

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 reviews¹ and updates, as necessary, the sphere of influence of each agency subject to LAFCO’s boundary regulation². 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 formed³ 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

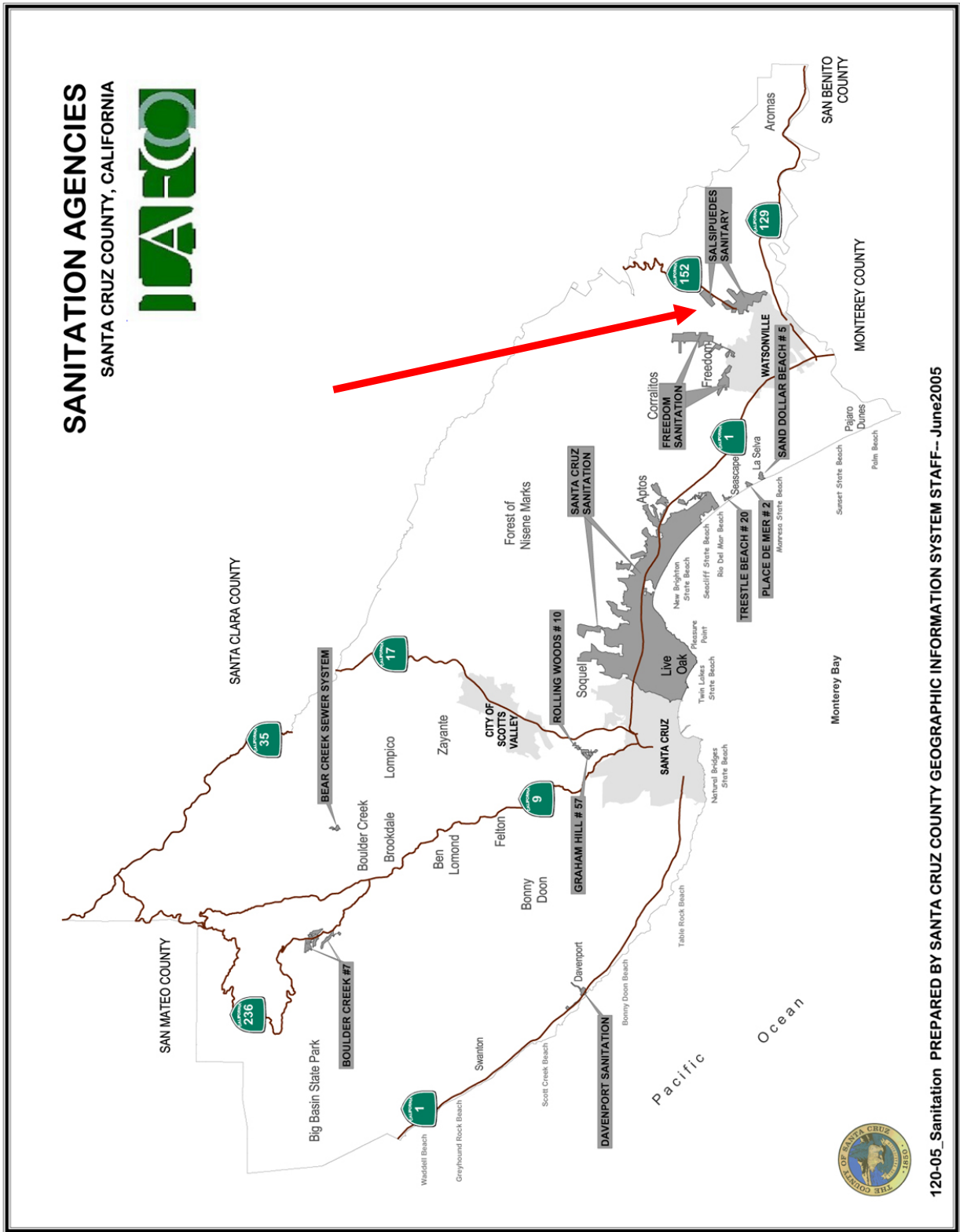
2015 Salsipuedes Sanitary District Service Review		Sanitary Sewer Collection	Sanitary Sewer Treatment	Recycled Water	Septic System Monitoring/Maint.
Special Districts					
Salsipuedes Sanitary District		•			

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

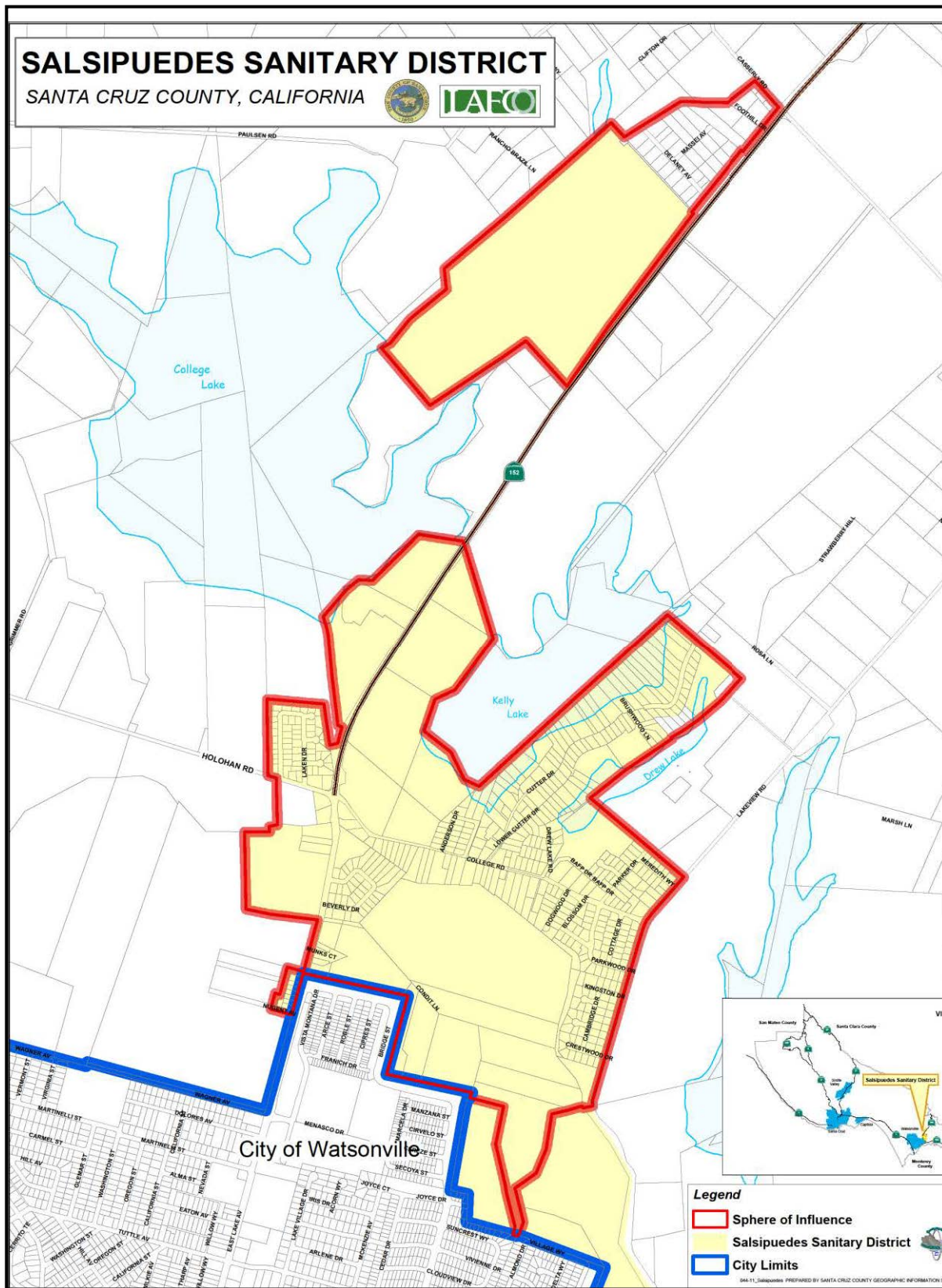
² Government Code §56427

³ 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 law⁴ 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 defined⁵ 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 \$61,094⁶, 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

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

⁵ Water Code §79505.5.

⁶ 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.)

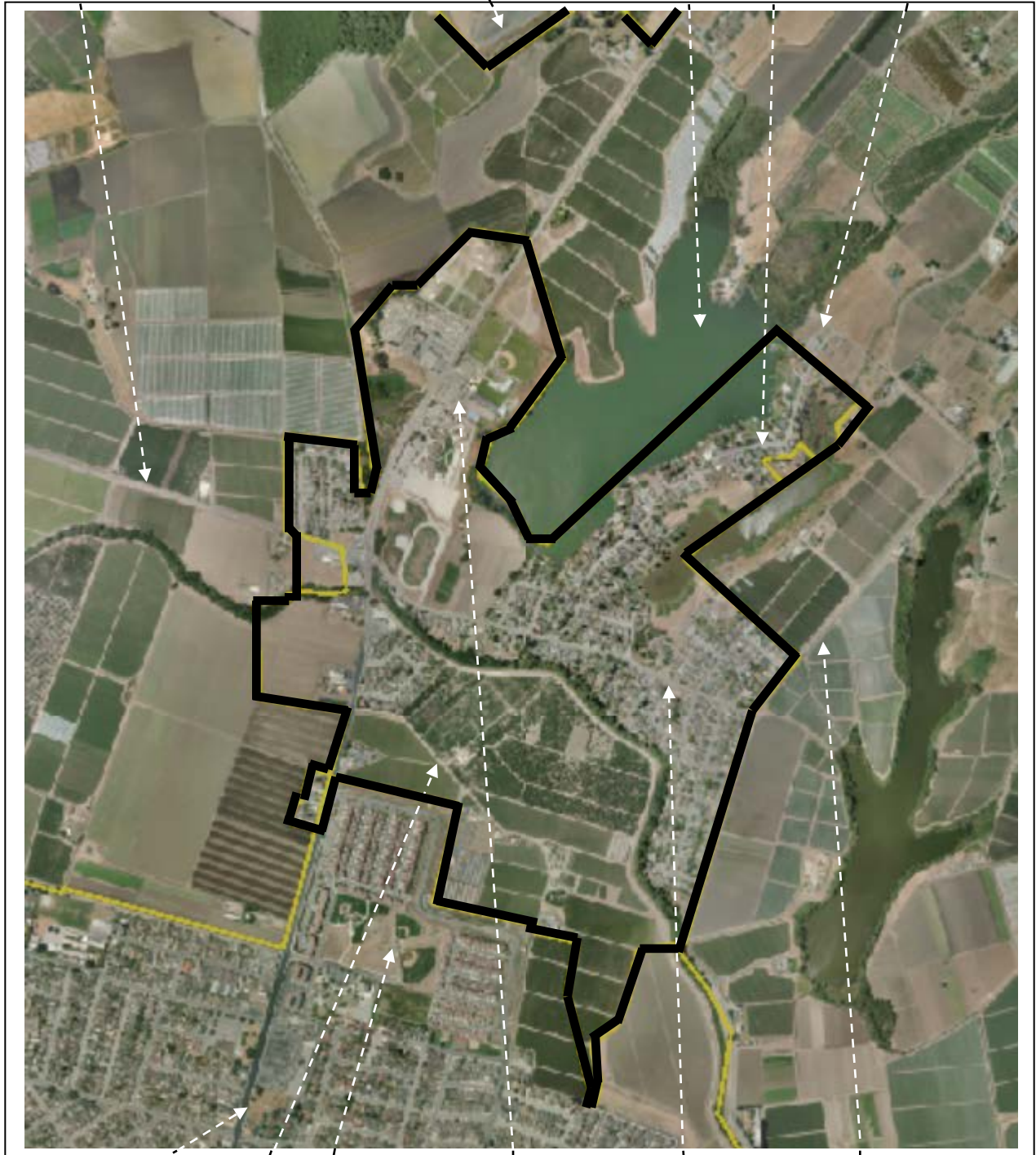
Holohan Road

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 ⁷	2	7.0
Pajaro County Sanitation District (Mont. Co.) ⁸	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,

⁷ Up from 507 connections in 2005.

⁸ 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.⁹

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

Finances	FY 03-04	FY 14-15	% CHANGE	FY 15-16
	<i>Actual</i>	<i>Actual</i>	<i>FY 03-04 to FY 14-15</i>	<i>Budget</i>
Revenue				
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
Total Revenue	\$129,783	\$368,743	184	\$378,601
Expenditures				
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
Total Expenditures	\$272,465	\$316,244	16	\$378,601
Net Surplus/(Deficit)	(\$142,682)	\$52,499		-0-
Fund Balance, end of year	\$676,086	\$477,452	-29	

Index 684410, Fund 76580

⁹ 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
Line Item Title	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Budget
REVENUES									
Property Tax	\$13,019	18,298	13,834	14,844	15,015	16,463	15,601	17,248	17,598
Interest	9,584	7,374	3,250	2,393	1,920	1,855	2,532	3,663	1,000
Connection Fees	6,250	5,400	0	0	3,000	3,660	1,650	0	3,173
Sewer Service Charges	95,069	289,312	244,149	239,865	319,085	325,769	335,838	343,594	355,427
Other Revenues	5,862	20,368	131	568	973	14,055	23,630	4,238	126
TOTAL REVENUES	129,784	340,752	261,364	257,670	339,993	361,802	379,251	368,743	377,324
EXPENDITURES									
Salaries and Benefits	(34,713)	(40,831)	28,637	(33,030)	(31,798)	(26,219)	(44,206)	(39,103)	(30,000)
REGULAR PAY	(550)	0	75	(724)	(257)	(91)	(278)	(202)	0
OVERTIME PAY	(3,186)	(3,567)	2,686	(3,064)	(3,018)	(2,483)	(4,022)	(3,405)	(2,500)
SOCIAL SECURITY	0	(1,985)	2,260	(2,228)	(2,255)	(1,583)	(2,147)	0	(2,400)
WORKERS COMP. INSUR.									
Salaries and Benefits Sub-Total	(38,449)	(46,383)	33,658	(39,046)	(37,328)	(30,376)	(50,653)	(42,710)	(34,900)
Services and Supplies	(2,637)	(2,441)	(2,838)	(2,388)	(3,125)	(3,732)	(2,246)	(2,632)	(3,500)
TELEPHONE	(9,145)	(3,819)	(3,509)	(2,341)	(1,594)	(1,155)	(1,373)	0	(1,500)
PROPERTY INSURANCE	(2,085)	(2,804)	(2,418)	(3,115)	(2,617)	(3,342)	(5,882)	(3,199)	(3,500)
SUPPLIES	(7,420)	(8,413)	(8,365)	(8,471)	(7,997)	(8,330)	(7,880)	(8,920)	(8,000)
ACCOUNTING FEES	(4,867)	(3,899)	(5,297)	(1,875)	(2,051)	(1,709)	(2,769)	(4,225)	(4,827)
ATTORNEY	(6,390)	(5,800)	(6,400)	(6,300)	(7,400)	(6,150)	(8,090)	(5,210)	(7,150)
DIRECTORS' FEES	(13,858)	(17,370)	(9,498)	(9,063)	(9,208)	(4,739)	(12,888)	(30,173)	(12,000)
ENGINEERING SERVICES	(6,420)	(7,620)	(7,620)	(7,620)	(7,620)	(7,570)	(7,620)	(7,720)	(7,620)
RENTS/LEASES	(38,866)	(81,893)	(96,719)	(89,362)	(53,331)	(56,346)	(64,717)	(117,542)	(120,000)
TREATMENT CONTRACT	0	0	0	(7,595)	(21,600)	0	0	0	(26,631)
PROPERTY PLANT & EQMT	(1,123)	(389)	(34,284)	(683)	(861)	(160)	(1,174)	(572)	(1,875)
MISC EXPENSES	(138,021)	(93,550)	(70,836)	(76,322)	(136,682)	(43,449)	(47,661)	(85,268)	(110,000)
SEWER SYSTEM REPAIRS	0	(1,350)	0	0	0	0	(5,770)	(3,650)	0
MISC VENDOR EXPENSE	(446)	(977)	(661)	(828)	(990)	(935)	(1,212)	(1,563)	(1,500)
MILEAGE	(1,956)	(2,397)	(2,264)	(2,390)	(2,221)	(2,241)	(1,909)	(2,354)	(2,500)
UTILITIES									
Services and Supplies Sub-Total	(233,234)	(232,722)	(250,709)	(218,353)	(257,295)	(139,857)	(171,190)	(273,029)	(284,072)
Equipment Sub-Total	(142)	(1,292)	0	(523)	0	0	0	0	(26,631)
Contingencies/Other	0	0	0	0	0	0	(7,125)	0	0
TRUST WITHDRAWAL	(640)	(227)	291	(427)	(466)	(402)	(455)	(505)	(505)
CONTRIB TO OTHER AGEN.	0	(3,390)	0	0	0	0	0	0	(31,216)
CONTINGENCIES									
Contingencies/Other Sub-Total	(640)	(3,617)	291	(427)	(466)	(402)	(7,581)	(505)	(31,721)
TOTAL EXPENDITURES	(272,465)	(284,014)	(216,760)	(258,350)	(295,089)	(170,635)	(229,424)	(316,243)	(377,324)
NET SURPLUS/(DEFICIT)	(142,681)	56,738	44,604	(680)	44,904	191,167	149,827	52,499	0
FUND BALANCE, END OF YEAR	676,086	2,237	23,792	29,707	94,003	284,669	423,744	477,452	

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:

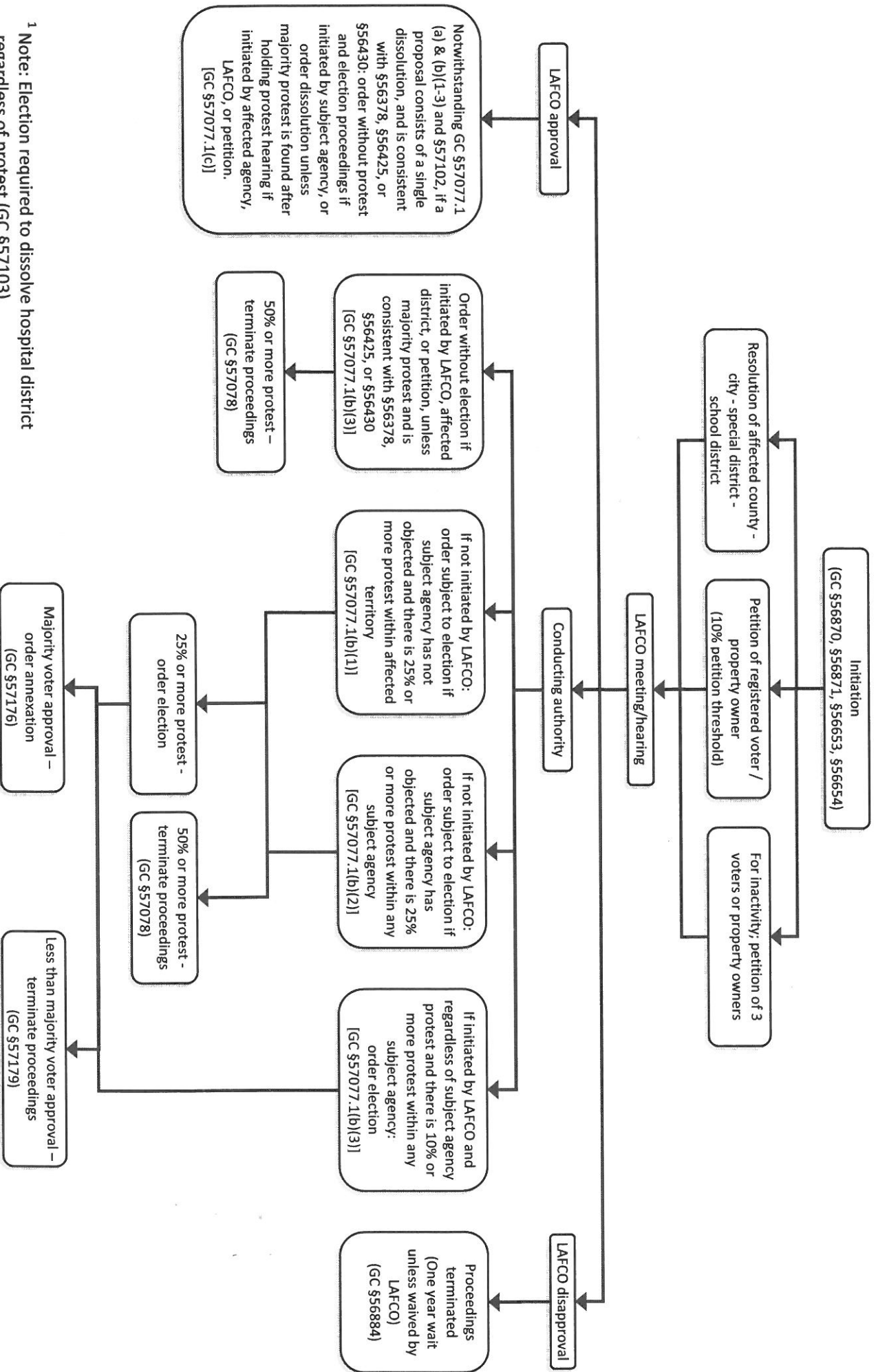
1. Merging the Salsipuedes Sanitary District system with the Watsonville system by either:
 - a. Dissolving the Salsipuedes Sanitary District and authorizing the City of Watsonville to provide extraterritorial sewer services to Salsipuedes in a fashion similar to how the City currently provides water 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.¹⁰ 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.

¹⁰ Government Code Section 57077.1(c) (1)

District Dissolution



¹ Note: Election required to dissolve hospital district regardless of protest (GC §57103)

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.¹¹ If more than 50% of the Salsipuedes voters protest, the consolidation process would be terminated.¹² 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.¹³ 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.

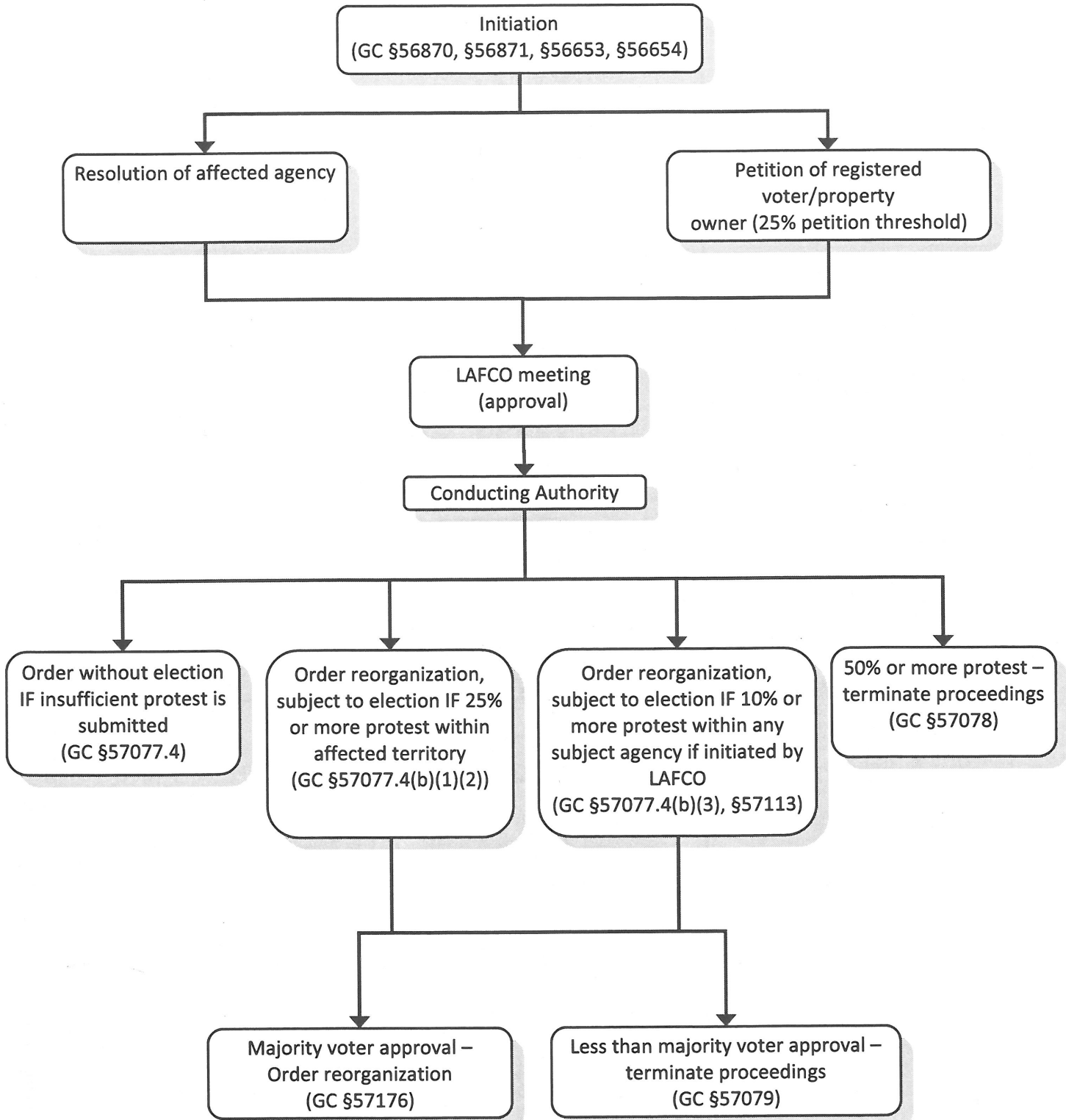
The major disadvantage of dissolving the district or consolidating with the Freedom County Sanitation District is loss of local control. The option of contracting with the City does not have this disadvantage. The issues facing the Salsipuedes Sanitary District are similar to those of the Freedom County 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.

¹¹ Government Code Section 57077.4

¹² Government Code Section 57078

¹³ 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 contacts 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 Determinations¹⁴

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.

¹⁴ 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 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 Determinations¹⁵

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.

¹⁵ 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

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

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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%20Edition_2015_16.pdf