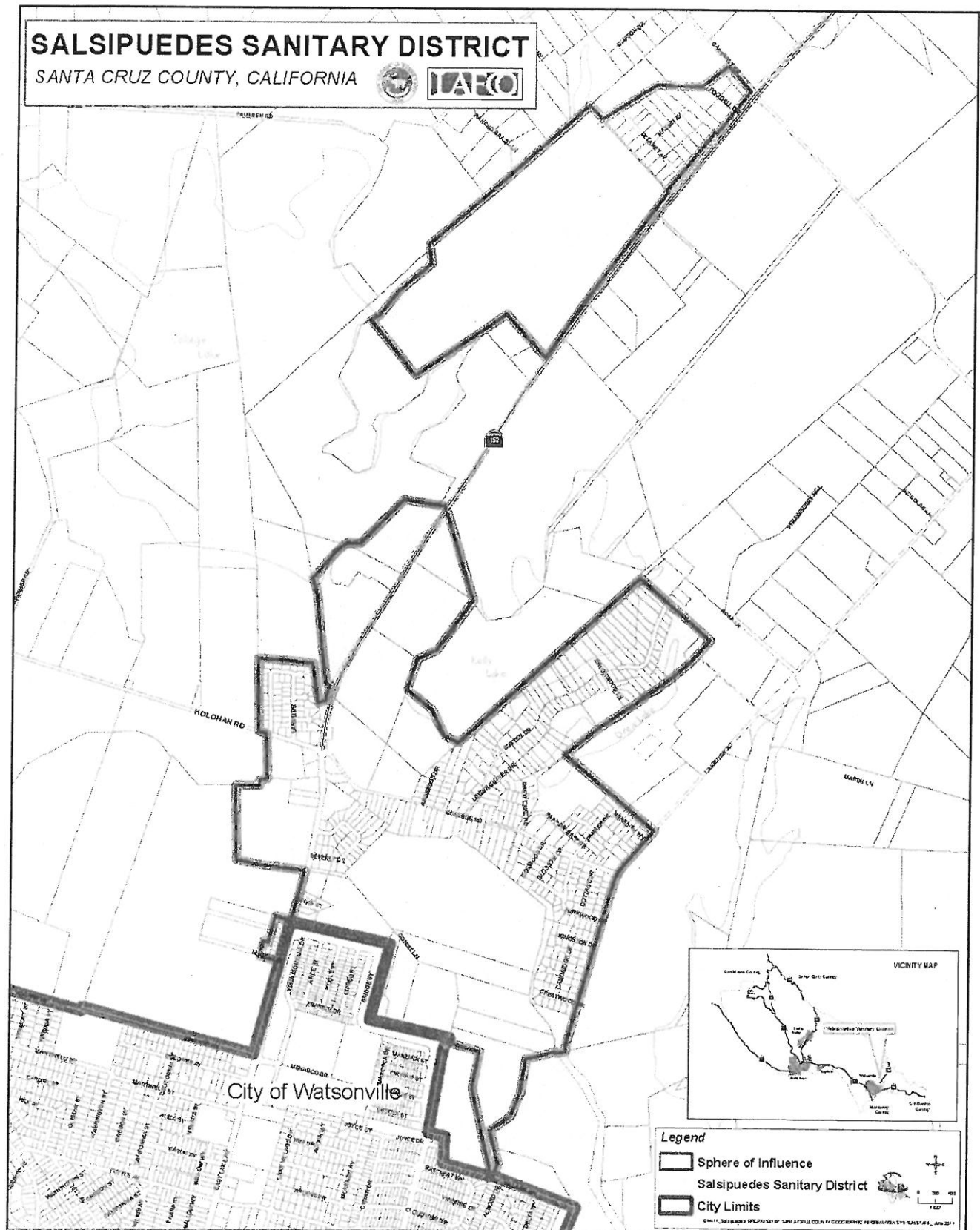
**3) The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.**

*Determination:* The Salsipuedes Sanitary District serves 510 connections. It has adequate transmission and treatment capacity for the present and planned facilities within the Sphere of Influence. The district's principal needs are repair and replacement of aging infrastructure.

**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.**

*Determination:* The present Salsipuedes Sanitary District Sphere of Influence identifies the community of interest that benefits or could benefit from the operations of the district.

# EXHIBIT B



Hearing Draft

## Salsipuedes Sanitary District Service and Sphere Review



December 2015



Local Agency Formation Commission  
of Santa Cruz County  
701 Ocean Street, Room 318D  
Santa Cruz CA 95060

## SALSIPUEDES SANITARY DISTRICT

### Document's Purpose, Format, and Executive Summary

LAFCO periodically performs municipal service reviews<sup>1</sup> and updates, as necessary, the sphere of influence of each agency subject to LAFCO's boundary regulation<sup>2</sup>. A "sphere of influence" is defined as a plan for the probable physical boundaries and service area of a local agency. This report has been prepared to analyze the Salsipuedes Sanitary District. Specific service review and sphere determinations are listed at the end of the report.

The main conclusions of this document are:

- The Salsipuedes Sanitary District is a well-governed small agency with a functional board, noticed meetings, and a trained part-time staff member.
- In the ten years since the last service review was conducted, the District's rates have gone from the lowest of all sewer agencies in the Pajaro Valley to the highest.
- In the next few years, the District should evaluate whether lower rates could be realized through a reorganization, and whether the loss or reduction in local control of the sewer system would be acceptable.
- Neither the LAFCO staff nor the District are recommending any changes in the District's Sphere of Influence map.

### Agency Overview

The Salsipuedes Sanitary District was formed<sup>3</sup> in 1965 in order to provide wastewater collection services to the unincorporated area northeast of Watsonville. The main streets in the district are East Lake Avenue (Highway 152) and College Road. In addition to residential areas, the district provides wastewater service to Lakeview Middle School, St. Francis High School, Our Lady Help of Christians Catholic Church, the Santa Cruz County Fairgrounds, and several commercial businesses. The district has 510 connections, and rents an office at 739 East Lake Avenue in Watsonville. The district has a five-person board of directors and employs a part-time Secretary-Manager. The district has a contract with the City of Watsonville to treat, re-cycle and/or dispose sewage at the City's plant on Beach Road.

Table 1 – Services Provided

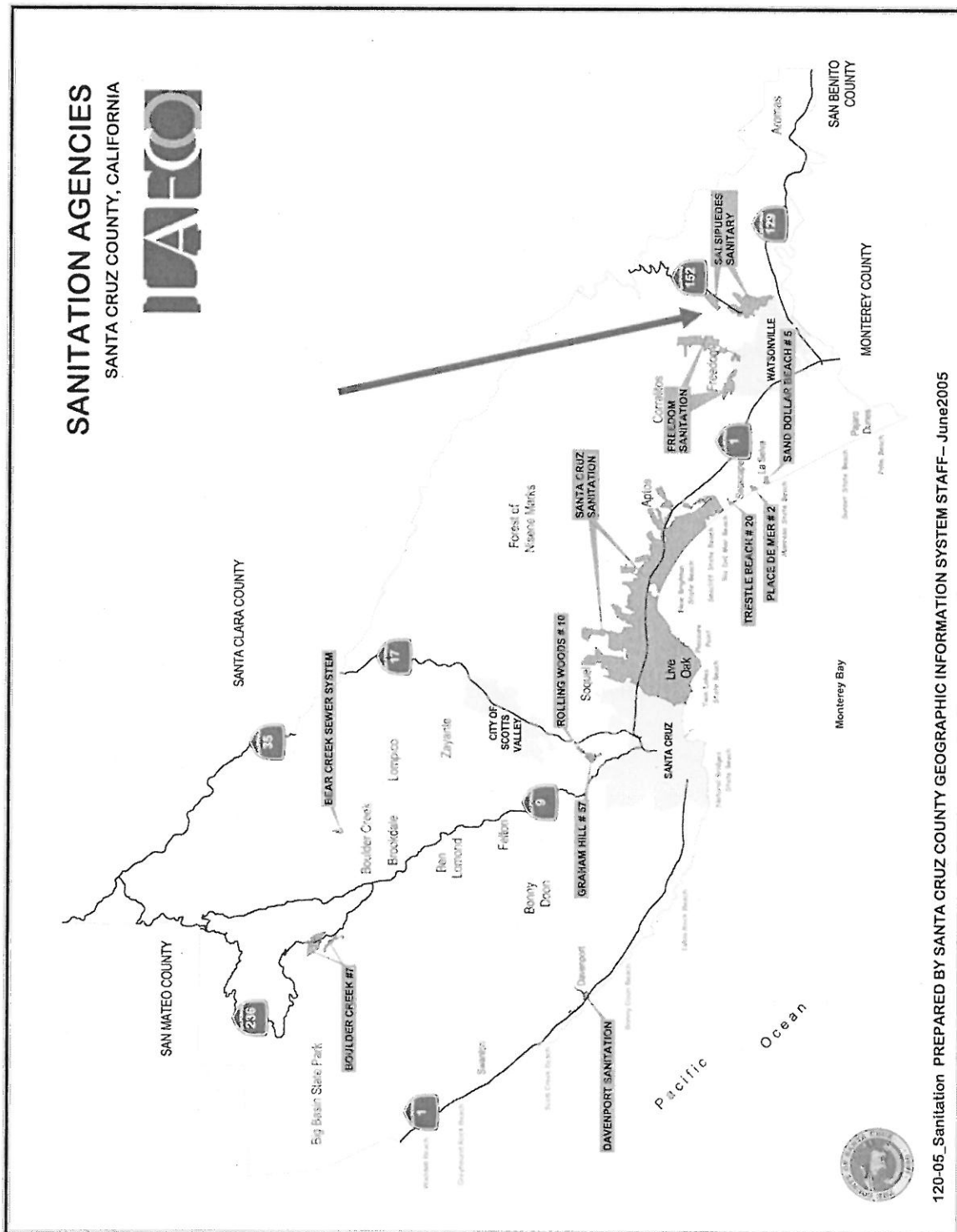
2015 Salsipuedes Sanitary District Service Review		Sanitary Sewer Collection	Sanitary Sewer Treatment	Recycled Water	Septic System Monitoring/Maint.
Special Districts					
Salsipuedes Sanitary District		•			

<sup>1</sup> Government Code §56430 (Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000)

<sup>2</sup> Government Code §56427

<sup>3</sup> Health and Safety Code §6400 et seq. (Sanitary District Act of 1923)

The district's location is shown on the following map:



The district's current boundary and adopted sphere of influence are shown on the following map:





## Growth and Population

There are no growth projections available for the Salsipuedes Sanitary District. In general, the Santa Cruz County unincorporated area is projected to have slow to moderate growth over the next twenty years. The projections are as follows:

**Table 2**  
**Population**

Public Agency	2010	2015	2020	2025	2030	2035	Annual Growth Rate
Santa Cruz County (unincorporated)	129,739	132,318	142,132	134,879	139,601	144,227	0.42%

*Source: 2010 US Census and AMBAG 2014 Regional Growth Forecast*

In recent years, the Salsipuedes Sanitary District has grown slowly with 3 new connections in the last ten years. The County General Plan applies in this area. A similar slow rate of new connections can be projected for the next ten years, unless the St. Francis Subdivision (Delaney and Massei Streets) passes an assessment to pay for a collection system and main extension along East Lake Avenue to the current Salsipuedes main at the entrance to the Fairgrounds. The subdivision property owners considered an assessment district in 1999-2005 and it did not go forward.

With approximately 500 residential connections and a 2010 U. S. Census average household size of 4.27 people in the Interlaken Census Designated Place (which contains the Salsipuedes Sanitary District, but is bigger), a rough estimate of the resident population is 2,135. In the daytime, the population in the district increases from attendance at the schools, church, and fairgrounds.

The County General Plan anticipates only a small amount of additional growth within the district. The County General Plan designates some of the larger parcels in the southern portion of the district for agricultural uses. The agricultural parcels along Condit Lane were included within the District's sphere of influence because the residences and businesses there already had sanitary sewer service connections from the Salsipuedes Sanitary District prior to LAFCO adopting the District's first sphere of influence in 1987.

## Disadvantaged Communities

State law<sup>4</sup> requires that LAFCOs address disadvantaged unincorporated communities within or contiguous to the subject agency's sphere of influence. The purpose is to evaluate the feasibility of extending public services to poor communities. A community is defined<sup>5</sup> as disadvantaged if it has an annual median household income that is less than 80 percent of the statewide annual median household income. In 2014, the California statewide median household income was \$61,094<sup>6</sup>, and 80% of that was \$48,875. The Salsipuedes Sanitary District is located in two census tracts (1101 and 1225). Neither of these has a median household lower than \$48,875. The tract located west of Green Valley Road (1231) does have a

<sup>4</sup> Government Code §56430 for service reviews, and Government Code section 56425(e) for sphere reviews.

<sup>5</sup> Water Code §79505.5.

<sup>6</sup> U.S. Census Bureau, 2009-2013 American Community Survey 5-Year Estimates.

median household income that is less than \$48,875. This tract is partially served by the Freedom County Sanitation District. The Salsipuedes Sanitary District does not have any mains located close to tract 1231. In its planning activities, the County of Santa Cruz has not identified any sub-areas within the Salsipuedes Sanitary District or contiguous to its sphere of influence that it has identified as disadvantaged.

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(The heavy black line is the adopted Sphere of Influence.)

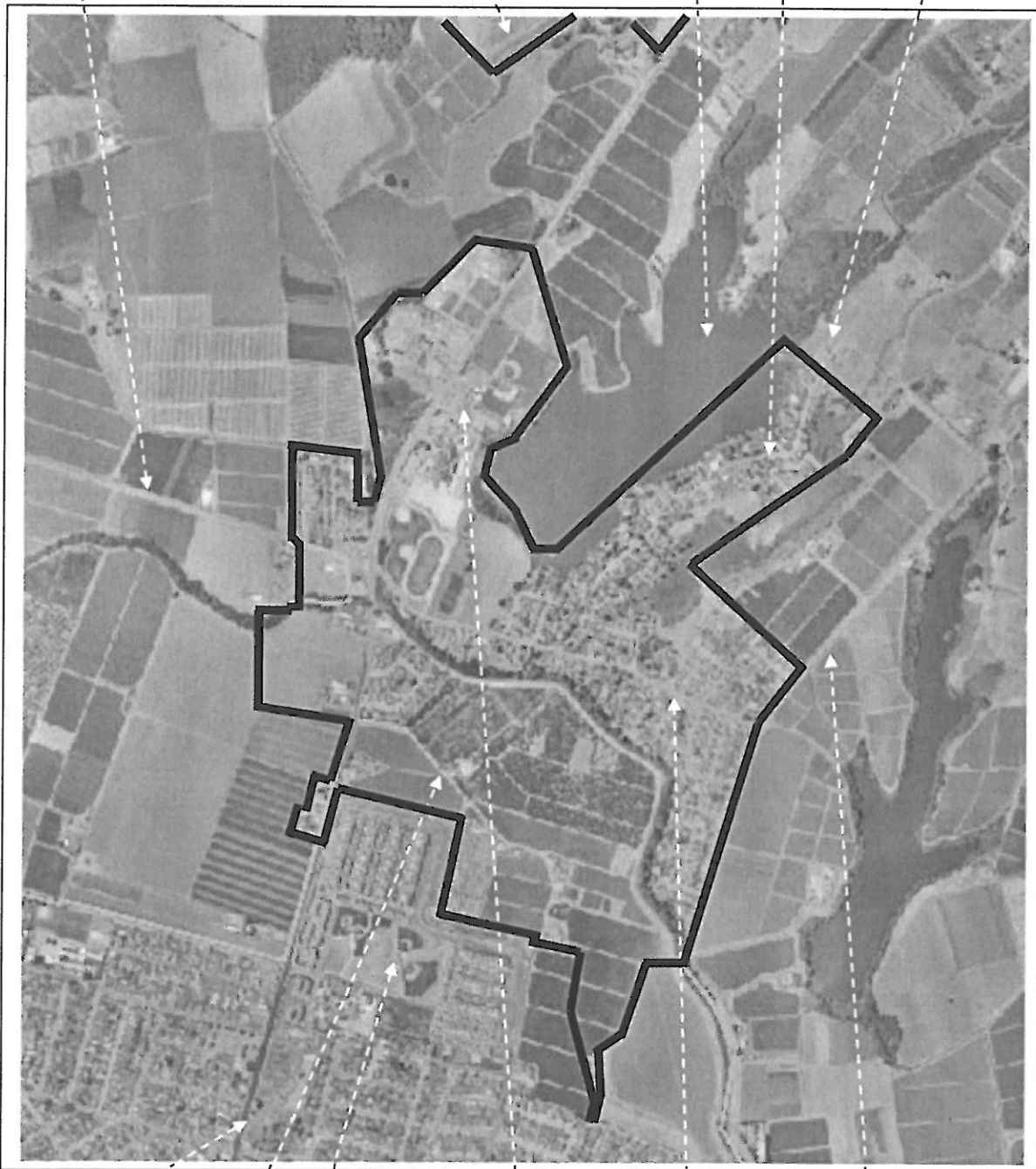
Holohan Road

Fairgrounds

Kelly Lake

Cutter Dr.

Rod and Gun Club



East Lake Av.

Condit Lane

Franich Park

St Francis High

College Road

Lakeview Road

(Highway 152)

### Boundary History of Salsipuedes Sanitary District

The Salsipuedes Sanitary District was formed in 1965 following an election in which there were 187 votes in favor of forming the district and 27 votes opposed. Upon formation, the district boundary extended from the Watsonville City limits at Hushbeck Avenue to the north end of Cutter Drive. The district has experienced a series of boundary changes of which the principal annexations were along East Lake Avenue (Highway 152) to include what is now Lakeview Middle School, Our Lady Help of Christians Catholic Church, St. Francis High School, two cemeteries, and the Santa Cruz County Fairgrounds. Detachments have occurred as land was annexed to the City of Watsonville, which took over the sanitary sewer service. Another detachment occurred in 1987, when LAFCO conditioned the Fairgrounds Reorganization to detach 200 acres of commercial agricultural land that was annexed to the district in the 1960's in anticipation of suburban growth, but was unlikely to need sewer service because of agricultural land preservation policies enacted by the County in the 1970's and 1980's. A list of the LAFCO actions involving the Salsipuedes Sanitary District follows:

**Table 3 -- LAFCO Actions**

Action Date		LAFCO File Number and Title	Location	Acreage	Action
7/21/1965	56	Formation of Salsipuedes Sanitary District	College Rd., Cutter Dr., Holohan Rd., Beverly Dr.	642	Approved
11/15/1967	117	Nugent Tract Annexation No. 1967-1	West side of East Lake Ave., north of Nugent	2.3	Approved
4/17/1968	128	Salsipuedes Sanitary District Annexation 1967-2	Both sides of East Lake Ave., south of College	Approx 3	Approved
2/18/1970	201	Watsonville Levee Detachment	Bridge Street, north of Beck Street	39	Approved
8/19/1970	227	1969-1 Annexation	Both sides of East Lake Ave. from Holohan Road to fairgrounds entrance	183	Approved
9/16/1970	227-A	1969-1 Annexation (adding condition)	"	183	Approved
7/21/1971	284	Tynan Lake Annexation	East side of Lakeview Drive near College Road	85	Approved
5/17/1972	313-A	Levee Two Detachment	Bay Village and Pajaro Village	123	Approved
7/19/1972	331	East Lake Ave. Detachment	East side of East Lake Ave. near Martinelli St.	3.7	Approved
9/20/1972	331-A	Amendment to Res. 331 (adding condition)	"	3.7	Approved
3/7/1984	672	Nugent Ave. / Holmes Annexation	Nugent Avenue	0.2	Approved
10/7/1987	709	Sphere of Influence Adoption	Entire District		Approved
11/8/1987	700	Fairgrounds Reorganization (Both Annex to and Detach from Sal. San. Dist.)	Annex fairgrounds; Detach agricultural parcels along East Lake Ave. and Lakeview	Annex 100 Detach 200	Approved
4/6/1988	734	East Lake / Apple City Annexation	West side of East Lake Ave., next to creek	1	Approved
2/10/1994	624-B	East Lake Ave./Franich Reorganization (Detach from Salsipuedes Sanitary District)	East side of East Lake Ave., north of Martinelli Street	74	Approved
7/15/1998	843	Village Associates II Reorganization (Detach from Salsipuedes Sanitary District)	North end of Delta Way	14.4	Withdrawn 7/15/98
12/1/1999	864	St. Francis Subdivision Annexation	Delaney and Massei Avenues	24	Denied Time Ext. 5/4/05
5/1/2002	883	Village Associates / Delta Way Reorganization (Detach from Salsipuedes Sanitary District)	North end of Delta Way	14.4	Approved
2/5/2007	2007-9	Countywide Service Review	Entire District		Approved
1/9/2008	2008-1	Sphere of Influence Review	Entire District		Approved

### St. Francis Subdivision

The 24-acre St. Francis Subdivision contains 37 lots. Thirty-three lots are developed with houses using septic systems, one is developed with a small business using a septic system, and four are vacant. The soil conditions allow only slow percolation. Septic failures are common, and the repairs require expensive engineered systems. In 1999, the St. Francis Subdivision was outside the boundary of the Salsipuedes Sanitary District, and inside the District's Sphere of Influence adopted by LAFCO. LAFCO authorized the St. Francis Subdivision Annexation (Delaney Ave., Massei Ave., and a few adjacent small parcels). There were no sewer mains to collect sewage in the subdivision, and the closest Salsipuedes Sanitary District main was located at the main entrance to the Fairgrounds on East Lake Avenue. A condition of the authorization was that the property owners in the annexation area needed to approve an assessment district to pay for the collection system and main extension.

Fairgrounds (inside Salsipuedes San. Dis.)      St. Francis Subdivision (outside District, inside Sphere)



End of sewer main

The engineering plans for the proposed assessment district provided for the installation of 5,750 feet of sewer mains. In 1999, the estimated cost was \$744,347, or over \$20,000 per parcel. The consensus of the property owners in the subdivision was that the assessment would not pass at an election unless a state or federal grant could be obtained to partially offset the cost of the project and to lower the assessment

amount per parcel. After more than five years of being unsuccessful in securing a grant, the St. Francis assessment district and annexation were abandoned in 2005. LAFCO never recorded the annexation.

The subdivision remains within the District's sphere of influence. This is the biggest known sewer-related capital need in the areas adjacent to the District. The District was willing to accept and serve the subdivision in 1999, but only if the affected property owners paid for the system improvements.

#### Infrastructure Needs and Deficiencies

The following table summarizes the wastewater infrastructure within the Pajaro Valley:

**Table 4**  
**Pajaro Valley Wastewater Infrastructure Summary**

Agency	Type of System	Treatment Level	No. of Connections	No. of Lift Stations	Miles of Sewer Line
City of Watsonville	Collection/Treatment/ Re-Cycling	Secondary / Adv.Tertiary	13,214	12	150.0
Freedom County Sanitation District	Collection	NA	1,687	8	25.0
Salsipuedes Sanitary District	Collection	NA	510 <sup>7</sup>	2	7.0
Pajaro County Sanitation District (Mont. Co.) <sup>8</sup>	Collection	NA	922	6	20.2

The regional wastewater treatment plant is owned and operated by the City of Watsonville. The plant treatment capacity, Salsipuedes' share, and the annual flow are as follows:

**Table 5 Treatment**

Treatment Facility / Areas Served	Permitted Capacity (Secondary) mg/d	2003-2004 Actual mg/d	2014-2015 Actual mg/d	% Avg. Annual Change 2003-2014
Watsonville Wastewater Treatment Facility	12.1	7.6	6.7	-1.1%
City of Watsonville				
Salsipuedes Sanitary District	0.281			
Freedom County Sanitation District	0.711			
Pajaro County Sanitation District (Mont. Co.)	1.570			

mg/d = million gallons per day

In 2009, in cooperation with the Pajaro Valley Water Management Agency, the City of Watsonville began treating part of its effluent flow to an advanced tertiary level, and providing it to the Pajaro Valley Water Management Agency to mix with inland well water and distribute through its Coastal Distribution System to irrigate farms in the coastal area of the Pajaro Valley. This recycled water use is a major component in reducing salt water intrusion into the ground-water aquifers. The tertiary plant has a capacity of 7.7 million gallons per day. On October 1,

<sup>7</sup> Up from 507 connections in 2005.

<sup>8</sup> 2005 Final Municipal Service Review for the North County Area of Monterey County, LAFCO of Monterey County.



2015, the Pajaro Valley Water Management Agency broke ground on a 1.5 million gallon storage tank that will increase tertiary water deliveries during the peak irrigation periods.<sup>9</sup>

The Salsipuedes Sanitary District does not have any major projects on its Capital Improvement Program. It has budgeted \$110,000 for system repairs in FY 2015-16, and has budgeted a fund reserve of \$482,254 for future capital improvements.

### Operations

The Salsipuedes Sanitary District provides wastewater collection services for 510 connections within an unincorporated area northeast of Watsonville. Treatment is provided by the Watsonville Wastewater Treatment Plant. The District has two lift stations and seven miles of sewer pipeline. The only reported sewer spill in the last ten years occurred in May 2014 when forty gallons spilled in the Beverly Drive neighborhood. To avoid a repeat spill, the district added that sewer segment to its preventive maintenance program. The District utilizes a private contractor, Green Line, to perform the maintenance on the mains and pump stations.

### Financing Constraints and Opportunities

The Salsipuedes Sanitary District is funded through service charges, connections fees, and the District's share of the property tax. The County Auditor-Controller performs the accounting functions for the District. The following summarizes the District's finances:

**Table 6**  
**Salsipuedes Sanitary District Budget**

<b>Finances</b>	<b>FY 03-04</b>	<b>FY 14-15</b>	<b>% CHANGE</b>	<b>FY 15-16</b>
	<b>Actual</b>	<b>Actual</b>	<b>FY 03-04 to FY 14-15</b>	<b>Budget</b>
<b>Revenue</b>				
Sewer Service Charges and Inspection Fees	\$95,069	\$343,594	261	\$356,704
Connection Fees	\$6,250	\$0	-100	\$3,173
Property Tax	\$13,019	\$17,248	32	\$17,724
Other Revenues	\$5,862	\$4,238	-28	\$0
Interest	\$9,584	\$3,663	-62	\$1,000
<b>Total Revenue</b>	<b>\$129,783</b>	<b>\$368,743</b>	<b>184</b>	<b>\$378,601</b>
<b>Expenditures</b>				
Salaries & Benefits	\$38,449	\$42,710	11	\$34,900
Services & Supplies	\$233,234	\$273,029	17	\$284,072
Equipment	\$142	\$0	-100	\$26,631
Contingencies / Other Expenses	\$640	\$505	-21	\$32,998
<b>Total Expenditures</b>	<b>\$272,465</b>	<b>\$316,244</b>	<b>16</b>	<b>\$378,601</b>
<b>Net Surplus/(Deficit)</b>	<b>(\$142,682)</b>	<b>\$52,499</b>		<b>-0-</b>
<b>Fund Balance, end of year</b>	<b>\$676,086</b>	<b>\$477,452</b>	<b>-29</b>	

*Index 684410, Fund 76580*

<sup>9</sup> Register-Pajaronian, October 2, 2015

# SALSIPUEDES SANITARY DISTRICT BUDGET

	FY 03-04	FY 08-09	FY 09-10	FY 10-11	FY 11-12	FY 12-13	FY 13-14	FY 14-15	FY 15-16
REVENUES	Line Item Title	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Budget
Property Tax		\$13,019	18,298	13,834	14,844	15,015	16,463	15,601	17,248
Interest		9,584	7,374	3,250	2,393	1,920	1,855	2,532	3,663
Connection Fees		6,250	5,400	0	0	3,000	3,660	1,650	0
Sewer Service Charges		95,069	289,312	244,149	239,865	319,085	325,769	335,838	343,594
Other Revenues		5,862	20,368	131	568	973	14,055	23,630	4,238
<b>TOTAL REVENUES</b>		<b>129,784</b>	<b>340,752</b>	<b>261,364</b>	<b>257,670</b>	<b>339,993</b>	<b>361,802</b>	<b>379,251</b>	<b>377,324</b>
EXPENDITURES									
Salaries and Benefits									
REGULAR PAY	(34,713)	(40,831)	28,637	(33,030)	(31,798)	(26,219)	(44,206)	(39,103)	(30,000)
OVERTIME PAY	(550)	0	75	(724)	(257)	(91)	(278)	(202)	0
SOCIAL SECURITY	(3,186)	(3,567)	2,686	(3,064)	(3,018)	(2,483)	(4,022)	(3,405)	(2,500)
WORKERS COMP. INSUR.	0	(1,985)	2,260	(2,228)	(2,255)	(1,583)	(2,147)	0	(2,400)
<b>Salaries and Benefits Sub-Total</b>	<b>(38,449)</b>	<b>(46,383)</b>	<b>33,658</b>	<b>(39,046)</b>	<b>(37,328)</b>	<b>(30,376)</b>	<b>(50,653)</b>	<b>(42,710)</b>	<b>(34,900)</b>
Services and Supplies									
TELEPHONE	(2,637)	(2,441)	(2,838)	(2,388)	(3,125)	(3,732)	(2,246)	(2,632)	(3,500)
PROPERTY INSURANCE	(9,145)	(3,819)	(3,509)	(2,341)	(1,594)	(1,155)	(1,373)	0	(1,500)
SUPPLIES	(2,085)	(2,804)	(2,418)	(3,115)	(2,617)	(3,342)	(5,882)	(3,199)	(3,500)
ACCOUNTING FEES	(7,420)	(8,413)	(8,365)	(8,471)	(7,997)	(8,330)	(7,880)	(8,920)	(8,000)
ATTORNEY	(4,867)	(3,899)	(5,297)	(1,875)	(2,051)	(1,709)	(2,769)	(4,225)	(4,827)
DIRECTORS' FEES	(6,390)	(5,800)	(6,400)	(6,300)	(7,400)	(6,150)	(8,090)	(5,210)	(7,150)
ENGINEERING SERVICES	(13,858)	(17,370)	(9,498)	(9,063)	(9,208)	(4,739)	(12,888)	(30,173)	(12,000)
RENTS/LEASES	(6,420)	(7,620)	(7,620)	(7,620)	(7,620)	(7,570)	(7,620)	(7,720)	(7,620)
TREATMENT CONTRACT	(38,866)	(81,893)	(96,719)	(89,362)	(53,331)	(56,346)	(64,717)	(117,542)	(120,000)
PROPERTY PLANT & EQMT	0	0	0	(7,595)	(21,600)	0	0	0	(26,631)
MISC EXPENSES	(1,123)	(389)	(34,284)	(683)	(861)	(160)	(1,174)	(572)	(1,875)
SEWER SYSTEM REPAIRS	(138,021)	(93,550)	(70,836)	(76,322)	(136,682)	(43,449)	(47,661)	(85,268)	(110,000)
MISC VENDOR EXPENSE	0	(1,350)	0	0	0	0	(5,770)	(3,650)	0
MILEAGE	(446)	(977)	(661)	(828)	(990)	(935)	(1,212)	(1,563)	(1,500)
UTILITIES	(1,956)	(2,397)	(2,264)	(2,390)	(2,221)	(2,241)	(1,909)	(2,354)	(2,500)
<b>Services and Supplies Sub-Total</b>	<b>(233,234)</b>	<b>(232,722)</b>	<b>(250,709)</b>	<b>(218,353)</b>	<b>(257,295)</b>	<b>(139,857)</b>	<b>(171,190)</b>	<b>(273,029)</b>	<b>(284,072)</b>
Equipment Sub-Total	(142)	(1,292)	0	(523)	0	0	0	0	(26,631)
Contingencies/Other									
TRUST WITHDRAWAL	0	0	0	0	0	0	0	(7,125)	0
CONTRIB TO OTHER AGEN.	(640)	(227)	291	(427)	(466)	(402)	(455)	(505)	(505)
CONTINGENCIES	0	(3,390)	0	0	0	0	0	0	(31,216)
<b>Contingencies/Other Sub-Total</b>	<b>(640)</b>	<b>(3,617)</b>	<b>291</b>	<b>(427)</b>	<b>(466)</b>	<b>(402)</b>	<b>(7,581)</b>	<b>(505)</b>	<b>(31,721)</b>
<b>TOTAL EXPENDITURES</b>	<b>(272,465)</b>	<b>(284,014)</b>	<b>(216,760)</b>	<b>(258,350)</b>	<b>(295,089)</b>	<b>(170,635)</b>	<b>(229,424)</b>	<b>(316,243)</b>	<b>(377,324)</b>
<b>NET SURPLUS/(DEFICIT)</b>	<b>(142,681)</b>	<b>56,738</b>	<b>44,604</b>	<b>(680)</b>	<b>44,904</b>	<b>191,167</b>	<b>149,827</b>	<b>52,499</b>	<b>0</b>
<b>FUND BALANCE, END OF YEAR</b>	<b>676,086</b>	<b>2,237</b>	<b>23,792</b>	<b>29,707</b>	<b>94,003</b>	<b>284,669</b>	<b>423,744</b>	<b>477,452</b>	

The District has no long-term debt. In its FY 2015-16 budget, the District has restricted \$482,254 to be used as a capital improvement reserve. The District has built up its fund balance by running net operating surpluses since FY 2011-12. The FY 2015-16 budgeted capital improvement reserve of \$482,254 was the estimated June 30, 2015 fund balance during the preparation of the budget in spring 2015. The actual June 30, 2015 fund balance ended up at \$477,452 as shown in the previous table. The actual amount was \$4,802 (1%) lower than the budgeted amount.

### Cost Avoidance Opportunities

The Salsipuedes Sanitary District is working to reduce the amount of grease and entering the sewer system through letters, public outreach and service announcements. Since the last service review, the district has initiated these outreach services in Spanish.

### Management Efficiencies

The type of wastewater system and the degree to which it is integrated with other facilities has an impact on management efficiencies. The agencies reported the following staff levels:

**Table 8 Staffing Levels**

Agency	# of Full Time Equivalent Staff	# of Certified Plant Operators
City of Watsonville	22.6	7
Freedom County Sanitation District	8	NA
Salsipuedes Sanitary District	1.0	NA

*NA – Not Applicable*

The District operates with one employee: a Secretary-Manager. It contracts for sewer maintenance and repair, legal services, and engineering. It utilizes the County Auditor-Controller for claims and payroll.

### Opportunities for Shared Facilities

The Salsipuedes Sanitary District's sewage is treated at the regional treatment plant operated by the City of Watsonville. The City also treats sewage from the Freedom County Sanitation District, the Pajaro County Sanitation District in Monterey County, and Pajaro Dunes.

### Opportunities for Rate Restructuring

Wastewater service rates include flat residential rates with commercial and institutional accounts charged a base rate plus a quantity charge. A comparison of single-family rates in the Pajaro Valley follows:

**Table 9 Wastewater Rates for Single-Family Dwellings in the Pajaro Valley**

Agency	2004-2005 Wastewater Rates (monthly)	2015 Wastewater Rates
Salsipuedes Sanitary District	\$12.00	\$53.53
City of Watsonville	\$16.66	\$28.25
Freedom County Sanitation District	\$27.93	\$39.16
Pajaro County Sanitation District (Mont. County)		
Zone 1 Pajaro	\$25.73	\$25.00
Zone 2 Las Lomas		\$35.00
Zone 3 Sunny Mesa		\$31.35
Zone 4 Bay Farms		\$26.00

### Government Structure Options

With the district's rate going from the lowest in the Pajaro Valley in 2004 to the highest in 2015, there may be benefit to studying whether lower rates could be realized by:

1. Merging the Salsipuedes Sanitary District system with the Watsonville system by either:
  - a. Dissolving the Salsipuedes Sanitary District and authorizing the City of Watsonville to provide extraterritorial sewer services to Salsipuedes in a fashion similar to how the City currently provides water service to most of Salsipuedes.
  - b. The Salsipuedes Sanitary District contracting with the City of Watsonville to perform all district functions.
2. Consolidating the Salsipuedes Sanitary District and the Freedom County Sanitation District in an effort to maintain some economies of scale in sewer systems outside the City of Watsonville.

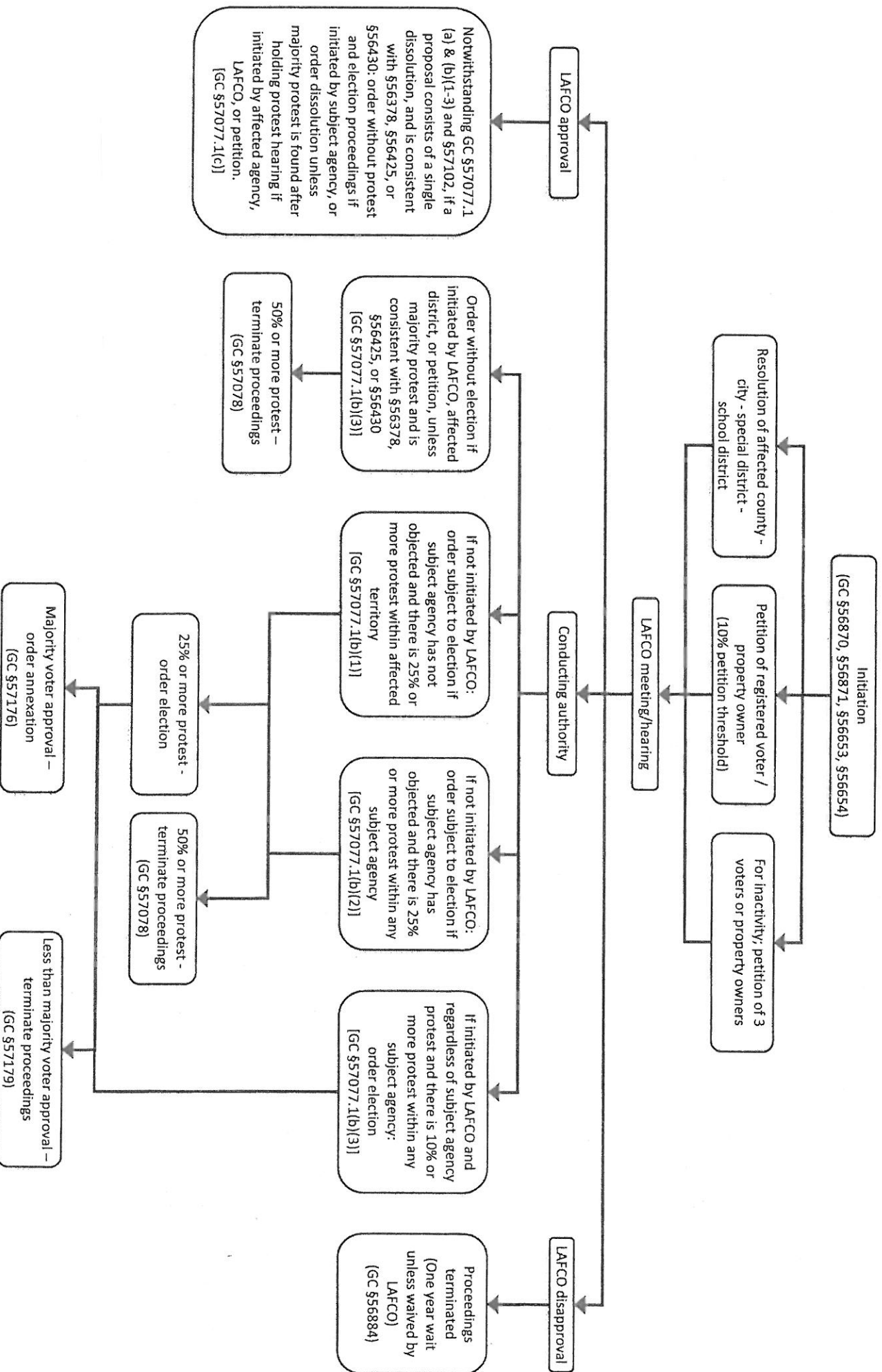
Option 1a, the dissolution process of the Salsipuedes Sanitary District, is shown on the flow chart on the following page. State law allows the dissolution process to be initiated by resolution of the Salsipuedes Sanitary District Board, the Board of Supervisors, or LAFCO; or by petitions of 10% of either the registered voters or property owners within the district. An agreement would need to be negotiated with the City of Watsonville to accept and run the Salsipuedes system. In the Salsipuedes case, a likely route through the flow chart would run along the left side. After negotiating with the City of Watsonville, the Salsipuedes Sanitary District Board would choose to initiate the dissolution by resolution. If LAFCO authorizes the dissolution, the dissolution would be completed without an election in Salsipuedes Sanitary District.<sup>10</sup> LAFCO collects a deposit of \$1,250 to process an application to dissolve a district, but the actual process costs may end up being much higher. A flowchart of the dissolution process is on the following page.

Option 1(b), contracting with the City of Watsonville to operate the Salsipuedes sewer system, would not involve an application to LAFCO, in that the district board would remain in place and contract with the City of Watsonville to operate the collection system and send out bills. The Salsipuedes Sanitary District Board's main function would be to monitor the City's performance under the contract and negotiate any amendments to the contract. This is a similar arrangement to the Pajaro Valley Fire Protection District contracting with CalFire to staff the PVFPD fire station on Casserly Road.

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<sup>10</sup> Government Code Section 57077.1(c) (1)

# District Dissolution



Option 2, consolidating the Salsipuedes Sanitary District and the Freedom County Sanitation District to operate as a single county sanitation district, is shown on the flow chart on the following page. It is similar to the recent merger proposal involving the Lompico County Water District and the San Lorenzo Valley Water District. In Option 2, the Salsipuedes Sanitary District would be dissolved and annexed to the Freedom County Sanitation District. The Freedom County Sanitation District would receive all assets and liabilities of the Salsipuedes system. The Freedom and Salsipuedes systems would be governed by the Board of Supervisors and staffed by the County Public Works Department. State law allows the dissolution process to be initiated by resolution of the Salsipuedes Sanitary District Board, the Board of Supervisors, or LAFCO; or by petitions of 10% of either the registered voters or property owners within the district. If LAFCO approves the proposal, LAFCO staff would conduct a protest hearing. If fewer than 25% of Salsipuedes voters or property owners protest, the consolidation would be completed.<sup>11</sup> If more than 50% of the Salsipuedes voters protest, the consolidation process would be terminated.<sup>12</sup> If 25-50% protest is submitted, an election would be called in which the majority of the Salsipuedes voters would determine whether to complete the consolidation.<sup>13</sup> LAFCO collects a deposit of \$1,800 to process an application to consolidate two districts, but the actual process costs may end up being much higher, particularly if an election is required.

The major disadvantage of dissolving the district or consolidating with the Freedom County Sanitation District is loss of local control. The option of contracting with the City does not have this disadvantage. The issues facing the Salsipuedes Sanitary District are similar to those of the Freedom County Sanitation District. The Salsipuedes Sanitary District should work with the other sewer agencies in the Pajaro Valley and LAFCO to determine the most cost-effective, efficient means to provide wastewater services to the residents.

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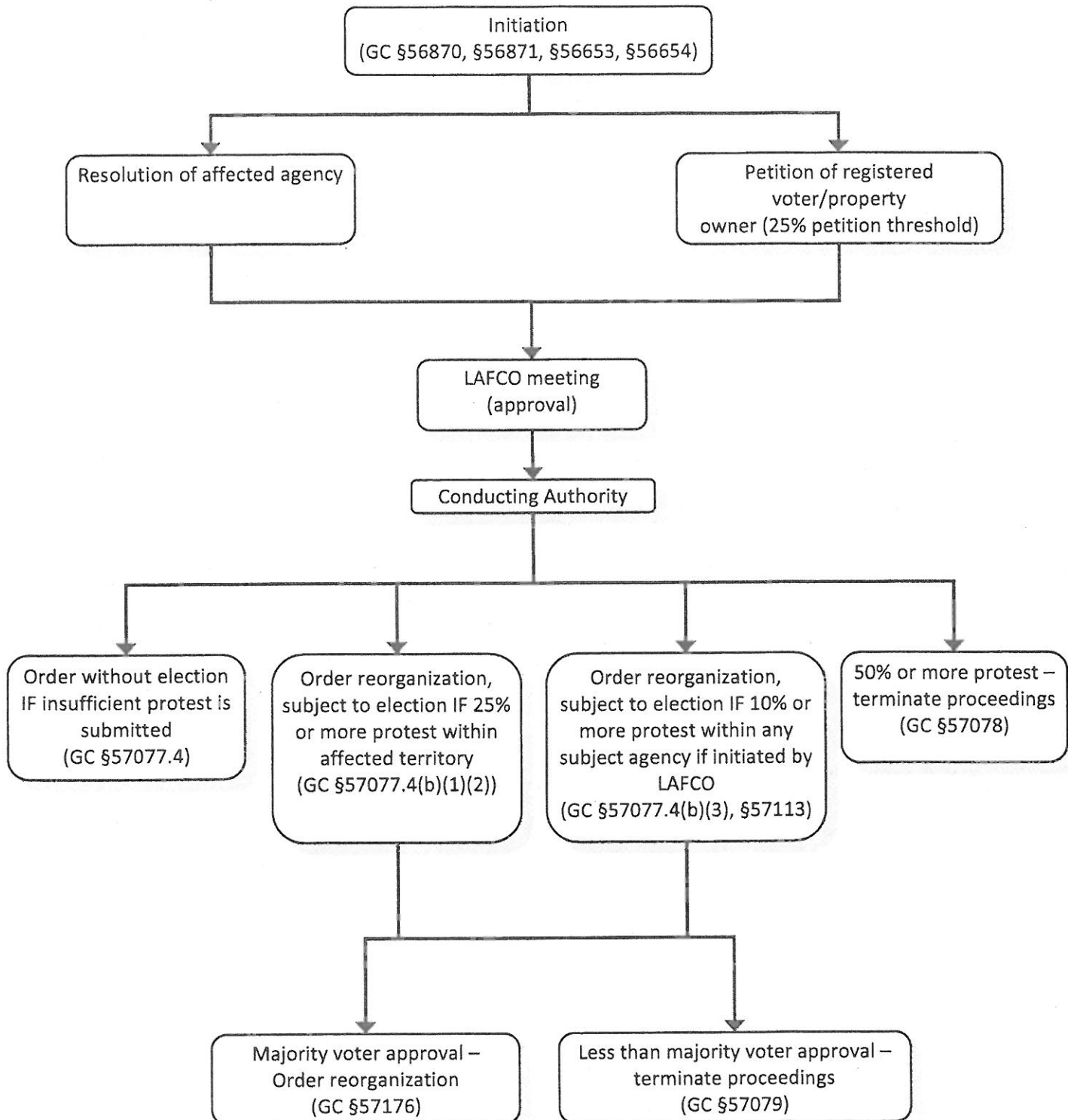
<sup>11</sup> Government Code Section 57077.4

<sup>12</sup> Government Code Section 57078

<sup>13</sup> Government Code Section 57077.4(b)



CONSOLIDATE WITH FREEDOM CSD



### Local Accountability and Governance

The Salsipuedes Sanitary District is an independent special district governed by a five member Board of Directors elected at large by the voters within the District. When candidates run unopposed, they are appointed by the County Board of Supervisors in lieu of conducting the election. The current Board is as follows:

**Table 10 Board of Directors**

Board Member	Title	Term of Office	Compensation
David Ferracane	Board President	11/2015	\$150 per mtg.
Miguel Cisneros	Director	11/2017	\$100 per mtg.
Robert Roberts	Director	11/2017	\$100 per mtg.
Allen Rusler	Director	11/2017	\$100 per mtg.
Priscilla Stumbaugh	Director	11/2015	\$100 per mtg.

The Board of Directors meets the third Wednesday of each month at 7:00 PM at the District's offices. Public notice is provided through posting. The District does not have a website. The District contracts for independent audits. As part of the 2010 audit, the auditing firm identified two material weaknesses typical to small districts:

1. Failure to prepare internal financial statements and related notes.
2. A lack of segregation of accounting duties since substantially all of the accounting functions are performed by the District's Secretary-Manager.

It is not cost effective to expand the District's staffing to prepare internal financial statement and employ additional people who would perform accounting controls. The District is addressing these issues through financial training and board oversight.

### Santa Cruz LAFCO Policies

Santa Cruz LAFCO has a policy that it maintains a file of agency mission statements and meeting rules. These can be accessed by agency boards and community members when discussing agency goals and board meeting procedures. The Salsipuedes Sanitary District has not adopted a mission statement or meeting rules.

## **- SALSIPUEDES SANITARY DISTRICT-**

### **Service Review Determinations**<sup>14</sup>

#### **1) Population and Growth**

Growth and population projections for the affected area.

*Determination: The Salsipuedes Sanitary District serves an unincorporated community northeast of the City of Watsonville. The population of the district is approximately 2,135. The County General Plan anticipates very little future growth within the district and the district sphere of influence.*

#### **2) Disadvantaged Unincorporated Communities**

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

*Determination: Neither the County of Santa Cruz, nor the Local Agency Formation Commission has identified any sub-area within or contiguous to the Salsipuedes Sanitary District Sphere of Influence that meets the definition of a disadvantaged unincorporated community.*

#### **3) Capacity of Facilities**

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 communities within or contiguous to the sphere of influence.

*Determination: The Salsipuedes Sanitary District serves 510 connections. It has adequate transmission and treatment capacity for the present and planned facilities within the Sphere of Influence. The district's principal needs are repair and replacement of aging infrastructure.*

#### **4) Financial Ability of Agencies**

Financial ability of agencies to provide services.

*Determination: Over the last ten years, the Salsipuedes Sanitary District's sewer rates have gone from the lowest in the Pajaro Valley to the highest. The rate increases have allowed the district to continue to operate, to proceed with needed main and pump repairs and replacements, and to build up a substantial fund balance.*

#### **5) Shared Facilities**

Status of, and opportunities for, shared facilities.

*Determination: The Salsipuedes Sanitary District utilizes the treatment facilities at the regional treatment plant operated by the City of Watsonville.*

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<sup>14</sup> Government Code Section 56430

**6) Accountability**

Accountability for community service needs, including governmental structure and operational efficiencies.

**Determination:** *The Salsipuedes Sanitary District has the highest sewer rates in the Pajaro Valley. In the next few years, the district should evaluate whether lower rates could be realized through a contract or a reorganization with the City of Watsonville or the Freedom County Sanitation District, and whether the loss or reduction in local control of the sewer system would be acceptable.*

**7) Matters Required by Local LAFCO Policies**

Any other matter related to effective of efficient service delivery, as required by commission policies.

Santa Cruz LAFCO has adopted a policy that it will inquire whether public agencies have adopted meeting rules and a mission statement. LAFCO maintains a file of meeting rules that is available for adaptation by any local agency.

**Determination:** *The Salsipuedes Sanitary District has not adopted a mission statement or meeting rules.*

**Sphere of Influence Determinations<sup>15</sup>**

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

**Determination:** *The present and planned land uses in the Salsipuedes Sanitary District are principally suburban residential and public facilities (fairgrounds, schools, churches, and cemeteries. There are some neighborhood commercial uses near the corner of Holohan Road and East Lake Avenue. Rural homes and agricultural buildings in the southern agricultural portion of the district's boundary and sphere are connected to the district's mains. The County of Santa Cruz plans for the southern portion of the district, between Salsipuedes Creek and the City of Watsonville to remain in commercial agricultural uses.*

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

**Determination:** *The present and probable future need for public facilities and services in the Salsipuedes Sanitary District is the maintenance, repair, and replacement of aging mains and pumps.*

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

**Determination:** *The Salsipuedes Sanitary District serves 510 connections. It has adequate transmission and treatment capacity for the present and planned facilities within the Sphere of Influence. The district's principal needs are repair and replacement of aging infrastructure.*

**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.**

**Determination:** *The present Salsipuedes Sanitary District Sphere of Influence identifies the community of interest that benefits or could benefit from the operations of the district.*

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<sup>15</sup> Government Code Section 56425(e)

## Agency Profile

Salsipuedes Sanitary District			
Contact:	Delia N. Brambila, Secretary/Manager		
Mailing Address:	739 East Lake Avenue, Ste. 2, Watsonville, CA 95076		
Site Address:	Same		
Phone Number:	(831) 722-7760		
Fax Number:	None		
Email/Website	salsan@sbcglobal.net		
Types of Services:	Wastewater collection / Treatment provided by City of Watsonville		
Population Served:	Unknown		
Size of Service Area (sq miles):	7 sq miles		
Staff and Infrastructure			
Staff: FTE	0.5		
Miles of pipeline (lateral and main)	7		
Volume of Sewage Spills	40 gallons – 2014		
Financial Information			
Budget: (FY 2014-2015)	Revenues	Expenses	Fund Balance (June 30, 2014)
	\$368,743	\$316,244	\$477,452

### Bibliography

Countywide Service Review, LAFCO of Santa Cruz County, June 2005

Final Municipal Services Review for the North County Area of Monterey County, LAFCO of Monterey County, February 2006

Salsipuedes Sanitary District, Financial Statements and Supplementary Information, June 30, 2010 and 2009, Berger Lewis Accountancy Corporation

Salsipuedes Sanitary District, Financial Statements and Supplementary Information, June 30, 2014 and 2013, Berger Lewis Accountancy Corporation

California Integrated Water Quality System website, accessed on October 12, 2015 at:

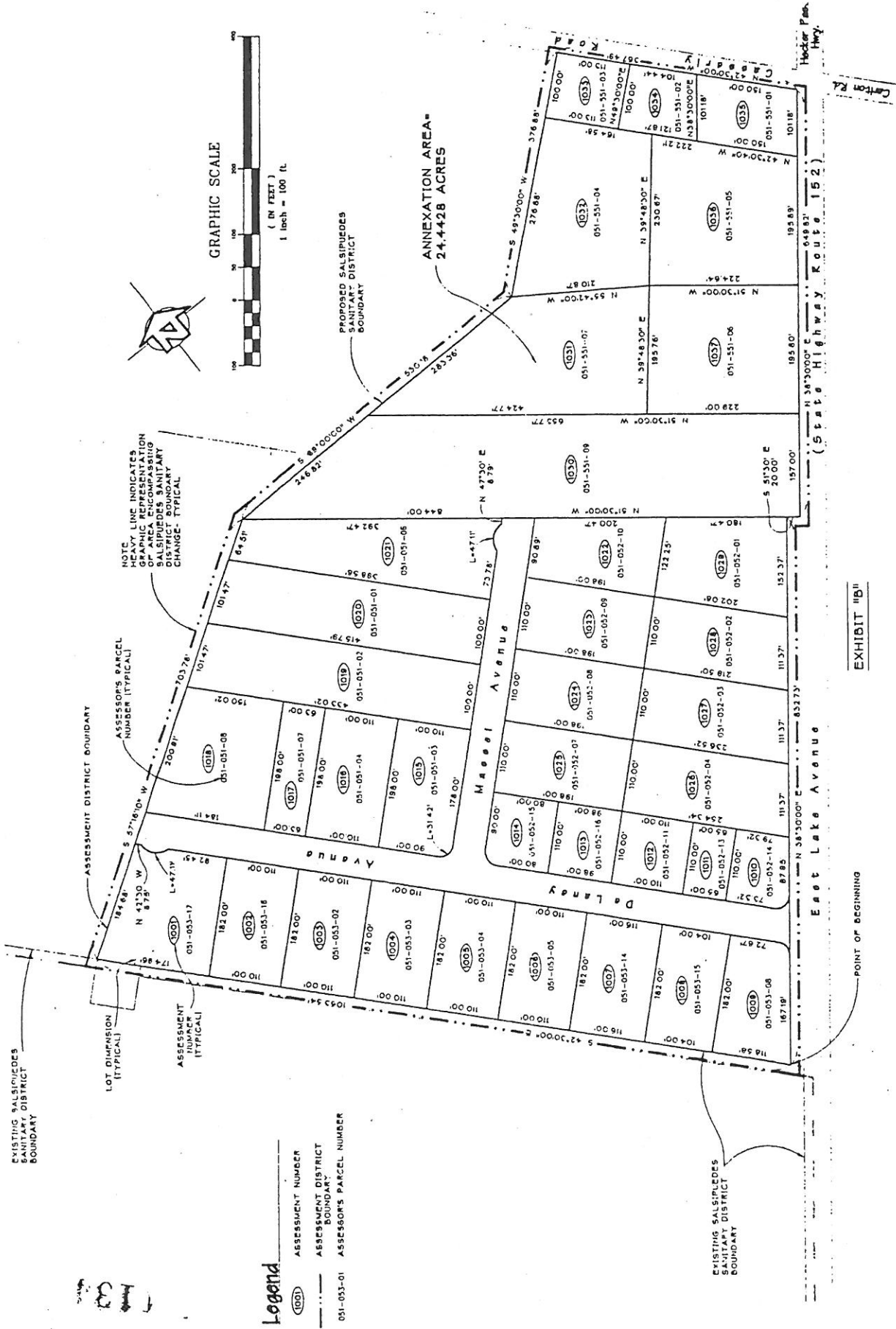
[https://ciwqs.waterboards.ca.gov/ciwqs/readOnly/PublicReportSSOServlet?reportId=sso\\_detail\\_report&reportAction=generate&sso\\_spill\\_id=806274](https://ciwqs.waterboards.ca.gov/ciwqs/readOnly/PublicReportSSOServlet?reportId=sso_detail_report&reportAction=generate&sso_spill_id=806274)

Financial Summary and Balance Sheet for Salsipuedes Sanitary District, accessed online on October 14, 2015 at: <http://www.simplersystems.net/countyofsantacruz/finance/login.html>

City of Watsonville website, accessed on October 19, 2015 at:

[http://cityofwatsonville.org/download/Public%20Works/solid\\_waste/Sewer%20Rates%20Public%20Editi on\\_2015\\_16.pdf](http://cityofwatsonville.org/download/Public%20Works/solid_waste/Sewer%20Rates%20Public%20Editi on_2015_16.pdf)

000014



**Legend**

(100) ASSESSMENT NUMBER

--- ASSESSMENT DISTRICT BOUNDARY

051-053-01 ASSESSOR'S PARCEL NUMBER

EXHIBIT "B"

LAFCO NO. 864		Annexation to Salispuedes Sanitary District of:		1100 WATER STREET SANTA CRUZ, CA 95062 TEL (831) 428-5313 FAX (831) 428-1763	
DATE	06/22/98	DESIGN	GLEN	CIVIL ENGINEERING • LAND SURVEYING • STRUCTURAL DESIGN	
SCALE	1" = 100'	DRAWN	MARC	St. Francis Sewer Assessment District State Route 152, Santa Cruz County, California	
REVISIONS				APPROVED	
SHEET				JOB NO. 9712C	



## LAFC Approves Aptos Annexation

Members of the county local agency formation commission (LAFC) Wednesday approved two Aptos area annexations and gave the go-ahead for creation of a new sanitary district.

The commission unanimously approved an addition to the Aptos sanitation district of the Thompson-Ekizian property off Cathedral drive near Trout Gulch road.

Annexation of the new Aptos Beach Pines tract, next to the Deer Park tavern off Rio del Mar boulevard, to the Soquel Creek county water district also was approved.

**Formation of a Salsipuedes sanitary district** will be permitted if residents okay the new district in a coming bond election, the LAFC said.

## Yesterdays

25 years ago (1965)

A Salsipuedes Sanitation district was formed Tuesday when voters in the area involved approved the proposal by a vote of 182 to 27.

50 years ago (1940)

Miss Louise Blanchard went to Yosemite for this weekend and the holiday.

75 years ago (1915)

At present there are about ten

## Yesterdays

25 years ago (1966)

Residents of the Salsipuedes Sanitary District yesterday approved a \$360,000 bond issue by one vote. The final count was 173 yes and 86 no, with a two-thirds majority needed for passage.

50 years ago (1941)



## STUDY SESSION ON GROUNDWATER SUSTAINABILITY AGENCIES

Date: December 2, 2015 for December 9, 2015 Agenda

To: LAFCO Commissioners

From: Patrick M. McCormick, Executive Officer *PM*

Subject: Study Session on Formation of Groundwater Sustainability Agencies

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*Summary: At the December 9<sup>th</sup> meeting in Watsonville, the Commission will receive a presentation on Groundwater Sustainability Agencies from John Ricker, the County Water Division Director.*

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One of the most significant resource issues addressed by the Legislature and the Governor's administration in recent sessions has been California's minimal coordination and regulation of groundwater basins, compared to other western states. The Groundwater Sustainability Act of 2014 sets up a process to get overdrafted basins into sustainable equilibrium principally by empowering local agencies to cooperate and implement programs to eliminate overdraft over many years. Groundwater makes up 38% of the state's water supply in average rainfall years, and 46% in dry years. In 2012, groundwater comprised 78% of the water used in Santa Cruz County.

Information concerning the act and the local efforts to implement is available on the following websites:

State Department of Water Resources:

[www.water.ca.gov/groundwater/sgm/index.cfm](http://www.water.ca.gov/groundwater/sgm/index.cfm)

Soquel-Aptos Groundwater Management Committee:

[www.midcountygroundwater.org/](http://www.midcountygroundwater.org/)

Pajaro Valley Water Management Agency:

[www.pvwma.dst.ca.us/](http://www.pvwma.dst.ca.us/)

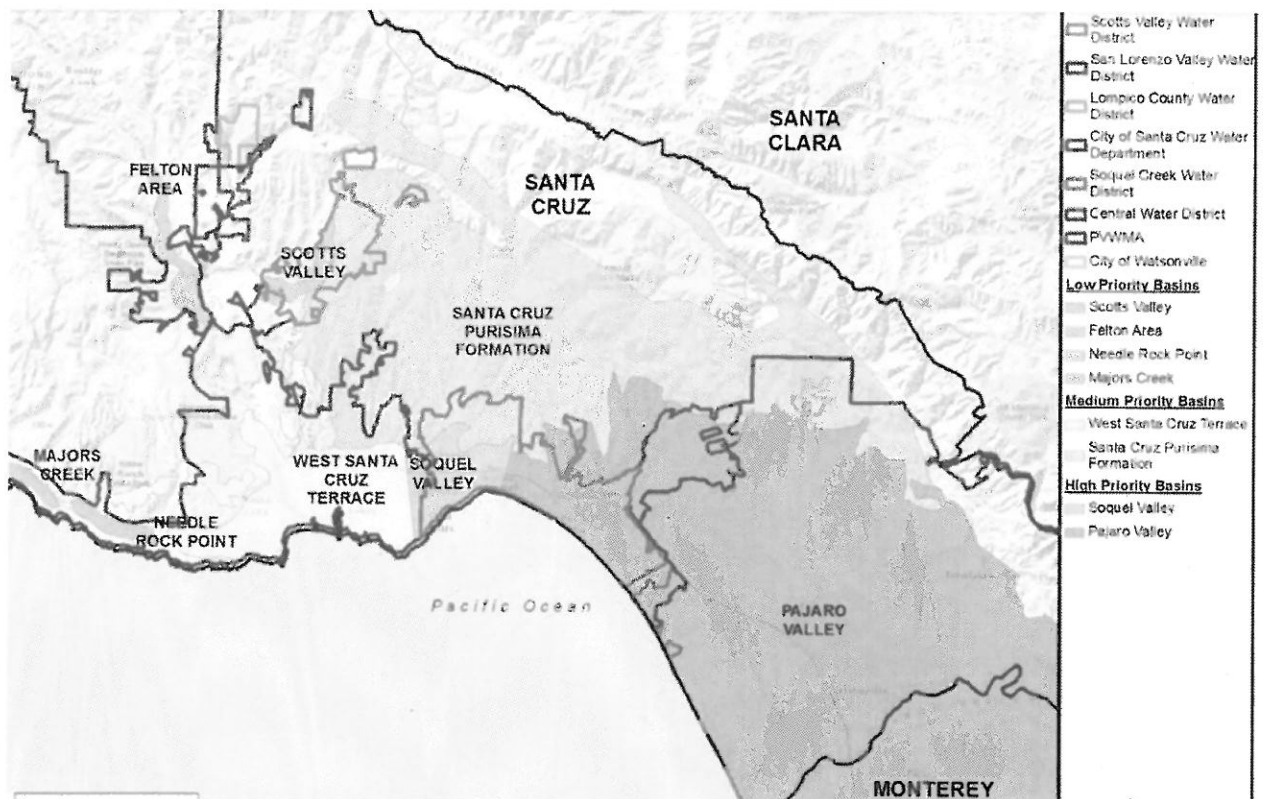
Santa Margarita Groundwater Basin Advisory Committee:

<http://svwd.org/events/santa-margarita-groundwater-basin-advisory-committee>

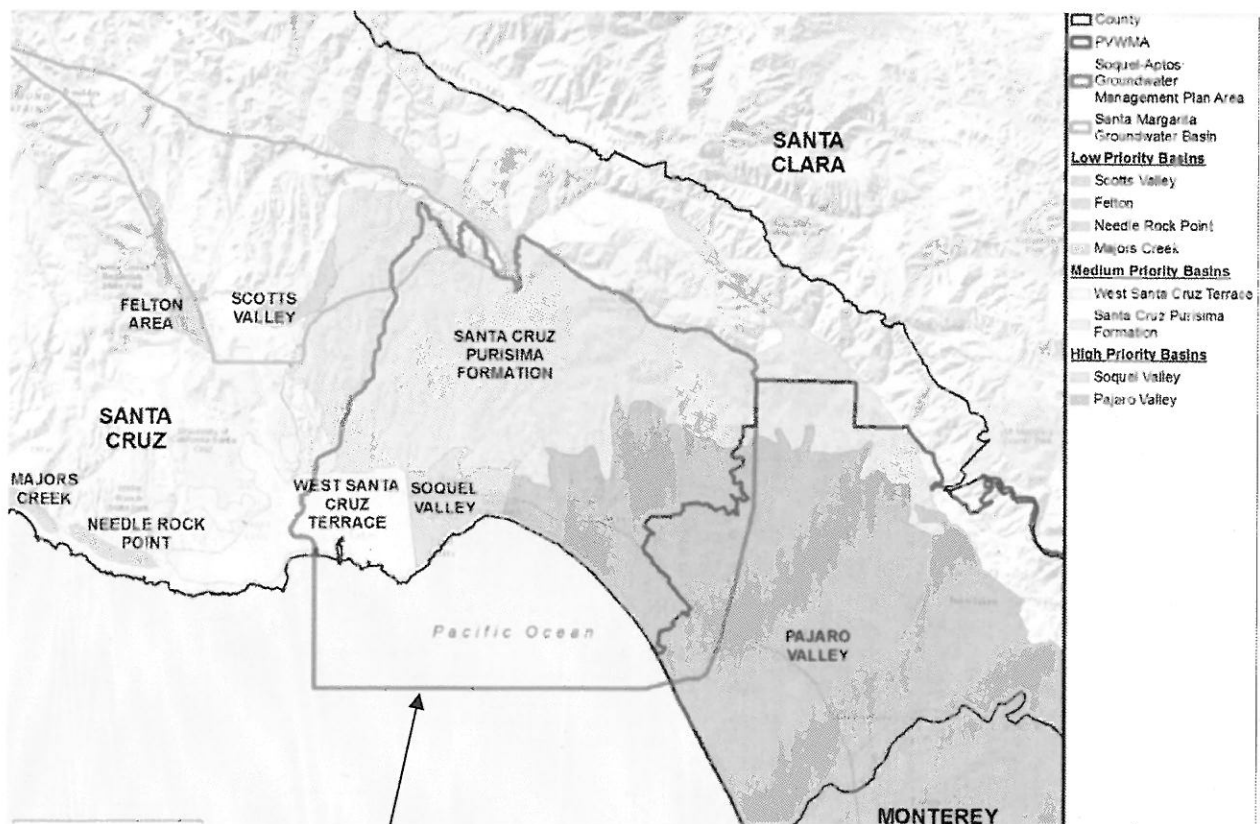
Three basins in Santa Cruz County are identified by the State as middle to high priority: Pajaro, Soquel-Aptos, and Santa Margarita. The Pajaro Valley Water Management Agency will manage the Pajaro Basin. The Soquel-Aptos area is well into the formation process of a joint powers authority to manage the Soquel-Aptos Basin; its website is cited above. The Santa Margarita Groundwater Basin Advisory Committee is serving as the focal point to form a joint powers authority to manage the Santa Margarita Basin. Since the Pajaro Valley Water Management Agency exists, and joint powers authorities are not subject to LAFCO review, no LAFCO actions are needed in Santa Cruz County to comply with the act.

John Ricker, the County Water Division Director, will attend the December 9<sup>th</sup> meeting in Watsonville in order to explain the local efforts to implement the act.





Agency Boundaries and State Bulletin 118 Groundwater Basins



Potential SGMA Boundary

## Implementation Deadlines

When	Who	What
January 31, 2015	Department of Water Resources (DWR)	Categorize and prioritize basins as high, medium, low, or very low [§ 10722.4(a)]
January 1, 2016	DWR	Adopt regulations for basin boundary adjustments and accept adjustment requests from local agencies [§ 10722.2(4)(b)]
April 1, 2016	Local water agencies or water-masters in adjudicated areas	Submit final judgment /order / decree and required report to DWR (report annually thereafter) [§ 10720.8(f)]
June 1, 2016	DWR	Adopt regulations for evaluating adequacy of Groundwater Sustainability Plans (GSPs) and Groundwater Sustainability Agency (GSA) coordination agreements [§ 10733.2]
December 31, 2016	DWR	Publish report estimating water available for groundwater replenishment [§ 10729(c)]
January 1, 2017	DWR	Publish groundwater sustainability best management practices [§ 10729(d)]
By June 30, 2017	Local agencies	Establish GSAs [§ 10735.2(a)(1)]
After July 1, 2017	State Water Resources Control Board (SWRCB)	Designate basins as probationary where GSAs have not been formed [§ 10735.2(1)]
After July 1, 2017	Groundwater users in probationary basins	File annual groundwater extraction report with SWRCB by December 15 each year [§ 5202]
January 31, 2020	GSAs in medium- and high-priority basins in critical overdraft	Adopt GSPs and begin managing basins under GSPs [§ 10720.7(a)(1)] or alternative [§ 10733.6]
After January 31, 2020	SWRCB	Designate basins as probationary where GSPs have not been adopted in medium- and high-priority basins in critical overdraft [§ 10735.2(1)]
January 31, 2022	GSAs in other medium- and high- priority basins	Adopt GSPs and begin managing basins under GSPs [§ 10720.7(a)(2)]
After January 31, 2022	SWRCB	Designate basins as probationary where GSPs have not been adopted in other medium- and high-priority basins [§ 10735.2(1)]
After January 31, 2025	SWRCB	Designate basins as probationary where GSPs are inadequate or not being implemented, and extractions result in significant depletions of interconnected surface waters [§ 10735.2(a)(5)(B)]
After January 31, 2040	GSAs (in medium- and high-priority basins in critical overdraft)	Achieve groundwater sustainability goals (DWR may grant two five-year extensions upon a showing of good cause) [§ 10727.2(3)(A)]
After January 31, 2042	GSAs (in other medium and high priority basins)	Achieve groundwater sustainability goals (DWR may grant two five-year extensions upon a showing of good cause) [§ 10727.2(3)(A)]

## Circle of Blue

### California Groundwater Law Tests State's Capacity to Oversee A Vital Resource

Wednesday, 16 September 2015 15:00

A year after passage, California begins building a new regulatory infrastructure



Photo © Brett Walton / Circle of Blue

Sprinklers irrigate a field of cauliflower outside Watsonville, in California's Pajaro Valley. This region relies almost exclusively on groundwater to produce some of the most valuable fruit and vegetable harvests in the United States. [Click image to enlarge.](#)

By Brett Walton

Circle of Blue

SOQUEL, California — On September 16, 2014, Governor Jerry Brown, cheerfully triumphant, signed into law the Sustainable Groundwater Management Act, which many observers assert is the most significant addition to California's water protection code in a century.

Brown's jubilation appeared justified in a dry, fast-growing, 165-year-old state that relies on prodigious volumes of freshwater from aquifers for its water supply, doesn't really know how much water lies underground, and where leaders that sought changes to oversee the resource were subject to intense opposition.

Brown, himself, was one of the victims. During a drought in 1977, in his first term as governor, Brown appointed a commission to review the state's water laws. The recommended protections for



groundwater were not implemented. Lawmakers and the powerful agricultural sector did not feel the urgency to act.

“When the groundwater act was created, the watch phrase was ‘local control’...Now people are scratching their heads. They have to figure out how to form [an agency] and fund one.”

—Andrew Fisher, professor  
University of California, Santa Cruz

The recent groundwater act is an attempt to change the course. The state’s drought emergency and record-low aquifer levels provided Brown with the political cushion necessary to push through the first statewide safeguards for aquifers, making California the last western state to adopt a regulatory system for groundwater.

But while Brown and other state leaders view the new law as a breakthrough in policy, it is not at all assured that building a new regulatory infrastructure to sustain California’s groundwater reserves will be a triumph of practice. The law’s requirements to establish local water oversight boards are complex and detailed. Moreover, the ultimate deadline for meeting the law’s major goal of much more cautiously consuming groundwater doesn’t need to be met until 2040, when California’s population is projected to reach 50 million residents, 11 million more than today. In almost every way, putting the groundwater law into effect is a 21st century test of a state’s capacity to respond to new and urgent ecological and economic conditions.

A year after the act’s passage, Californians have put aside lingering skepticism and are busy putting the text into action. Water managers, county supervisors, city and state officials, irrigation districts, and a bevy of other interested parties are scurrying to meet a cascade of deadlines that were laid out in the statute: deadlines for confirming the boundaries of their groundwater basins, for forming new agencies that will be tasked with overseeing water withdrawals from local aquifers, and for writing the management plans that will guide groundwater use for the next 25 years in the state’s major cities and farming centers.

To watch the process unfold is to witness the foundations of democracy. The same questions that Hamilton, Jefferson, and Madison argued about and debated more than two centuries ago are now echoing in city council chambers and public forums from Clovis to Salinas. Who gets a seat at the table? Who gets to vote? How much is their vote worth? How will fees be collected? Who must pay for projects that reduce groundwater use or increase supply? How much will they pay?

With the law, California is, in effect, creating micro-states for groundwater, instituting new political divisions that are set, loosely, on basin boundaries, much as John Wesley Powell advocated, in 1890, for watersheds, as a way to govern the entire American West.

Crafting the fresh institutions that will oversee groundwater is contentious, tedious work, filled with late night meetings, mediators, technical details about geology and hydrology, and discussions about the nature of governance. The act — a two-step process that was designed to pull California groundwater

regulation out of the hydrologic Dark Ages — forces agencies that may never have collaborated to agree to a long-term vision for water supply and availability.

First, the 127 groundwater basins that are covered by the law must form a Groundwater Sustainability Agency (GSA) that will have the power to measure and monitor groundwater use, levy fees on users, set standards for new wells, and enforce compliance with the law. The deadline to form an agency is June 30, 2017.

Second, the GSAs, once formed, must write sustainability plans that will balance water withdrawals with inflows by 2040. The plans are due in 2020 or 2022, depending on the severity of groundwater depletion in a basin. The state will evaluate the plans to ensure that they meet minimum criteria, but the local agencies, as they lobbied for, are in the captain's seat.

"When the groundwater act was created, the watch phrase was 'local control'," Andrew Fisher, a University of California, Santa Cruz, scientist who studies groundwater, told Circle of Blue. "The legislation was vague on the details. It said nothing about what a groundwater agency looks like. Now people are scratching their heads. They have to figure out how to form one and how to fund one. It's not quite clear how to do that. It's going to be an interesting 20 years."

#### Agency Formation Depends on Local Relationships

Forming a GSA is straightforward in some areas. The legislation authorizes 15 existing water agencies to become the GSA in their jurisdiction. They are all special districts that were previously established by the Legislature to manage groundwater.

"We've been given a pass card," Mary Bannister, general manager of Pajaro Valley Water Management Agency, told Circle of Blue. By that, Bannister means that Pajaro Valley, one of the districts named in the act, is ahead of the game. Its boundaries, function, and purpose have already been legally defined and they were confirmed during an August board meeting. The agency can move to step two: writing a sustainability plan.

The rest of the state is still on step one: forming a GSA. In most cases, the agencies that will regulate groundwater use are being created from scratch, stitched together from the fabric of existing institutions.



Photo © Brett Walton / Circle of Blue

Members of the Soquel-Aptos Groundwater Management Committee applaud the election of new representatives at an August 20, 2015 meeting. The committee is tasked with meeting the requirements of California's Sustainable Groundwater Management Act. [Click image to enlarge.](#)

A few paces in front of the pack is the Soquel-Aptos Groundwater Basin, a small basin in Santa Cruz County, on the coast. Soquel Creek Water District, one of a number of water providers in the basin, declared a groundwater emergency in June 2014. Groundwater is the district's only water source, more water is pumped from the aquifer each year than is recharged by rainfall, and the Pacific Ocean is slowly creeping inland, which is a threat to coastal wells. The basin is one of 21 "critical" basins in the state, as designated by the Department of Water Resources.

At an August 20 meeting, a basin coordination committee that was formed in 1995 added new members, in order to implement the groundwater act. Santa Cruz County, the city of Santa Cruz, and three members representing private well owners joined Soquel Creek and Central Water District. The 11-member committee will most likely become the GSA for the basin.

#### What Is a Groundwater Basin?

The boundaries of California's 515 groundwater basins were established in Bulletin 118, a Department of Water Resources technical document that was published in 1980 and updated in 2003. The 127 basins that are the most densely populated or rely on groundwater for most of their water supply are regulated under the Sustainable Groundwater Management Act.

There are problems with the boundaries. They are primarily based on rivers or political lines, such as counties, rather than the dimensions of the aquifers.

The state is allowing basins to apply to have their boundaries redrawn. The justification can be scientific, such as to better match the actual hydrology, or jurisdictional, to align fragmented political divisions, such as a piece of one county or district located in another basin.

"We're not sure how many revisions there will be," Bill Brewster of the California Department of Water Resources told Circle of Blue. "There is a lot of interest but we're trying to gauge how many appeals will actually be submitted."

Under the state's proposed framework for revisions, certain changes will be easier to make. Moving a parcel of land between two existing, contiguous basins will be less difficult than redrawing the external boundaries of a basin, to add or remove land from regulation.

The Department of Water Resources will finalize the process for modifying basin boundaries by January 1, 2016. Local agencies will have 90 days to submit changes, which will be approved by August 2016.

"If I were a betting man, I'd wager that we'll see fewer basins in the end," Brewster said.

"The spirit of cooperation among the entities is really good," Tom LaHue, a Soquel Creek board member, said at the three-hour meeting, which ended a few minutes before 10 p.m.

A number of questions are unresolved. Soquel-Aptos might appeal to the state to revise its basin boundaries (see sidebar). The committee must decide whether to pursue water supply projects jointly or as individual agencies. The biggest point of contention at the meeting was the speed of the GSA formation.

"It's three steps forward, two steps back on GSA issues," Melanie Mow Schumacher, special projects manager for Soquel Creek Water District, told Circle of Blue. "The discussions about assessing fees — those are the steps back. Recognizing the fact that we need to be doing something about groundwater, that is running forward."

Observers in other basins also see money as the most significant hurdle for the GSAs.

"The biggest vulnerability for SGMA is how to get funded," Bannister said.

Bannister speaks from experience. After Pajaro Valley was established by the Legislature in 1985, she said it took 15 years for the fledgling agency to begin developing projects that addressed the basin's declining groundwater levels.

"It took the metering of wells, five years of hydrologic modeling, and \$US 5 million to \$US 10 million in expenses to get us to the point where we could identify solutions. The question for the new agencies is how do you pay for it?"

The state will provide some assistance. Local agencies can apply for \$US 100 million in planning grants, part of the \$US 7.5 billion water bond that voters passed last November.

Go Quicker

The most frequent criticism of the SGMA process is that it is too slow. Sustainability plans are due by January 31, 2020, for the critical basins and January 31, 2022, for the other 106 basins covered by the law. Though the state will evaluate progress toward the plan goals every five years, basins do not have to be in balance until 2040.

"I worry that by the time we get our act together and implement the plans we're going to be facing a more immediate crisis of groundwater supply," Kevin Haroff, an attorney at the San Francisco office of Marten Law, told Circle of Blue.

Even Governor Brown says that legislation is going too slow, claiming in an August 23 interview on NBC's Meet the Press that "we're not aggressive enough" but that the state "will be stepping it up year by year."

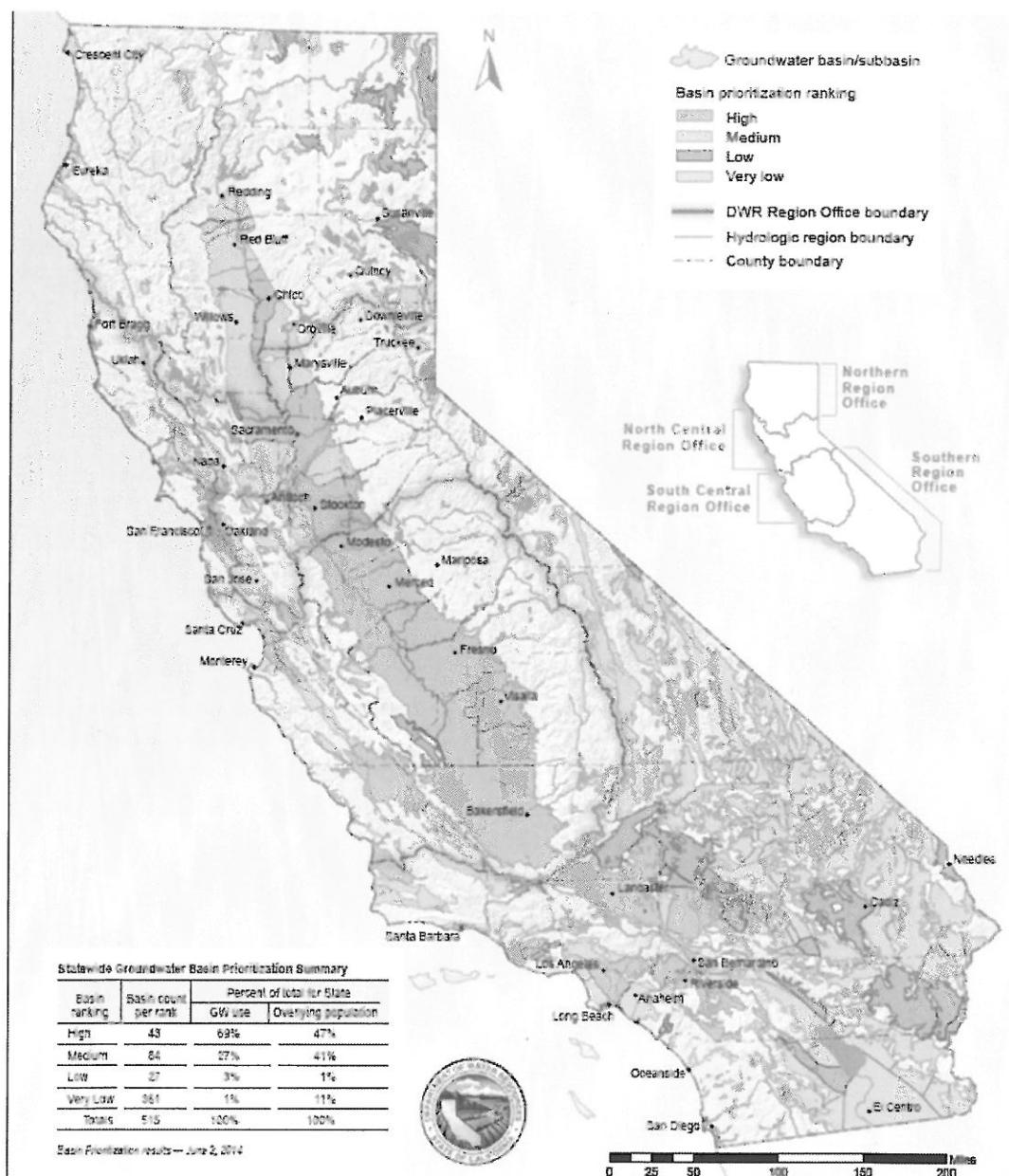


Image courtesy of California Department of Water Resources

Of California's 515 groundwater basins, 127 are designated as high (orange) or medium (yellow) priority. These basins are required to form groundwater management agencies by 2017 and submit sustainability plans to the state by 2020 or 2022, depending on the severity of the basin's groundwater decline. Click image to enlarge.

The critics worry because the state leaned so strongly on groundwater to survive the four years of drought that the crutch might snap if dry times continue much longer. Residential wells in the Central Valley are going dry at an unprecedented rate. The land, with the water removed, is sinking in certain areas at record pace. Saltwater, held in abeyance along the coast thanks to a multitude of recycling projects, is likely to creep inland as more groundwater is pumped.

But those implementing the act's provisions — the irrigation districts, county officials, water managers, and well owners — have a different view. They say the timeline feels fast, or "incredibly aggressive," as Bannister said.

When asked about the speed of implementation, Rob Johnson, deputy general manager of the Monterey County Water Resources Agency, paused before answering.

"It's a very interesting question," he told Circle of Blue. "For the people to put an agency in place and write plans and change their practices, it will take that amount of time."

Monterey County is part of the Salinas River Basin, which is another of the critical basins that must submit a plan by 2020. Unlike Soquel-Aptos, however, there is little agreement about the form a GSA should take.

Initially, the Monterey County Water Resources Agency said that it alone would be the GSA. Farmers and the city of Salinas objected to that concentration of authority.

"We said, 'No, that's not going to work for us,'" Gary Peterson, director of public works for Salinas, told Circle of Blue. "That would be abdicating land use to the county. We needed more equitable management."

Farm interests, on the other hand, feel that they should have the controlling stake in the GSA, since agriculture uses between 85 and 90 percent of the basin's groundwater.

"We feel that voice is commiserate with our use of groundwater," Norm Groot, executive director of the Monterey County Farm Bureau, told Circle of Blue.

To help guide the basin to a resolution, a coalition of competing interests — the Monterey County Water Resources Authority, Monterey County, the city of Salinas, the Monterey County Farm Bureau, the Grower-Shipper Association, and the Salinas Valley Water Coalition — elected to bring in a facilitator.



## Plans Will Wait

The GSAs are only a beginning, an intermediate step toward sustainable groundwater use. The harder questions come after the GSA is established, when the rules of the game will be written. Will basins focus on reducing demand or increasing supply? Who will pay for those projects? How will landowners in parts of a basin that are not experiencing detrimental declines in groundwater feel about paying for projects that benefit people living in areas that do have problems?

Groot, for instance, said that the farm interests in Monterey County do not want a reduction in groundwater pumping, that they prefer measures that increase supply, such as pulling out vegetation in the Salinas River channel.

Even those basins with widespread agreement about the shape and composition of a GSA face a steep path when they write their sustainability plans.

Schumacher, of Soquel Creek, said that the idea for the Soquel-Aptos basin is to stage the discussion in two parts. First, move forward with the GSA, which everyone agrees is a necessary step. Filing for the GSA sooner will allow for a head start on the details of the sustainability plan, which is due in five years.

As for consensus on what goes into the plan, “we’re just not there yet,” Schumacher said.



Brett Walton is a Seattle-based reporter for Circle of Blue. He writes our Federal Water Tap, a weekly breakdown of U.S. policy. Interests: Southwest, Pacific Northwest, Pricing, Infrastructure.



## SPONSORSHIP OF REGIONAL WATER FORUM

Date: December 2, 2015 for December 9, 2015 Agenda

To: LAFCO Commissioners

From: Patrick M. McCormick, Executive Officer *P.M.C.*

Subject: Regional Water Forum

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*Summary: The Commission will consider co-sponsoring a regional water forum.*

*Recommendation: Contribute \$1,000 to support the regional water forum scheduled for January 28, 2016.*

---

LAFCO's Water Policies include an educational component in which LAFCO would co-sponsor forums to educate the public on regional water issues. LAFCO has not participated in such a forum since the Water Policies were adopted in 2010. A forum is being organized for January 28, 2016. The attached letter from John Leopold outlines the program and requests a LAFCO contribution of \$1,000.

Adequate funding is budgeted in the Professional Services account of LAFCO's Fiscal Year 2015-2016 budget.

Staff RECOMMENDS contributing \$1,000 to support the forum titled "Working Together on Water: Connecting the Drops" on January 28, 2016.

Attachment: December 1, 2015 letter of John Leopold



# County of Santa Cruz

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December 1, 2015

Dear Commission,

Our local LAFCO adopted a set of water policies in 2010 after much discussion and consultation with the community and water agencies. The unanimously adopted policies had three main features: information, education, and regulation. The goal was to use a standard set of data which will inform decisions on water policy, educate the public about water issues in our community, and aid in developing a clear set of regulations from which to make sound land use decisions.

One of the areas that have not been put into practice was the role of education within the community. Our LAFCO policy states:

*8. Water resources and supplies are critical issues for many sphere of influence and application decisions made by the Local Agency Formation Commission. Public information and participation is an important component in the decisions of the Commission, the land use agencies, and the water agencies. To promote public education, at least every two years, the Local Agency Formation Commission will sponsor, or co-sponsor with the Regional Water Management Foundation, the County of Santa Cruz, and local water agencies, a public forum that provides the public with an overview of the state of the water supplies in Santa Cruz County.*

Several months ago I began working with the Integrated Water Management Foundation and the County Water Resources Division to plan an event to help provide useful information to the public about what our local water agencies has been doing to address our needs. These agencies working together have developed an event to be held on January 28<sup>th</sup> at the New Brighton Middle School Multi-Purpose Room that will focus on the collaborations already underway throughout the County to address our water issues.

### Working Together on Water: Connecting the Drops

The goal of this event is to inform and engage residents and civic leaders about water resources issues and management efforts in the County, with an emphasis on programs and projects featuring collaborations and innovative partnerships. The event will feature presentations and information booths.

December 1, 2015  
Page 2

The presentations will include a status report on the County's water resources program; a statewide perspective on issues and opportunities from California's Secretary of Natural Resources John Laird; and a panel discussion highlighting local collaborative efforts and examples of agencies working together to address regional water resource challenges. The panel will feature work occurring in different geographic regions of the County and by various organization types (public agency, academic institution, non-governmental organization, and community initiatives). The presentations will follow an interactive portion during which attendees can visit booths organized by topics featuring staff from multiple agencies and organizations to present information and answer questions.

We have asked our local water agencies to co-sponsor the event, and the response has been excellent. The agencies have been requested to let residents know through their billing inserts and/or newsletters. In addition, we are looking at placing some print ads and using social media outreach. The budget is modest, and our Commission is being asked to help with supporting the event with a \$1,000 contribution that translates to about one-third of the costs.

Therefore, I recommend that we make a budget allocation of \$1,000 to support the Working Together on Water: Connecting the Drops event on January 28, 2016.

Sincerely,

A handwritten signature in black ink, appearing to read "John Leopold", written over the printed name.

JOHN LEOPOLD  
Santa Cruz County LAFCO

JL:fh

2573A1



## STATUS OF PROPOSALS as of December 2, 2015

<u>LAFCO APPLICATIONS</u>	<u>DATE</u>	<u>STATUS</u>
EAST ZAYANTE / RIVERA ANNEXATION to SAN LORENZO VALLEY WATER DISTRICT LAFCO No. 958	8/26/15	Received

<u>LAFCO HEARINGS</u>	<u>DATE</u>	<u>STATUS</u>
SALSIPUEDES SANITARY DISTRICT SERVICE and SPHERE REVIEW	12/9/15	2 <sup>nd</sup> Hearing

<u>LAFCO HEARINGS COMPLETE</u>	<u>DATE</u>	<u>STATUS</u>
FORMATION OF HUCKLEBERRY ISLAND COUNTY SERVICE AREA 6o LAFCO No. 957	8/6/15	Forwarded to Board of Supervisors to proceed with assessment process
LOMPICO REORGANIZATION LAFCO No. 953		Extension approved to 8/6/16



## MEETING CALENDAR FOR 2016

Date: December 2, 2015 for December 9, 2015 Agenda

To: LAFCO Commissioners

From: Patrick M. McCormick, Executive Officer *P. M. C.*

Subject: Calendar for 2016

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*Summary: The Commission will set their meeting schedule for 2016.*

*Recommendation: Adopt the 2016 meeting schedule as presented.*

---

LAFCO normally meets at 9:30 a.m. on the first Wednesday of each month, except July. The staff is proposing the schedule below. The one variation from the normal schedule is not meeting in October when there is a conflict with the League of Cities Conference. Please review your calendars to determine if the following schedule is convenient.

### LAFCO CALENDAR 2016

<u>LAFCO Regular Meeting Dates</u>	<u>Other Dates</u>
------------------------------------	--------------------

9:30 a.m.

(first Wednesdays)

January 6, 2016

February 3, 2016

March 2, 2016

April 6, 2016

May 4, 2016

June 1, 2016

No meeting in July

August 3, 2016

September 7, 2016

No meeting in October

November 2, 2016

December 7, 2016

CALAFCO Staff Workshop Mar. 30 – Apr. 1, L.A.

League of Cities Conference, Oct. 5 -7, Long Beach  
CALAFCO Conference Oct. 26 - 28, Santa Barbara

CSAC Conference Nov.19 – Dec. 2, Palm Springs





## SALARIES AND BENEFITS

Date: December 2, 2015 for December 9, 2015 Agenda

To: LAFCO Commissioners

From: Patrick M. McCormick, Executive Officer *PM*

Subject: Staff Salaries and Benefits

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*Summary: The Commission will consider adjusting salary and benefits provided to its employees.*

---

The Commission's last review of staff salaries and benefits occurred on April 3, 2013. The current Personnel Committee (J. Anderson, R. Anderson, and J. Leopold) has reported to the Commission. A draft resolution has been prepared to implement the salary and benefit adjustments.

Adequate funding is budgeted in the Salary Reserve of the Fiscal Year 2015-2016 budget.

Attachment: Draft Resolution No. 2015-12

SANTA CRUZ LOCAL AGENCY FORMATION COMMISSION  
RESOLUTION NO. 2015-12

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

ADJUSTING SALARIES AND BENEFITS

\*\*\*\*\*

WHEREAS, on June 7, 2000, this Commission adopted a Personnel Policy to review annually the salaries and benefits it provides to its employees, and to make any appropriate adjustments each year; and

WHEREAS, pursuant to this Personnel Policy, the Personnel Committee has conducted a review and presented its 2015 report to the entire Commission; and

WHEREAS, this Commission has received the Personnel Committee's report and has determined to adjust salaries and benefits provided to its employees;

NOW, THEREFORE, BE IT RESOLVED that:

Secretary-Clerk Salary

- Effective July 1, 2015, the Secretary-Clerk is granted an 7.00% increase in salary;

Secretary-Clerk Pension Contributions

- Effective December 19, 2015, the Secretary-Clerk shall pay 3.50% of salary in CalPERS pension contributions.
- Effective September 24, 2016, the Secretary-Clerk shall pay 7.00% of salary in CalPERS pension contributions.

Executive Officer Salary

- Effective July 1, 2015, the Executive Officer is granted a 5.00% increase in salary.

All Employees' Health Insurance Payments

- Effective July 1, 2016 all employees' health insurance contributions will be adjusted to match the contributions made by employees in comparable jobs with the County of Santa Cruz.

The Auditor-Controller is requested to make the appropriate changes.

PASSED AND ADOPTED by the Local Agency Formation Commission of Santa Cruz County this 9th day of December, 2015.

AYES:

NOES:

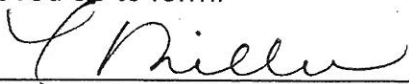
ABSENT:

\_\_\_\_\_  
Zach Friend, Chairperson  
Santa Cruz Local Agency Formation Commission

Attest:

\_\_\_\_\_  
Patrick M. McCormick, Executive Officer

Approved as to form:

  
\_\_\_\_\_  
T. Brooke Miller, LAFCO Counsel



# County of Santa Cruz

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November 16, 2015

Dr. Nancy A. Bilicich, Mayor  
City of Watsonville  
275 Main St., Suite 400  
Watsonville, CA 95076

Dear Mayor Bilicich:

On November 10, 2015, the Santa Cruz County Board of Supervisors took the opportunity to express our support for the City of Watsonville's annexation for the Phippen Apartment project when it held a hearing supporting bond issuance for the project. As you know, the Phippen Apartment is located on two contiguous parcels, with 20 units on a parcel with the City of Watsonville and 26 units on a parcel within the County.

The Santa Cruz Local Agency Formation Commission approved services for the project contingent on an application for annexation being filed with the City. The Board of Supervisors supports the annexation of the County parcel at 56 Atkinson Lane by the City of Watsonville.

Mid-Pen Housing Corporation has agreed to sponsor the annexation application and pay the associated fees. It is clear that future residents of this project would benefit from receiving services from the same agencies throughout the project. The potential for disparate service levels remains a possibility without annexation.

The County has supported the project in a number of ways, including providing \$5.3 million for predevelopment, acquisition and construction costs and has sponsored an application for a Home Investment Partnerships Program grant for \$5 million

While it is appropriate for the City of Watsonville to provide water and sanitary sewer services to the project, the potential for service inequality remains. We understand the Memorandum of Understanding is in place to address the provision of fire, police, solid waste disposal and political representation on a temporary basis, but a permanent solution is needed.


November 17, 2015

Page 2

This project will provide critical affordable housing for our community and the Board of Supervisors believes that the City of Watsonville should annex the County parcel.

If you have any questions regarding this project and the request for annexation, you can contact our Planning Director, Kathleen Molloy Previsich.

Sincerely,

A handwritten signature in black ink, appearing to read "Greg Caput". The signature is fluid and cursive, with the first name "Greg" and last name "Caput" clearly distinguishable.

GREG CAPUT, Chairman  
Board of Supervisors

GC:fh

cc: Planning Department  
✓ Santa Cruz Local Agency Formation Commission  
County Administrative Office  
County Counsel  
Mid-Pen Housing Corporation  
California Municipal Finance Authority  
Clerk of the Board

2554A6

## Housing project straddles boundary

### City and LAFCO at odds over annexation

#### PIPPIN APARTMENTS

By Ryan Masters

[rmasters@santacruzsentinel.com](mailto:rmasters@santacruzsentinel.com) @ryanmasters831 on Twitter

**WATSONVILLE** >> One community. One driveway. Two jurisdictions.

If the Watsonville City Council decides against annexing an unincorporated parcel at 56 Atkinson Lane in early 2016, such will be the lot of Pippin Apartments, a 46-unit medium-income housing project slated for development by nonprofit Mid-Pen Housing off Freedom Boulevard.

The 5.5-acre property straddles the boundary between Watsonville and Santa Cruz County, creating bureaucratic complications, but acting principal planner Suzi Merriam said there was no urgency to annex the property until the city had developed a specific plan for a larger area identified by the city for annexation and housing development.

That broader plan stalled due to a 2009 lawsuit by the Santa Cruz County Farm Bureau and under the terms of a 2011 settlement, the city must prepare new environmental documents before attempting annexation. The Pippin Apartments development, however, was exempted from the deal.

“The city has said it only wants to do the annexation when the larger project goes forward, but that could be years,” said Mid-Pen’s director of housing development Betsy Wilson. “Regardless of their decision, we plan to break ground on Pippin in the fall of 2016.”



The parcels in this diagram indicate the area where MidPen Housing will build Pippin Apartments, a project that straddles the Watsonville and Santa Cruz County boundary.

CITY OF WATSONVILLE — CONTRIBUTED



## CONTINUED FROM HOUSING ON PAGE A2

According to Merriam, a memorandum of understanding is in place, which addresses the details of operating one development under two jurisdictions.

“It’s not that big of deal,” Merriam said. “We sat down in 2013 and figured out which fees were applicable to which jurisdiction, who would provide services for each ... fire, police, trash, sewer ... that kind of thing.”

Patrick McCormick is executive officer of the Local Agency Formation Commission, or LAFCO, which regulates the boundaries of cities and special districts in Santa Cruz County.

According to McCormick, the LAFCO commission gave Watsonville permission to annex the 2.3-acre parcel outside city limits. When Watsonville declined the offer, MidPen agreed to take the lead and apply for annexation.

“Everybody left the room thinking that was the deal,” McCormick said.

So when city staff recommended the planning commission deny MidPen’s rezoning application at the Nov. 3 meeting, which would have been the first step towards annexation, it came as a surprise to McCormick.

“The city decided it was too much work. I thought we had a deal,” McCormick said. “It’s important for the city to realize this is a long-term relationship. We want to maintain a working relationship.”

When completed, Pippin Apartments aims to provide housing for people earning up to 60 percent of the county area median income, which is \$59,160 for a family of four in 2015.

MidPen operates 11 properties in Santa Cruz County and will be breaking ground on a 12th project in March 2015. That new community will consist of 40 homes for seniors on a vacant lot behind the St. Stephens Lutheran Church in Live Oak.



An artist’s rendering of the proposed medium-income Pippin Apartments project, which could straddle the Watsonville city boundary off Atkinson Lane.

MIDPEN HOUSING — CONTRIBUTED