

Public Review Draft

Soquel Creek Water District

Service and Sphere of Influence Review



May 2017



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

PROJECT

Project Name: 2017 Service of Sphere Review for
Soquel Creek Water District

Prepared By: Patrick McCormick
LAFCO Executive Officer
701 Ocean Street, Room 318-D
(831) 454-2055
pat@santacruzlafco.org

Date: May 5, 2017

PURPOSE OF SERVICE REVIEW

The purpose of a service review, sometimes called a “municipal service review” or “MSR”, is to provide a comprehensive inventory and analysis for improving efficiency, cost-effectiveness, accountability, and reliability of public services provided by cities, districts, and service areas. A service review evaluates the structure and operation of an agency and discusses possible areas for improvement and coordination. A service review is used by LAFCO when updating a sphere of influence, and can be used by the subject agencies when considering changes in their operations. A written statement of determinations must be made in the following areas:

1. Growth and population projections for the affected area.
2. The location and characteristics of any disadvantaged communities within or contiguous to the agency’s sphere of influence.
3. The present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies including need or deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged, unincorporated communities within or contiguous to the agency’s sphere of influence.
4. The financial ability of agencies to provide services.
5. The status of, and opportunities for, shared facilities.
6. Accountability for community service needs, including governmental structure and operational efficiencies.
7. Any other matter related to effective or efficient service delivery, as required by commission policy.

PURPOSE OF SPHERE OF INFLUENCE

A “sphere of influence” is defined in state law to be a plan for the probable physical boundaries and service area of a local agency, as determined by the LAFCO in county where the agency is based. The sphere of influence is adopted and amended by LAFCO following a public hearing. The sphere action includes a map, determinations, and a resolution, which may contain recommendations and implementation steps specific to the agency. State law requires LAFCO to make determinations upon the following subjects:

1. The present and planned land uses in the area, including agricultural and open-space lands.
2. The present and probable need for public facilities and services in the area.
3. The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.
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.
5. For a city or district that provides sewers, water, or structural fire protection, the present and probable need for those services in any disadvantaged unincorporated communities within the existing sphere of influence.

In this report, the sphere of influence analysis follows the service review analysis, and is organized using the above determinations as an outline. State law requires that all boundary changes (annexation, detachment, consolidation, dissolution, etc.) be consistent with LAFCO’s policies and the adopted sphere of influence of the subject agency.



EXECUTIVE SUMMARY

LAFCO periodically performs municipal service reviews¹ and updates, as necessary, the sphere of influence of each agency subject to LAFCO's boundary regulation. 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 Soquel Creek Water District.

The main conclusions of this report are:

- 1) The District shares two aquifers with other groundwater users. Both the Purisima and the Aromas Reds Sands aquifers are overdrafted and are either experiencing saltwater intrusion, or are at risk of saltwater intrusion.
- 2) The District's customers responded to the drought of 2012 -2016 with significant conservation efforts.
- 3) The District is working with regional partners to address long-term sustainability of the regional groundwater resources.
- 4) The District and its regional partners are benefiting from state-of-the-art studies on saltwater intrusion.
- 5) The District is pursuing two sources of supplemental supply—purchase of seasonal surplus water from Santa Cruz, and wastewater purification and aquifer recharge. As a back-up, the District is participating in the environmental review of a regional desalination project in Moss Landing, with an alternative of purchasing water and transporting it to the District.
- 6) The District is adequately funded, but will need to increase rates to pay for supplemental water supply projects.
- 7) The District has excellent transparency in involving the public in its decisions.
- 8) The proposed sphere amendment addition on Wharf Road is a minor clean-up of the service area boundary between the City of Santa Cruz Water Department and the Soquel Creek Water District.

¹ Government Code Section 56430 (Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000). The last service review of the Soquel Creek Water District was prepared by LAFCO in 2005:

<http://www.santacruzlafco.org/wp-content/uploads/2016/02/Whole-Public-Review-Draft.pdf>

AGENCY PROFILE

Soquel Creek Water District Board of Directors

Name	Title	Year of First Service on the Board	Date of Term Expiration
Dr. Tom LaHue	President	2003	2020
Dr. Bruce Daniels	Vice President	2000	2020
Carla Christiansen	Director	2014	2018
Dr. Bruce Jaffe	Director	2002	2018
Rachél Lather	Director	2016	2018

Regular Meetings: The Board of Directors meetings are held on the first and third Tuesdays of the month at 6:00 p.m. in the Capitola City Hall, 420 Capitola Avenue, Capitola.

General Manager: Ron Duncan, rond@soquelcreekwater.org

Office Address: 5180 Soquel Drive, Soquel, CA 95073

Mailing Address: P. O. Box 1550, Capitola, CA 95010

Phone: (831) 475-8500

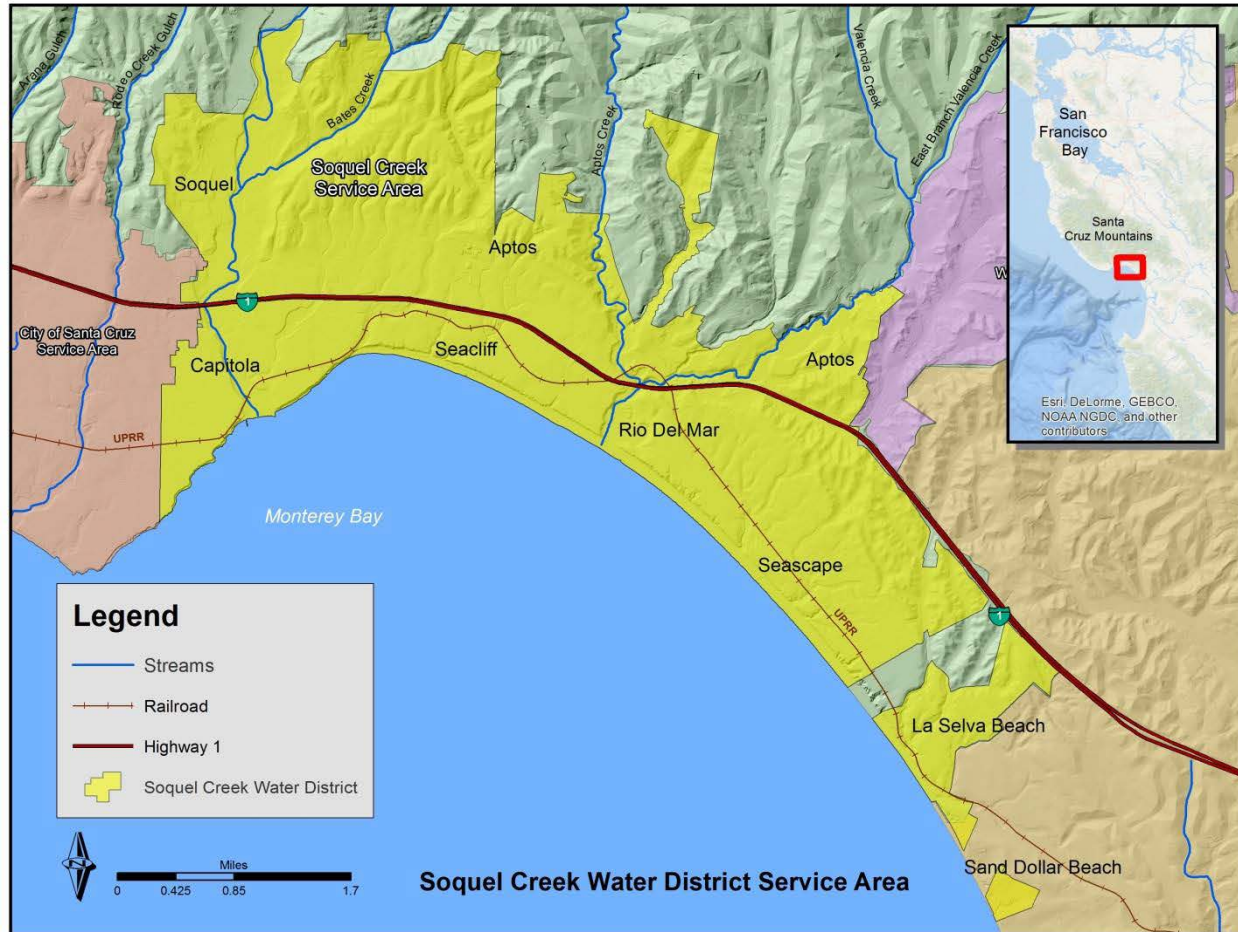
Fax: (831) 475-4291

Website: www.soquelcreekwater.org

Services being provided by the Soquel Creek Water District:

Soquel Creek Water District 2017 Service Review Services Currently Being Provided by the Soquel Creek Water District	Retail Domestic Potable Water	Wholesale Water	Water Treatment	Recycled Water	Agricultural Water	Groundwater Replenishment	Water Conservation Programs
Soquel Creek Water District	●		●				●

Map of the Soquel Creek Water District Boundaries

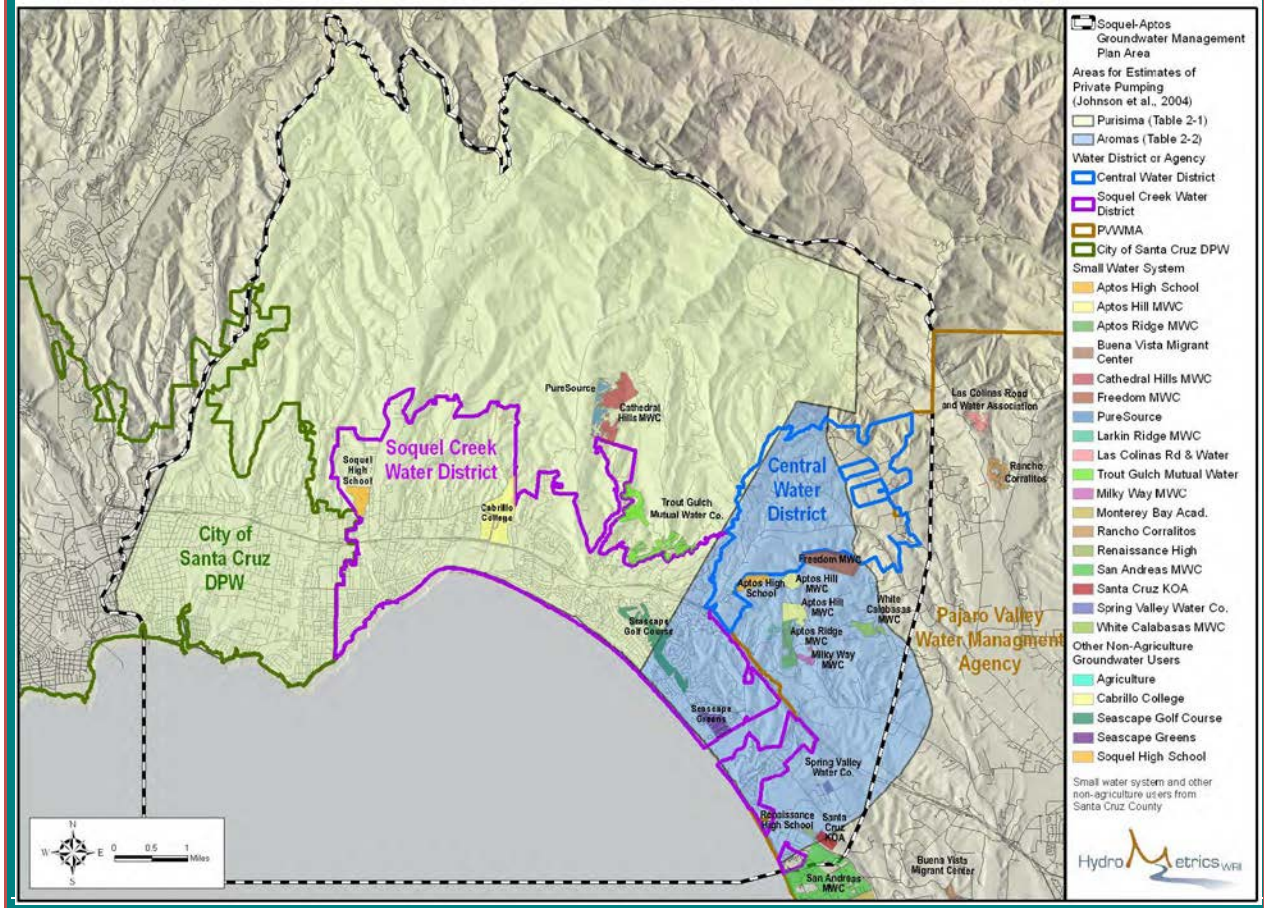


Source: 2015 Urban Water Management Plan

The Soquel Creek Water District was formed in 1961 and operates pursuant to the County Water District Act, which starts at Water Code section 30000. The original intent of the district formation was to provide flood control and water conservation services. In 1964, the District discontinued providing flood control services, acquired the Monterey Bay Water Company, and began providing potable water. The District provides water service to approximately 15,829² connections, in a 14 square-mile service area covering most of the City of Capitola and the unincorporated areas of Soquel, Aptos, Seacliff, Rio del Seascap, La Selva Beach, and Sand Dollar Beach.

² 2015 Urban Water Management Plan

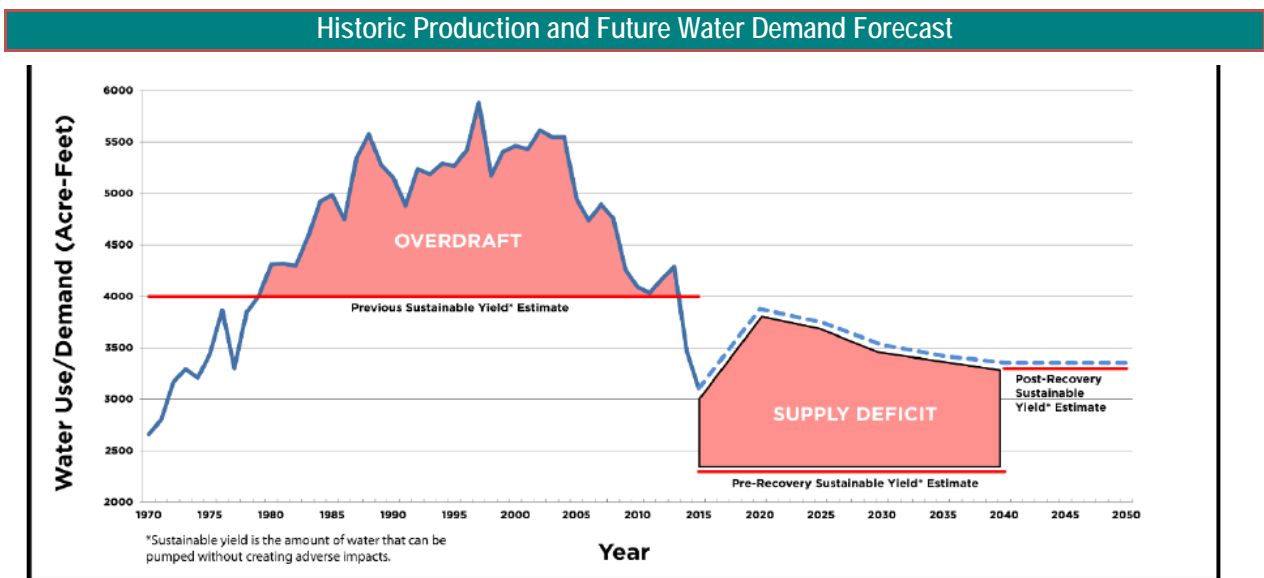
Map of Groundwater Aquifers and Groundwater Users



Source: Soquel-Aptos Area Groundwater Management Annual Review and Report, Water Year 2014, Hydrometrics WRI



The following chart shows the changes in historic water demand (solid blue line) since 1970 and the amount of the District’s projected water demand (dashed blue line) going forward to 2050. The red areas indicate the overdraft from unsustainable groundwater pumping from 1980 to 2015, and the resulting supply deficit. The District is conserving water, planning to buy some short-term supplemental supply from the City of Santa Cruz, and is evaluating bringing on long term supplemental supply via purification of Santa Cruz treated wastewater. As a back-up, the District is participating in the environmental review stage for the possible purchase of desalinated seawater from the proposed DeepWater Desal Project³ in Moss Landing. Once the aquifers have recovered to sustainable levels (in approximately 2040), the District projects that it will be able to pump 3,300 acre feet per year on a sustainable basis.



Source: Figure 5-4, 2015 Urban Water Master Plan

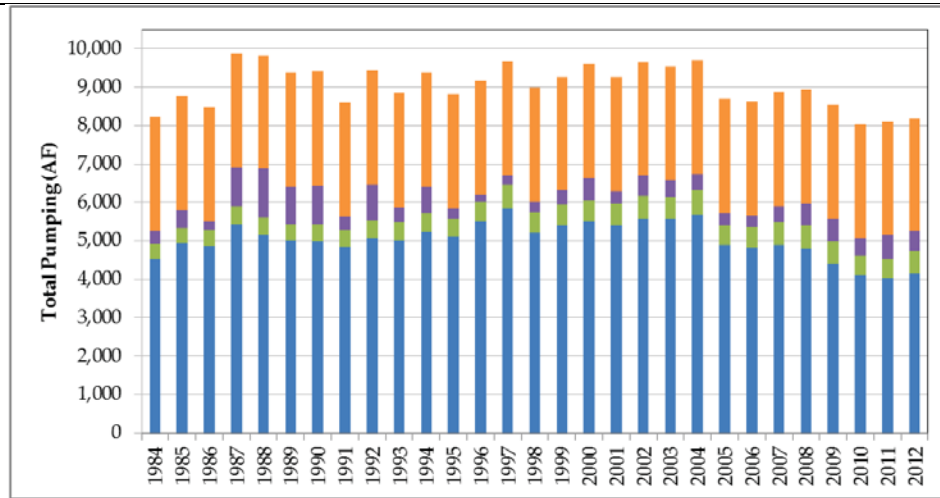
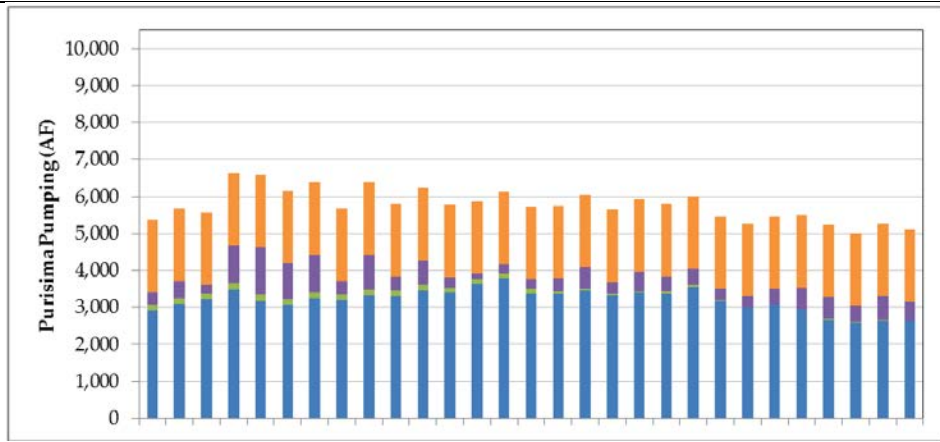
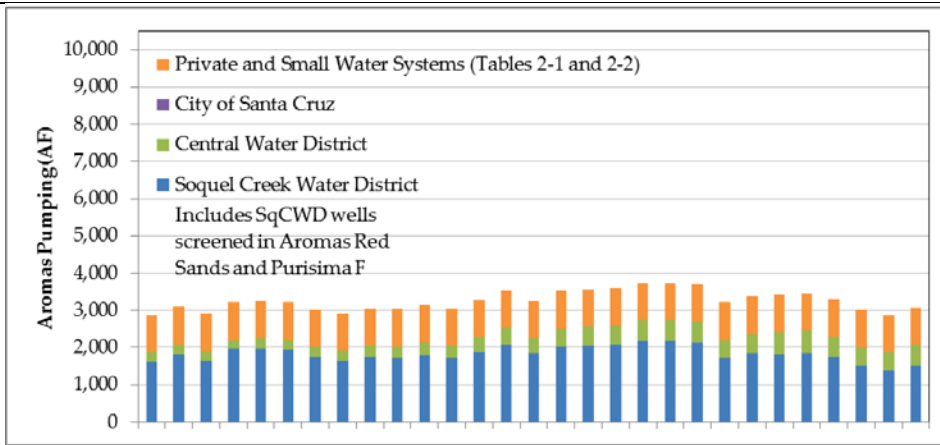
Groundwater

The District’s water source is groundwater pumped from two aquifers: the Purisima Aquifer located in the western part of the district (Capitola, Soquel, Rio del Mar) and the Aromas Red Sands Aquifer located in the eastern part of the district (Seascape and La Selva Beach). Both aquifer formations are exposed on the sea floor off the coast and are susceptible to salt water intrusion when the water table falls to near sea level at the coast.

The following chart shows the historical pumping of the aquifers by the Soquel Creek Water District, the private well users, the Central Water District, and the City of Santa Cruz.

³ <https://www.deepwaterdesal.com/>

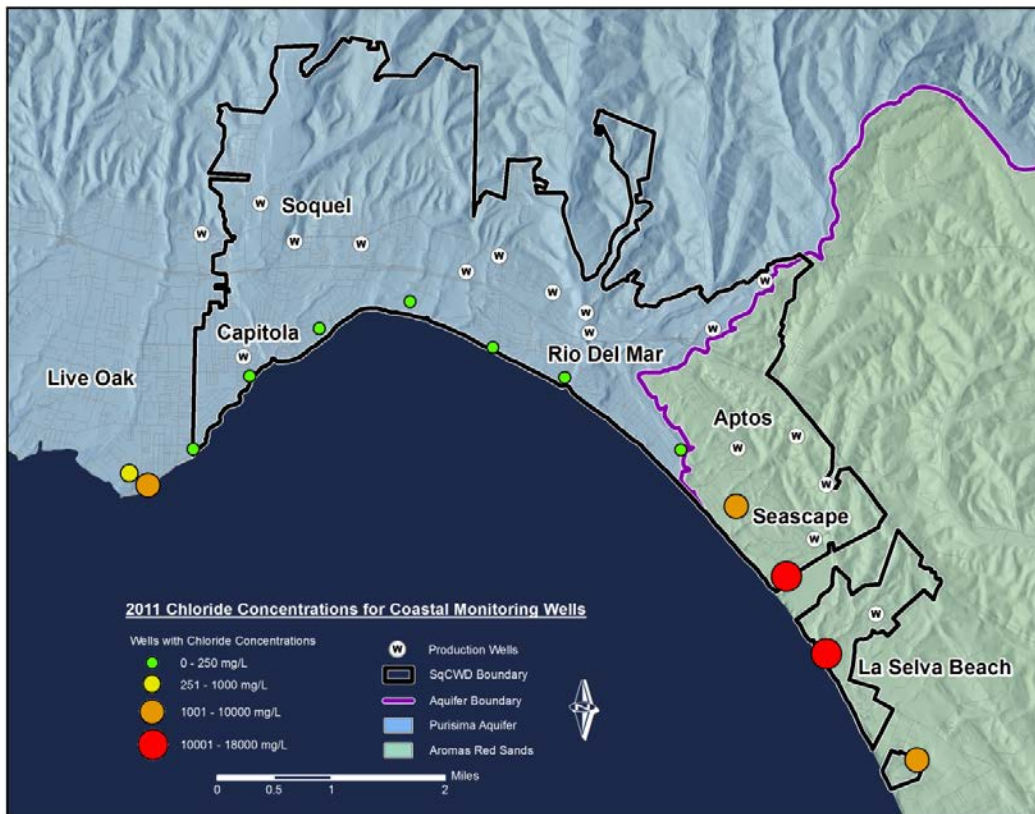
Pumping, Water Years 1984 – 2012 in Acre-Feet



Source: 2012 Groundwater Report, Hydrometrics

As shown on the following map, chloride concentrations in coastal monitoring wells west and east of the district already indicate seawater intrusion is occurring both west of the District in the Purisima and in the eastern part of the District in the Aromas Red Sands Aquifer. The District and the newly-formed Santa Cruz Midcounty Groundwater Agency⁴ are preparing to evaluate the salinity levels off the coast in the aquifers below the sea floor. It is hoped that this new imaging technology will determine how close the saltwater wedge is to the coast and the District's production wells.

Chloride Concentrations in Coastal Monitoring Wells

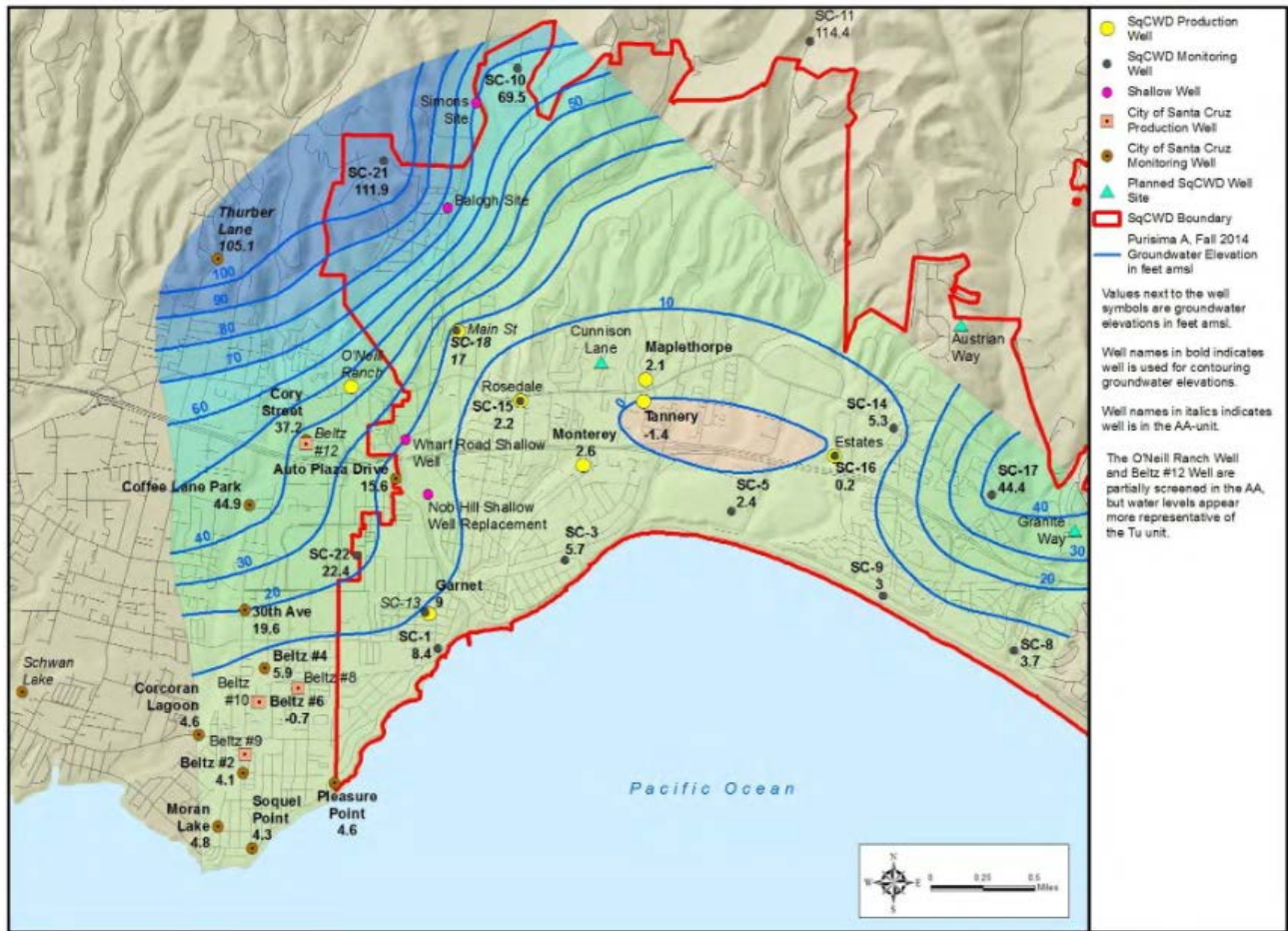


Source: [http://www.soquelcreekwater.org/sites/default/files/images/Maps/District boundary with aquifers.jpg](http://www.soquelcreekwater.org/sites/default/files/images/Maps/District%20boundary%20with%20aquifers.jpg)

⁴ <http://www.midcountygroundwater.org/>

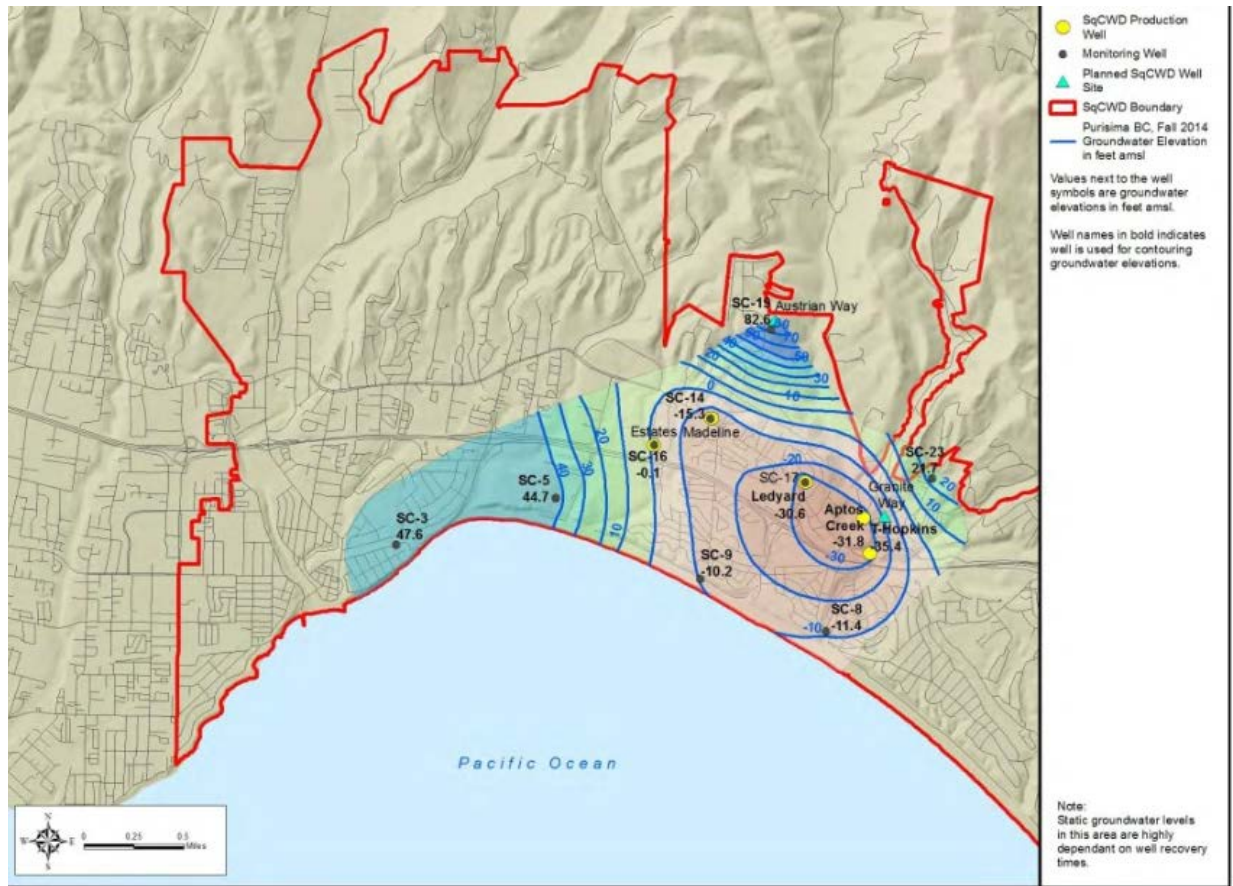
As shown on the following three maps, the District's onshore well monitoring program in 2014 indicated that water level in the District's production wells in the western part of the District to be above sea level, except for the Tannery Gulch well, which was 1.4 feet below sea level. In the central part of the District, groundwater levels in five of the District's production wells were below sea level, ranging from 0.1 feet to 35.4 feet below sea level. In the eastern part of the District, groundwater levels were above sea level.

Groundwater Elevations, Purisima A, Fall 2014



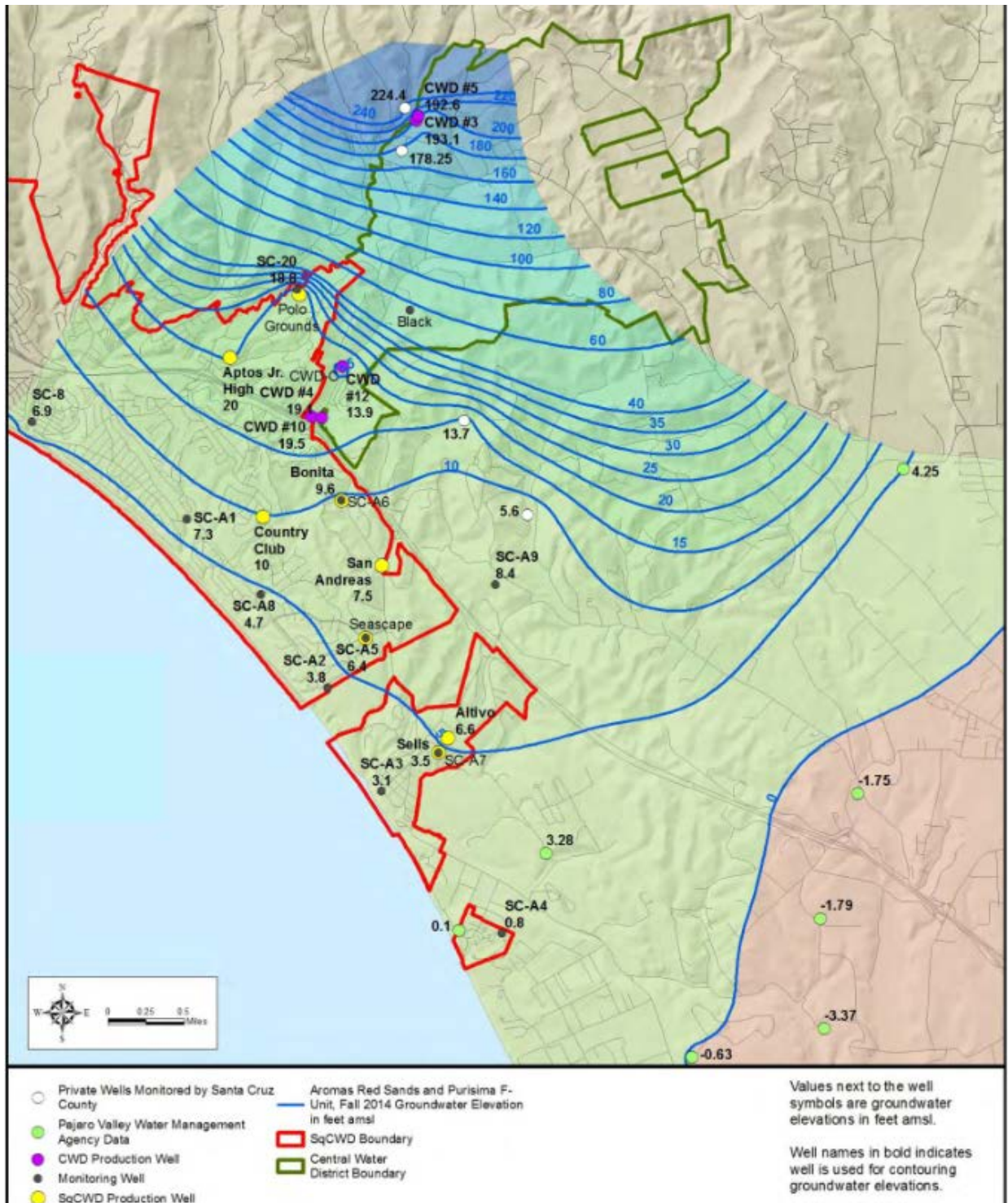
Source: Figure 3-3, Soquel-Aptos Area Groundwater Management Annual Review and Report, Water Year 2014, Hydrometrics WRI

Groundwater Levels, Purisima BC, Fall 2014



Source: Figure 3-4, Soquel-Aptos Area Groundwater Management Annual Review and Report, Water Year 2014, Hydrometrics WRI

Groundwater Levels, Aromas Red Sands, Fall 2014



Source: Figure 5-3, Soquel-Aptos Area Groundwater Management Annual Review and Report, Water Year 2014, Hydrometrics WRI

Future Demand in District and in Aquifers Shared by the District

During the recent drought, conservation efforts of the District’s customers have resulted in significant reductions in the groundwater the District has pumped from each aquifer.

Groundwater Pumped by Soquel Creek Water District 2011-2015 ayf = acre-feet per year

Groundwater Source	2011	2012	2013	2014	2015
Purisima Formation	2,642	2,637	2,663	2,229	2,033
Aromas Red Sands Aquifer	1,392	1,534	1,625	1,244	1,073
Total (Purisima + Aromas Red Sands)	4,034	4,171	4,288	3,473	3,106
Groundwater as a percent of total water supply	100%	100%	100%	100%	100%

¹ Volumes are based on volumetric meter data. Totals do not include small volumes (approx. 0.3 acre-feet (af) of water pumped by and purchased from CWD and SCWD.

Source: Table 5-1, 2015 Urban Water Management Plan

The District shares both aquifers with other agencies, institutions, and private well users. The projected future total water demand and the amount of groundwater that can be safely pumped are shown on the following tables. The demand is projected to decrease somewhat as additional conservation measures are taken. Significantly less groundwater use is projected in order to allow for the aquifers to recover to sustainable levels. The District projects the amount of supplemental supplies will be needed from other sources.

Groundwater Projected to be Pumped from the Santa Cruz Mid-County Basin, 2020-2045 ayf = acre-feet per year

	2020	2025	2030	2035	2040	2045
Projected Demand	3,900	3,800	3,500	3,400	3,400	3,300
Quantity Provided by Groundwater Sources	3,900	2,300	2,300	2,300	2,300	3,300
Percent of total water supply	100%	61%	66%	68%	68%	100%

¹ Assumes that SqCWD will limit pumping to 2,300 ayf when adequate supplemental supply is in use and will pump at or below this level for at least 20 years to fully restore the basin. The volume of groundwater pumped shown in 2045 assumes the SCMC Basin has been fully restored and that pumping at the post-recovery pumping goal can occur. Once an adequate supplemental supply is available, SqCWD may utilize more of the supplemental supply volume than shown in this table in order to reduce the cumulative deficit recovery period, or to enhance basin conditions when faced with changing factors such as basin outflows, climate change, or other unforeseen factors even if the SCMC Basin has been fully restored. Until adequate supplemental supply is available, groundwater pumping may increase to 3,900 ayf to meet 100% of projected demand. From 2016-2020, up to 300 ayf may be available from SCWD as discussed in Section 5.3.1.

Source: 2015 Urban Water Management Plan, Table 5-2

The District’s 2015 Groundwater Management Plan projects a future reduction in demand due to modest urban growth and continuing water conservation efforts. The plan foresees supplemental supplies coming online and continuing to at least 2040. During that time period the aquifers would recover to a level that allows an increase in the use of well water at a sustainable rate of 3,300 acre-feet per year.

Project Water Supplies, 2015 – 2045 (acre-feet per year)

	2020	2025	2030	2035	2040	2045
Projected Demand	3,900	3,800	3,500	3,400	3,400	3,300
Quantity Provided by Groundwater Sources	3,900-3,600	2,300	2,300	2,300	2,300	3,300
Quantity Provided by Supplemental Supply Sources	0-300	1,500	1,200	1,100	1,100	0

¹ Assumes that SqCWD will limit pumping to 2,300 afy when adequate supplemental supply is in use and will pump at or below this level for at least 20 years to fully restore the basin. The volume of groundwater pumped shown in 2045 assumes the SCMC Basin has been fully restored and that pumping at the post-recovery pumping goal can occur. Once an adequate supplemental supply is available, SqCWD may utilize more of the supplemental supply volume than shown in this table in order to reduce the cumulative deficit recovery period, or to enhance basin conditions when faced with changing factors such as basin outflows, climate change, or other unforeseen factors even if the SCMC Basin has been fully restored. Until adequate supplemental supply is available, groundwater pumping may increase to 3,900 afy to meet 100% of projected demand. From 2016-2020, up to 300 afy may be available from SCWD as discussed in Section 5.3.1.

Source: Table 4-15, 2015, Urban Water Master Plan



SERVICE REVIEW CHECKLIST

SUMMARY OF POTENTIALLY SIGNIFICANT SERVICE REVIEW DETERMINATIONS

SUMMARY

- | | |
|--|--|
| <input checked="" type="checkbox"/> 1. Growth and Population | <input checked="" type="checkbox"/> 5. Shared Services |
| <input type="checkbox"/> 2. Disadvantaged Unincorporated Communities | <input type="checkbox"/> 6. Accountability |
| <input checked="" type="checkbox"/> 3. Capacity, Adequacy & Infrastructure to Provide Services | <input type="checkbox"/> 7. Other |
| <input checked="" type="checkbox"/> 4. Financial Ability | |

1. GROWTH AND POPULATION

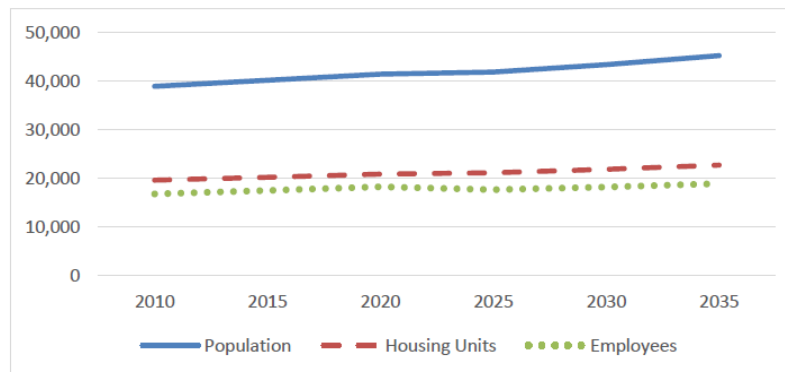
Growth and population projections for the affected area.	YES	MAYBE	NO
a) Is the agency's territory or surrounding area expected to experience any significant population change or development over the next 5-10 years?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
b) Will population changes have an impact on your agency's service needs and demands?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
c) Will projected growth require a change in the agency's sphere of influence boundary?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Discussion:

The District's 2015 Urban Water Management Plan expects modest population growth within the District's service area, as follows:

POPULATION, HOUSING, and EMPLOYEES WITHIN DISTRICT'S SERVICE AREA

	2010	2015	2020	2025	2030	2035
Population	38,991	40,234	41,517	41,938	43,481	45,314
Housing Units	19,676	20,285	20,912	21,174	21,919	22,783
Employees	16,812	17,544	18,309	17,703	18,231	18,965



Source: 2015 Urban Water Management Plan, Table 3-2 and Figure 3-3

While the official population projections show quite modest growth, the State of California is relaxing the rules for Accessory Dwelling Units (ADUs) that are added to existing single-family dwellings. The State wants to facilitate additional housing units being constructed in order to address the State's housing shortage. It is unknown whether the relaxation of ADU rules will result in more population growth than accounted for in the current projections.

2. DISADVANTAGED UNINCORPORATED COMMUNITIES

The location and characteristics of any disadvantaged unincorporated communities within or contiguous to your agency's sphere of influence.

	YES	MAYBE	NO
a) Does your agency provide water or sanitary sewer service? If no, skip questions b) and c).	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b) Is your agency aware of any area(s) within or adjacent to your agency's sphere of influence that is considered "disadvantaged" (80% or less of the statewide median household income) that does not already have access to public water or sanitary sewer service?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
c) Is it is feasible for your agency to extend service to the disadvantaged unincorporated community?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Discussion: There are disadvantaged areas (less than 80% of statewide median family income) within the Soquel Creek Water District boundaries, and they receive adequate water service from the District. These areas of Soquel and Capitola have concentrations of apartments and mobilehome parks.



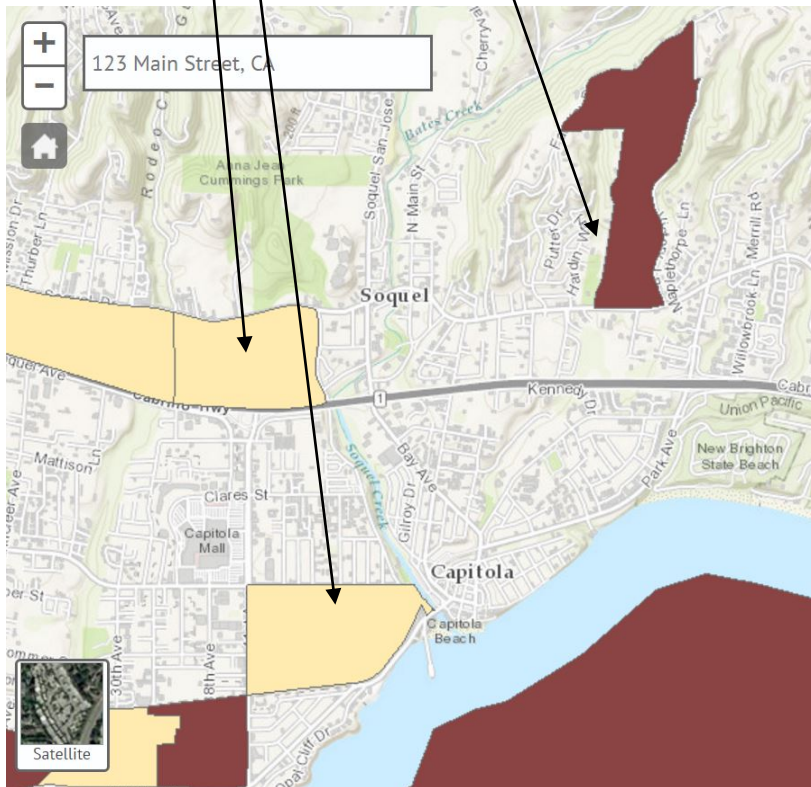
Disadvantaged Communities Mapping Tool

Clear all [Help!](#)

Disadvantaged Communities Map

- County Boundaries
- Prop 1 Funding Areas
- Prop 84 Funding Areas
- IRWM Regions
- Disadvantaged Community Block Groups

- Severely Disadvantaged Community
- Disadvantaged Community



Source: California Disadvantaged Communities Mapping Tool:

http://www.water.ca.gov/irwm/grants/resources_dac.cfm as accessed on April 19, 2017.

3. CAPACITY AND ADEQUACY OF PUBLIC FACILITIES AND SERVICES

Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies including needs or deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged, unincorporated communities within or contiguous to the sphere of influence.

	YES	MAYBE	NO
a) Are there any deficiencies in agency capacity to meet service needs of existing development within its existing territory?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b) Are there any issues regarding your agency's capacity to meet the service demand of reasonably foreseeable future growth?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
c) Are there any concerns regarding public services provided by the agency being considered adequate?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d) Are there any significant infrastructure needs or deficiencies to be addressed?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e) Are there changes in state regulations on the horizon that will require significant facility and/or infrastructure upgrades?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Discussion:

a,c,and d) As discussed above in the Agency Profile, the groundwater levels in the Purisima and the Aromas aquifers, upon which the District relies, have dropped significantly over the last 40 years. Seawater intrusion has already occurred in the Aromas formation shared with the Pajaro Valley. Seawater intrusion has occurred in the Pleasure Point area, which is in the portion of the Purisima aquifer shared with the City of Santa Cruz Water Department. The District is continuing to address the most cost-effective options to conserve water and generate an alternative supply so that the groundwater levels in both aquifers are brought up to a sustainable level. The District is cooperating with the Central Water District, the City of Santa Cruz Water Department, the Pajaro Valley Water Management Agency, the County of Santa Cruz, the City of Capitola, the Santa Cruz Mid-County Groundwater Management Agency, private well owners, and the Deepwater Desalinization Project to achieve its operating goals.

e) The District is proceeding to add treatment to its wells in the Aromas Red Sands in order to meet the new State standard of no more than 10 parts per billion of chromium in drinking water (Source: <http://www.soquelcreekwater.org/water-quality/chromium-6>).

4. FINANCIAL ABILITY

Financial ability of agencies to provide services.

	YES	MAYBE	NO
a) In the last five years, has your agency failed to obtain an independent audit, or adopted its budget late?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b) Is your agency lacking adequate reserves to protect against unexpected events or upcoming significant costs?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
c) Is your agency's rate/fee schedule insufficient to fund an adequate level of service, and/or is the fee inconsistent with the schedules of similar service organizations?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
d) Is your agency unable to fund necessary infrastructure maintenance, replacement and/or any needed expansion?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
e) Is improvement needed in the organization's financial policies to ensure its continued financial accountability and stability?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
f) Is the organization's debt at an unmanageable level?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Discussion: A summary of the District's budget is presented below. The District's has adequate financial assets, revenues, and budget processes to provide water services to its customers and the limited additional growth planned for the area. Additional conservation and alternative supply projects will be more expensive than the current well sources; so, the District will need to continue to perform rate studies and increase rates in order to return the aquifers to safe operating levels.

The District is actively pursuing grants and low-interest loans. The District has received an \$880,000 grant from the State for the chromium treatment project, and has another \$1 million grant application pending for components to that project. The District has also submitted a letter of interest for a federal Water Infrastructure Financing Innovation Act grant/loan for \$25 million.

Finances					
	FY 12-13 .Audit	FY 13-14 Audit	FY 14-15 Audit	FY 15-16 Audit	FY 16-17 Budget
Operating Revenues					
Water Consumption Sales	9,189,791	10,427,208	9,297,943	10,059,054	9,710,800
Water Service Charges	3,874,698	4,820,620	4,736,132	5,182,724	5,798,700
Cons. Credits/Agen. Reimbursement	188,642	261,573	0	369,691	30,000
Other Charges and Grants	79,303	57,080	20,008	66,945	1,160,000
Total Operating Revenues	13,332,434	15,566,481	14,054,083	15,678,414	16,699,500
Non-Operating Revenues					
Interest Earnings	56,181	110,549	91,116	121,374	90,000
Rental Revenue	18,000	10,850	200	0	0
Other Non-Operating Revenues	11,653	3,986	17,605	0	10,000
Total Non-Operating Revenues	85,834	125,385	108,921	121,374	100,000
Total Revenues	13,418,268	15,691,866	14,163,004	15,799,788	16,799,500
Operating Expenses					
Source of Supply	468,791	448,781	694,284	1,616,988	2,786,900
Pumping	850,285	811,032	828,582	842,926	850,300
Water Treatment	517,015	355,977	525,397	554,640	642,400
Transmission and Distribution	1,772,490	1,165,066	1,062,479	1,298,131	1,397,600
Customer Service	634,600	783,711	906,920	803,829	1,298,800
General and Administrative	3,985,174	4,439,297	5,157,026	6,161,534	5,292,000
Total Operating Expenses	8,228,355	8,003,864	9,174,688	11,278,048	12,268,000
Depreciation Expense	2,288,498	2,083,832	2,209,442	2,342,900	Note 1
Non-Operating Expenses					
Interest Expense and Issuance	1,151,035	1,263,559	20,851	666,906	1,505,600
SCWD ² Project Termination	0	4,900,509	21,814	31,190	0
Rental Property Expense	2,725	1,999	0	0	0
Total Non-Operating Expenses	1,153,760	6,166,067	42,665	698,096	1,505,600
Total Expenses	11,670,613	16,253,763	11,527,464	14,319,044	Note 1
Ending Operating Conting. Reserve	2,300,000	2,300,000	1,900,000	2,000,000	2,907,000
Ending Rate Stabilization Reserve	1,000,000	1,000,000	2,000,000	2,000,000	2,000,000
Ending General Reserve	7,396,031	8,573,981	7,728,200	2,927,200	928,300
Total Ending Reserves	10,696,031	11,873,981	11,628,200	6,927,200	5,835,300
Note 1: Depreciation is not calculated during the budget process.					

Finances--Continued					
	FY 12-13	FY 13-14	FY 14-15	FY 15-16	FY 16-17
	.Audit	Audit	Audit	Audit	Budget
Capital Contributions	1,913,780	858,977	564,649	321,050	Note 2
Change in Net Position	3,661,435	297,080	(3,200,189)	1,801,794	Note 2
Net Position, End of Period	51,061,763	51,358,843	49,143,457	51,045,920	Note 2
Capital Improvement Projects	11,301,113	11,863,182	11,762,292	11,294,000	14,815,000
Note 2: These figures are not calculated during the budget preparation, only at the end of the year for the audit.					

As shown on the previous page, in addition to the general reserve, the District budgets for two special-purpose reserves. The \$2+ million Operating Contingency Reserve ensures that the District will at all times have sufficient funding available to meet operating costs.

The \$2 million Rate Stabilization Contingency Reserve ensures that short-term revenue shortfalls (such as conservation in droughts) do not impact the ability to meet critical bond coverage requirements.

The Soquel Creek Water District maintains a 10-year capital projects budget. As shown on the following page, the FY 2016-17 budget is \$ 14,815,000, with approximately half (\$7,810,000) being the hexavalent chromium treatment plant design and construction.

The District was awarded the Distinguished Budget Presentation Award from the Government Finance Officers Association and the California Society of Municipal Finance Officers for its new budget format beginning in fiscal year 2016-17. The award notes that the priority-based process for capital improvements assists in effective decision making.

The five most recent audits (June 30, 2011 to June 30, 2016) have not identified any material weaknesses in the District's financial procedures. The audits, monthly income and investment reports, budgets, quarterly financial reports, 10-year financial plan, financial policies, and other financial information are available online at:

<http://www.soquelcreekwater.org/transparency-center/finance-and-budget>

The District's most recent rate study (2016, Hawksley Consulting) has been implemented and covers through calendar year 2018. It is likely that future rates will need to be higher in order to pay for the higher capital costs and operating costs to develop supplement supplies to reduce overreliance on the groundwater aquifers. The rate study is available at:

http://www.soquelcreekwater.org/sites/default/files/images/SqCWD_Rate_Study_Report_March_9_2016_revised.pdf

**SOQUEL CREEK WATER DISTRICT
PROJECTS PRIORITIZED FOR FUNDING
FISCAL YEAR 2016/17 BUDGET**

		PRIORITY	2016/17 BUDGET (PROPOSED)	2017/18 BUDGET (FORECAST)
Operating Projects				
Source of Supply				
Cooperative Groundwater Agreement with the City of SC		1	\$ 17,000	\$ -
Advanced Purified Groundwater Replenishment Studies		1	1,430,000	700,000
Santa Cruz Mid County Groundwater Management Agency		1	806,800	849,000
Water Purchase from the City of Santa Cruz		1	150,000	150,000
Water Treatment				
Hexavalent Chromium Treatment - Demonstration Study		1	125,000	
1,2,3-TCP Treatment Feasibility Study		1	30,000	
Transmission & Distribution				
Tank Inspections		1	25,000	
Customer Service and Outreach				
Revised Finance Plan and Rate Study		1	35,000	
Conservation				
WaterFluence Irrigation Water Budget Program		2	16,000	16,000
Total Operating Projects			\$ 2,634,800	\$ 1,715,000
Capital Improvement Projects Funded Through Pay-Go				
Source of Supply				
Property Purchase Adjacent to District Headquarters		1	\$ 2,025,000	\$ -
Transmission & Distribution				
Soquel Drive Cast Iron Main Replacement Phase IV		1	830,000	1,770,000
Service Area 3 to 4 Intertie and PRV Station (Pay-Go Portion)		1	250,000	
Aptos Village Street Improvements		NR	50,000	
Total Capital Improvement Projects (Pay-Go)			\$ 3,155,000	\$ 1,770,000
Capital Improvement Projects Funded Through Water Capacity Fee Drawdown				
Source of Supply				
Rehab Madeline Production Well		NR	\$ 100,000	\$ -
Pumping				
Mar Vista Booster Pump Replacement		NR	60,000	
Transmission & Distribution				
Cornwell Tank Recoat		NR	500,000	
Total Capital Improvement Projects (Drawdown)			\$ 660,000	\$ -
Capital Improvement Projects Funded Through Certificates of Participation (COP)				
Source of Supply				
Granite Way Production Well Design & Completion		NR	\$ 1,600,000	\$ -
Water Treatment				
O'Neill Ranch Treatment Plant Design & Construction		NR	40,000	
Hexavalent Chromium Treatment Plant Design & Construction		NR	7,810,000	1,000,000
Transmission & Distribution				
Granite Way Well Raw Water Main		NR	130,000	
Service Area 3 to 4 Intertie and PRV Station Design & Construction		NR	720,000	
Quail Run Buried Concrete Tank Design and Construction		NR	700,000	
Total Capital Improvement Projects (COP)			\$ 11,000,000	\$ 1,000,000
Total Capital Improvement Projects			\$ 14,815,000	\$ 2,770,000
Total Projects Recommended for Funding			\$ 17,449,800	\$ 4,485,000

5. SHARED SERVICES AND FACILITIES

Status of, and opportunities for, shared facilities.

	YES	MAYBE	NO
a) Are there any opportunities for your agency to share services or facilities with neighboring or overlapping organizations that are not currently being utilized?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
b) Are there any governance options that may produce economies of scale and/or improve buying power in order to reduce costs?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
c) Are there governance options to allow appropriate facilities and/or resources to be shared, or making excess capacity available to others, and avoid construction of extra or unnecessary infrastructure or eliminate duplicative resources?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Discussion:

- a) The District is cooperating with the Santa Cruz Midcounty Groundwater Agency, the City of Santa Cruz, the City of Capitola, the County of Santa Cruz, the Central Water District, the Pajaro Valley Water Management District, and the Deepwater Desalination Project to study various options and to implement a series of conservation and supplement supply projects that will allow the District to reduce the pumping of the aquifers to a safe level. The Santa Cruz Midcounty Groundwater Agency has been recognized as an effective model for implementing the Sustainable Groundwater Management Act of 2014.⁵



⁵ Pages 20 – 22, http://waterinthewest.stanford.edu/sites/default/files/GSA-Formation-Report_1.pdf

6. ACCOUNTABILITY, STRUCTURE AND EFFICIENCIES

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

	YES	MAYBE	NO
a) Are there any issues with your agency's meetings being accessible and well publicized? Are there any issues with your agency failing to comply with financial disclosure laws and the Brown Act?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b) Are there any issues with filling board vacancies and maintaining board members?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
c) Are there any issues with staff turnover or operational efficiencies?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
d) Is your agency's budget unavailable to the public via the internet?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
e) Are there any recommended changes to your agency's structure that will increase accountability and efficiency?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
f) Are there any governance restructure options to enhance services and/or eliminate deficiencies or redundancies?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
g) Are there any opportunities to eliminate overlapping boundaries that confuse the public, cause service inefficiencies, increase the cost of infrastructure, exacerbate rate issues and/or undermine good planning practices?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Discussion:

- a) The District's website www.soquelcreekwater.org contains a wide variety of customer service, conservation, water planning, and budget information. In February 2015, the District became the first district in Santa Cruz County to receive a Transparency Certificate of Excellence from the California Special District Leadership Foundation. The transparency criteria include annual audits, Brown Act compliance, availability of budget documents, conflict of interest rules, and process for submitting public records' requests.

- f) The District is cooperating well with the adjoining water and sanitary sewer agencies. This cooperation is expected to continue as the District identifies and implements its alternative supply project or projects. If the cooperation is not sufficient to yield a cost-effective solution to the overdrafts in the Purisima and Aromas aquifers, then a regional water or water/sewer service review should be prepared to analyze if a single regional agency could be structured to address the overdrafts.

7. OTHER ISSUES

Any other matter related to effective or efficient service delivery, as required by commission policy.

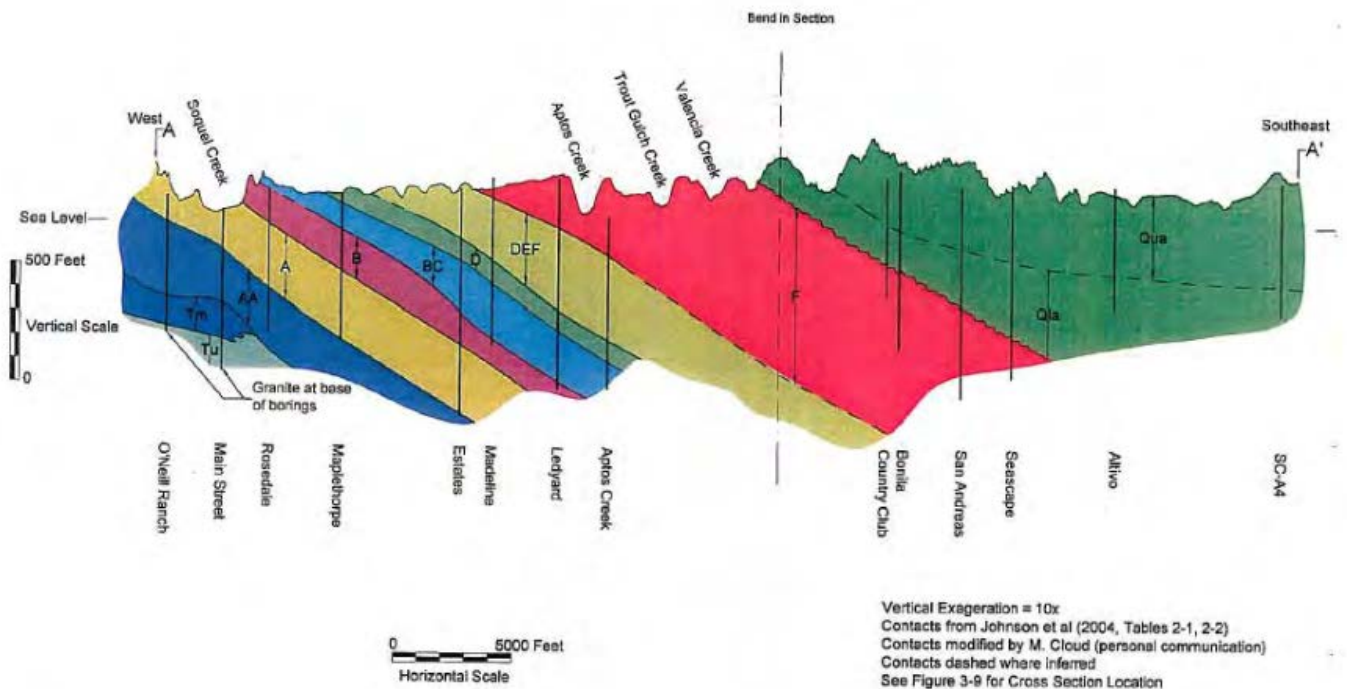
	YES	MAYBE	NO
a) Are there any other service delivery issues that the agency wants addressed in the service and sphere review process?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

LAFCO's local policy is to ask if an agency has a mission statement and whether it has adopted a set of meeting rules. The District's mission statement is:

"We are a public agency dedicated to providing a safe, high quality, reliable, and sustainable water supply to meet our community's present and future needs in an environmentally sensitive and economically responsible manner."

In 2010, the District adopted a Policy on Order and Decorum at District Meetings (Policy No. 23). It is available from: <http://www.soquelcreekwater.org/documents/publications>

END OF SERVICE REVIEW



The above figure from the Soquel Creek Water District's Groundwater Management Plan is a geologic cross section showing the aquifers used by the District for water supply. The Purisima aquifers (layers AA-F) are shown in various colors on the left, and the Aromas Red Sands layers (Q1a and Qua) are shown in green on the right. The point A in the upper left is located near Soquel High School, and the point A' in the upper right is located near Sand Dollar Beach. The vertical dark lines show the District's wells.

SPHERE OF INFLUENCE STUDY FOR SCOTTS VALLEY WATER DISTRICT

- The LAFCO staff is proposing a change in the adopted sphere of influence map for the Soquel Creek Water District. The District concurs with the change.

Discussion:

In response to an inquiry from an owner of property on Wharf Road in Capitola, the District and LAFCO staffs discovered a one-parcel error in the western boundary of the District, adjacent to the service area of the City of Santa Cruz Water Department. The parcel address is 2205 Wharf Road, and the assessor's parcel number is 034-141-34. The parcel was formerly part of the Loma Vista Mobilehome Park, which is accessed from Clares Street. The City of Santa Cruz Water Department serves the mobilehome park from its main in Clares Street. A residential structure was built on the current parcel in approximately 1954. Up until 1994, state law allowed the District to make an extraterritorial service connection if it could find that it had surplus water. The parcel was created by a lot line adjustment granted by the City of Capitola in 1999. The property owner has applied to the City for a lot split to create an additional residential building site on the vacant portion of the parcel. The Soquel Creek Water District has issued a will-serve letter to serve the new parcel from its main on Wharf Road. APN 034-141-34 is not currently within the Sphere of Influence of the Soquel Creek Water District. Adding this parcel to the District's sphere will allow LAFCO to consider and approve an annexation of APN 034-141-34 to the Soquel Creek Water District. The City of Santa Cruz would continue to serve the Loma Vista Mobilehome Park located to the west of this parcel.

MAP OF PROPOSED SPHERE AMENDMENT

2205 Wharf Road, Capitola

APN 034-141-34

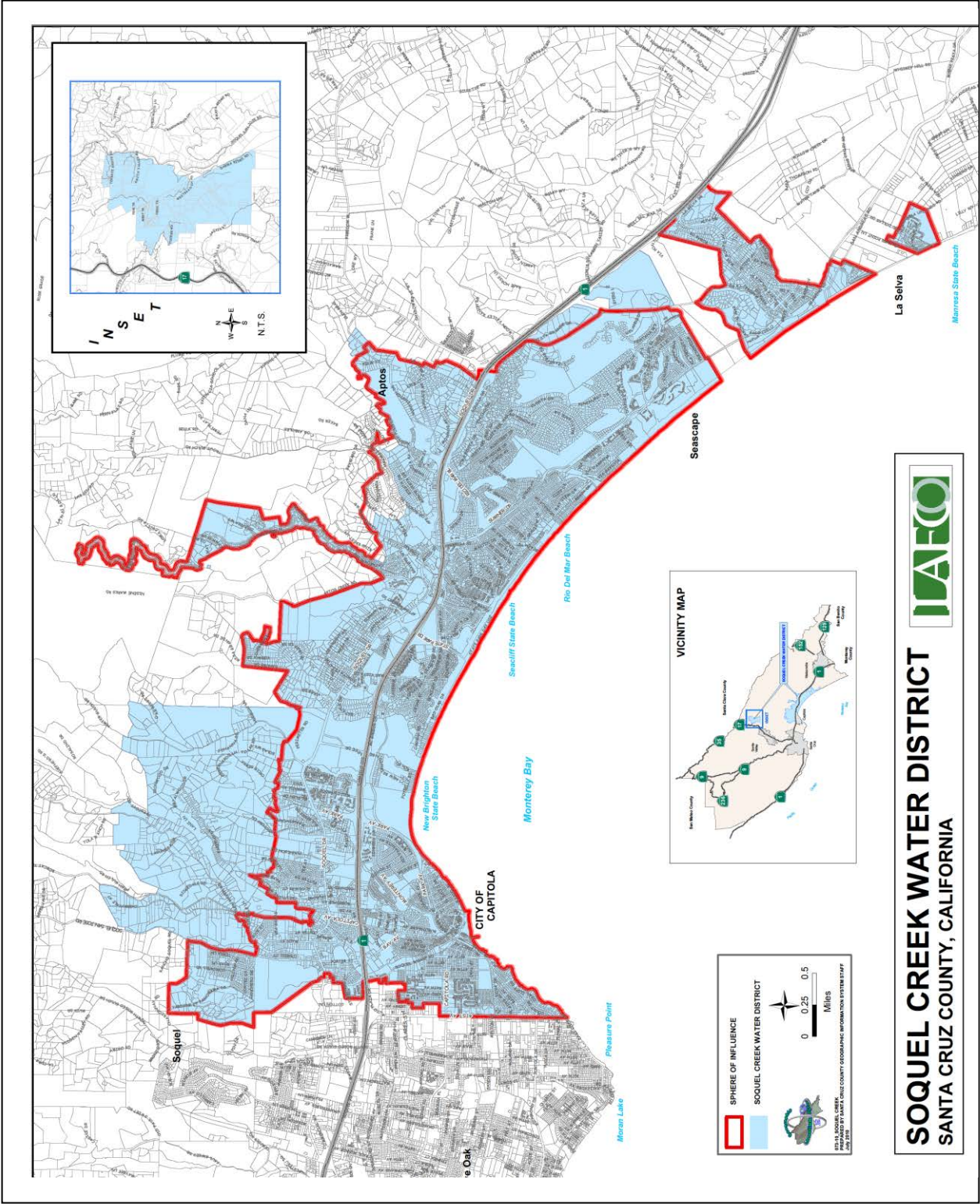
Current Soquel Creek Water District Sphere of Influence and Boundary, April 2017



2205 Wharf Road site

City of Santa Cruz Water Service Area

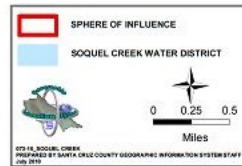
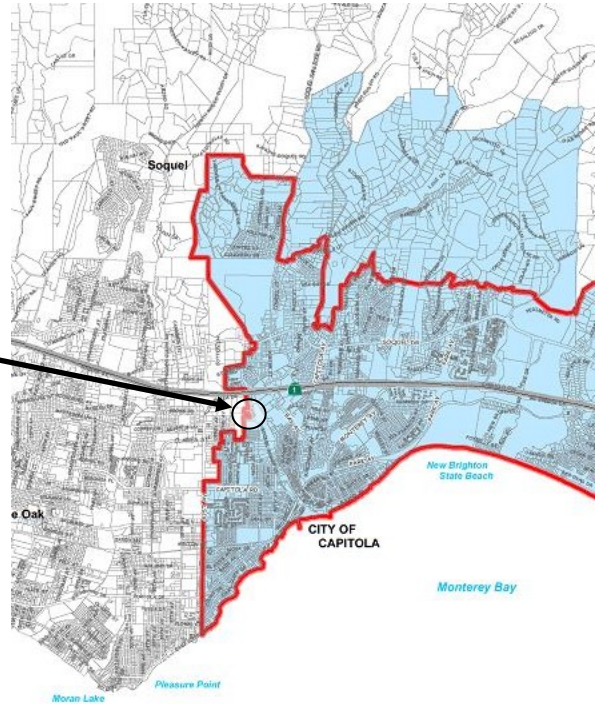
Soquel Creek Water District



**SOQUEL CREEK WATER DISTRICT
SANTA CRUZ COUNTY, CALIFORNIA**

PROPOSED SPHERE OF INFLUENCE MAP AMENDMENT LOCATION

APN 034-141-34
2205 Wharf Road, Capitola



SUMMARY OF POTENTIALLY SIGNIFICANT SPHERE DETERMINATIONS

The sphere determinations below are potentially significant, as indicated by “yes” or “maybe” answers to the key policy questions in the checklist and corresponding discussion on the following pages.

- | | | |
|--------------------------|---|-----------------|
| <input type="checkbox"/> | 1. Present and Planned Land Uses | Not significant |
| <input type="checkbox"/> | 2. Need for Public Facilities and Services | Not significant |
| <input type="checkbox"/> | 3. Capacity and Adequacy of Provide Services | Not significant |
| <input type="checkbox"/> | 4. Social or Economic Communities of Interest | Not significant |
| <input type="checkbox"/> | 5. Disadvantaged Unincorporated Communities | Not significant |

1. PRESENT AND PLANNED LAND USES

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

	YES	MAYBE	NO
a) Are there any present or planned land uses in the area that would create the need for an expanded service area?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b) Would the amended sphere conflict with planned, orderly and efficient patterns of urban development?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
c) Would the amended sphere result in the loss of prime agricultural land or open space?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
d) Would the amended sphere impact the identity of any existing communities; e.g. would it conflict with existing postal zones, school, library, sewer, water, census, fire, parks and recreation boundaries?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
e) Are there any natural or made-made obstructions that would impact where services can reasonably be extended or should otherwise be used as a logical sphere boundary?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Discussion: Only one parcel is included in the sphere amendment. The amendment is an adjustment to reflect the most efficient service pattern from the existing mains on Clares Street and Wharf Road.

2. NEED FOR PUBLIC FACILITIES AND SERVICES

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

	YES	MAYBE	NO
a) Would the amended conflict with the Commission's goal to increase efficiency and conservation of resources by providing essential services within a framework of controlled growth?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b) Would the amended sphere expand services that could be better provided by a city or another agency?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
c) Would the amended sphere represent premature inducement of growth or facilitate conversion of agriculture or open space lands?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
d) Would the amended sphere conflict with the Regional Housing Needs Allocation Plan adopted by the Association of Monterey Bay Governments (RHNA)?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

	YES	MAYBE	NO
e) Are there any areas that should be removed from the sphere because existing circumstances make development unlikely, there is not sufficient demand to support it or important open space/prime agricultural land should be removed from urbanization?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
f) Have any agency commitments been predicated on expanding the agency's sphere such as roadway projects, shopping centers, educational facilities, economic development or acquisition of parks and open space?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Discussion:

- b) The sphere amendment would be residential infill within the City of Capitola. The site is best served by the Soquel Creek Water District.

3. CAPACITY AND ADEQUACY OF PROVIDED SERVICES

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

	YES	MAYBE	NO
a) Are there any issues regarding the agency's capacity to provide services in the proposed sphere territory?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b) Are there any issues regarding the agency's willingness and ability to extend services?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Discussion:

- b) The Soquel Creek Water District is able to serve the proposed sphere amendment from its main on Wharf Road.

4. SOCIAL OR ECONOMIC COMMUNITIES OF INTEREST

The existence of any social or economic communities of interest in the area if the commission determines that they are relevant to the agency.

	YES	MAYBE	NO
a) Are there particular neighborhoods or areas that should be added or excluded from your agency's sphere because those areas function as part of your community or another community socially or economically?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Discussion:

- a) The site is located on Wharf Road within the City or Capitola.

5. DISADVANTAGED UNINCORPORATED COMMUNITIES

For an update of an sphere of influence of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence. Additional smaller areas may be identified by LAFCO, the County, or a City in the future.

	YES	MAYBE	NO
a) Does the subject agency provide public services related to water, sanitary sewers, or structural fire protection?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b) If yes, does the proposed sphere exclude any nearby disadvantaged unincorporated community (80% or less of the statewide median household income) that does not already have access to public water or sanitary sewer service?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Discussion:

- b) There are disadvantaged communities within the Soquel Creek Water District, according to the California Disadvantaged Communities Mapping Tool: http://www.water.ca.gov/irwm/grants/resources_dac.cfm as accessed on April 26, 2017. They are adequately served by the District.

END OF SPHERE REVIEW