

**Local Agency Formation Commission
of Santa Cruz County**



Comprehensive Sanitation Service and Sphere Review:

- BEAR CREEK ESTATES WASTEWATER SYSTEM
- COUNTY SERVICE AREAS – 2, 5, 7, 10, AND 20
- DAVENPORT COUNTY SANITATION DISTRICT
- FREEDOM COUNTY SANITATION DISTRICT
- SALSIPUEDES SANITARY DISTRICT
- SANTA CRUZ COUNTY SANITATION DISTRICT

Administrative Draft – October 2, 2019

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EXECUTIVE SUMMARY

Introduction

This Service and Sphere of Influence Review provides information about the services and boundaries of 10 sanitation districts located throughout Santa Cruz County. The report is for the Local Agency Formation Commission to conduct a statutorily required review and update process. The Cortese-Knox-Hertzberg Act requires that the Commission conduct periodic reviews and updates of Spheres of Influence for all cities and special districts, including County Service Areas (CSAs), in Santa Cruz County (Government Code section 56425). It also requires LAFCO to conduct a review of municipal services before adopting Sphere updates (Government Code section 56430).

The municipal service review process does not require LAFCO to initiate changes of organization based on service review conclusions or findings; it only requires that LAFCO make determinations regarding the delivery of public services in accordance to the provisions of Government Code Section 56430. However, LAFCO, local agencies, and the public may subsequently use the determinations and related analysis to consider whether to pursue changes to service delivery, government organization, or spheres of influence.

Service reviews are informational documents which are generally exempt from environmental review. LAFCO staff has conducted an environmental evaluation for this report pursuant to the California Environmental Quality Act (CEQA) and determined that this report is exempt from CEQA. Such exemption is due to the fact that it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment (Section 15061[b][3]).

Structure of Report

This **Executive Summary** presents a brief overview of the service review, key findings, and recommended actions. The **District Profile** chapters contain individual evaluations for each of the 10 sanitation districts - highlighting specific characteristics, ongoing operations, current fiscal health, existing governance structure, ability to provide services, and its importance within its jurisdictional area. The profiles conclude with statutory determinations required for all service and sphere of influence reviews pursuant to the Cortese-Knox-Hertzberg Act. These chapters are followed by **Appendices** with sources used to conduct the service review.

Service Provision

Wastewater services within Santa Cruz County are provided by three cities, five special districts, and six CSAs. Facilities range from individual or small community septic systems to local wastewater collection systems and regional treatment plants. Wastewater systems are closely regulated both for health and environmental concerns. The Regional Water Quality Control Board regulates operations and discharges from sewage systems.

In accordance to the Commission's 2019 Work Program, the following 10 sanitation districts will be analyzed in this report. **Figure 9** on page 26 provides an overview map depicting the 10 subject agencies.

List of Subject Agencies:

1. Bear Creek Estates Wastewater System
2. County Service Area 2 (Place de Mer)
3. County Service Area 5 (Sand Dollar/Canon del Sol)
4. County Service Area 7 (Boulder Creek Country Club)
5. County Service Area 10 (Rolling Woods)
6. County Service Area 20 (Trestle Beach)
7. Davenport County Sanitation District
8. Freedom County Sanitation District
9. Salsipuedes Sanitary District
10. Santa Cruz County Sanitation District

CSA 12 (Wastewater Management) and the Cities of Santa Cruz, Scotts Valley, and Watsonville were analyzed in the previous service review cycle and are excluded in this 2019 report. LAFCO's website contains the service reviews for these four additional wastewater providers: <https://www.santacruzlafco.org/reviews/>.

Regulatory Requirements

All federal and state agencies, municipalities, counties, districts, and other public entities that own or operate sanitary sewer systems greater than one mile in length, that collect and/or convey untreated or partially treated wastewater to a publicly owned treatment facility in the State of California, are required to comply with the terms of the State Water Resources Control Board's Statewide Sanitary Sewer Systems General Order.

In 2006, the State Water Resources Control Board (State Water Board) adopted the existing Statewide Sanitary Sewer System Order. Through this General Order, the State Water Board began regulating the management of publicly owned sanitary sewer systems over one mile in length. The existing Order sets forth requirements for: (1) monitoring and reporting of spills, (2) preparation and implementation of system-specific Sanitary Sewer System Management Plans, and (3) local internal audits. As of December 2018, approximately 100,000 miles of sewer system pipelines from 1,099 public systems are regulated under the Order.

In 2019, State Water Board staff conducted several workshops to discuss possible updates to the statewide regulatory requirements based on analysis of the past 13 years of reported data and corresponding enforcement activity. The purpose of the workshops were to obtain public input regarding proposed revisions to the existing Sanitary Sewer Systems Order. Topics of proposed revisions included:

- Regulation of larger private collection systems;
- System-specific requirements to address climate change, and system resiliency;
- Regulatory incentives for good compliance record; and
- A clarified enforcement process.

It is unknown when, or if any, revisions will be implemented. If any changes do occur, it may affect how sanitation districts in Santa Cruz County operate, maintain, and repair their aging infrastructure. Changes may also increase the financial constraints already being faced by several agencies analyzed in this report.

Growth and Population

The Association of Monterey Bay Area Governments (AMBAG) indicates that the unincorporated areas within Santa Cruz County will experience a slow growth over the next fifteen years. The 2018 AMBAG Regional Growth Forecast Report states that the population in unincorporated territory will grow at a rate of approximately 1% every five years. Based on this anticipated growth rate, LAFCO staff calculated the estimated population for each subject agency from 2020 to 2035, as shown below:

Table 1: Population Estimates

Sanitation District	2020	2025	2030	2035
Bear Creek Estates Wastewater System	185	186	188	189
CSA 2 (Place de Mer)	170	171	173	175
CSA 5 (Sand Dollar/Canon del Sol)	220	222	225	227
CSA 7 (Boulder Creek Country Club)	657	663	670	676
CSA 10 (Rolling Woods)	888	896	903	911
CSA 20 (Trestle Beach)	42	43	43	44
Davenport County Sanitation District	217	219	222	224
Freedom County Sanitation District	4,158	4,200	4,284	4,327
Salsipuedes Sanitary District	2,153	2,171	2,189	2,207
Santa Cruz County Sanitation District	72,922	73,651	74,388	75,132
Total	81,612	82,422	83,285	84,112

Population growth will continue to affect the agencies providing wastewater services as they upgrade their systems to comply with regulatory changes and maintain service levels. In general, CSAs, small package treatment plants, and their wastewater disposal systems may not be an efficient method of providing wastewater service for the rural areas of the County due to three primary factors: (1) the rising costs of addressing aging infrastructure, (2) the lack of revenue streams to cover current and long-term liabilities, and (3) the reliability of larger agencies with established treatment plants. Based on the findings discussed in this report, all future dense developments should consider connecting to existing wastewater facilities rather than establishing small, limited sewer collection systems.

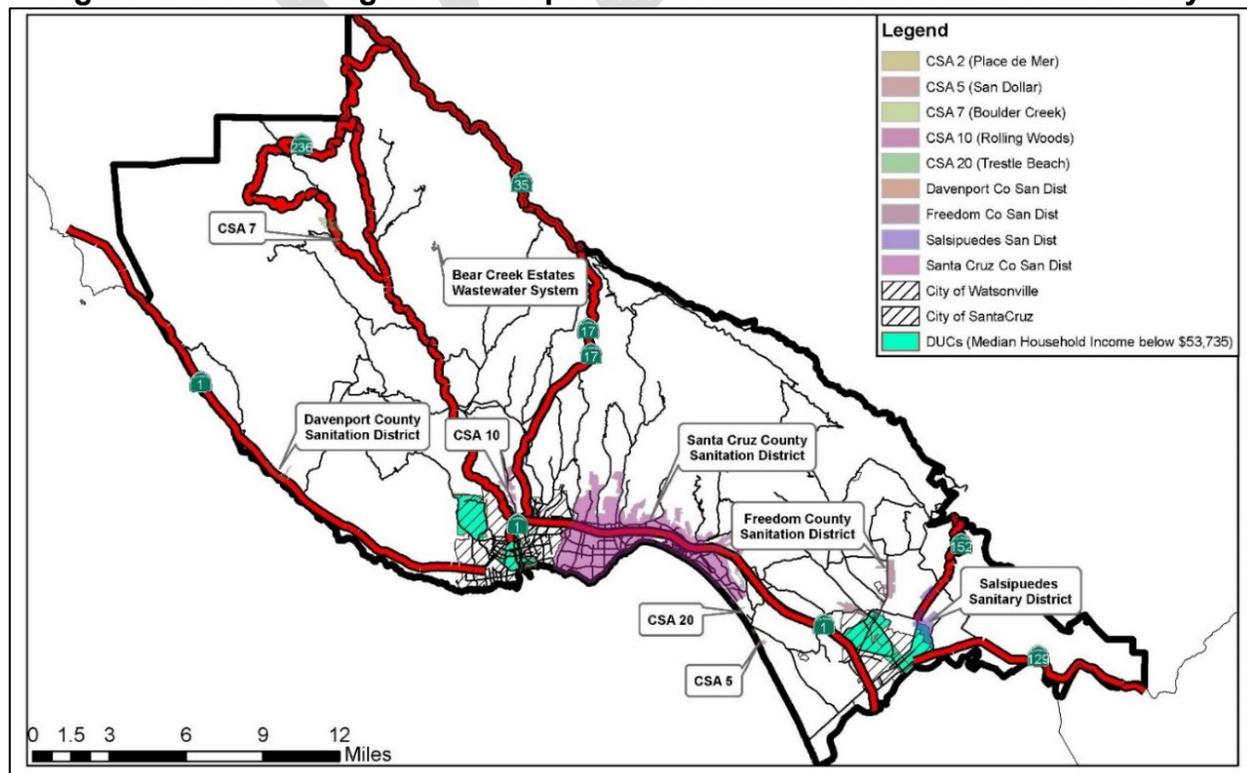
Disadvantaged Unincorporated Communities

In accordance to Senate Bill 244, which became effective on January 1, 2012, state law requires the identification and description of all “disadvantaged unincorporated communities” (DUCs) located within or contiguous to the existing spheres of influence of cities and special districts which provide fire protection, sewer, and/or water services (Government Code Section 56046). DUCs are defined as inhabited unincorporated areas with an annual median household income that is 80% or less than the statewide annual median household income. The identified disadvantaged unincorporated communities must be addressed by LAFCO when:

- Considering a city annexation proposal involving 10 or more acres with an existing disadvantaged unincorporated community located contiguous to the proposal area; and
- Approving sphere of influence and municipal service review determinations associated with the update or establishment of spheres of influence for local agencies subject to SB 244 requirements.

In 2017, the California statewide annual median household income was \$67,169¹, and 80% of that was \$53,735. LAFCO staff utilized the ArcGIS mapping program to locate potential DUCs in Santa Cruz County. Staff’s analysis initially found four areas that may be considered DUCs, as shown in **Figure 1**. Based on the criteria set forth by SB 244, in conjunction with further evaluation of these areas, staff determined that there is only one official DUC located within the Freedom County Sanitation District. An overview of the four areas are discussed in the following pages and later in the report.

Figure 1: Disadvantaged Unincorporated Communities in Santa Cruz County

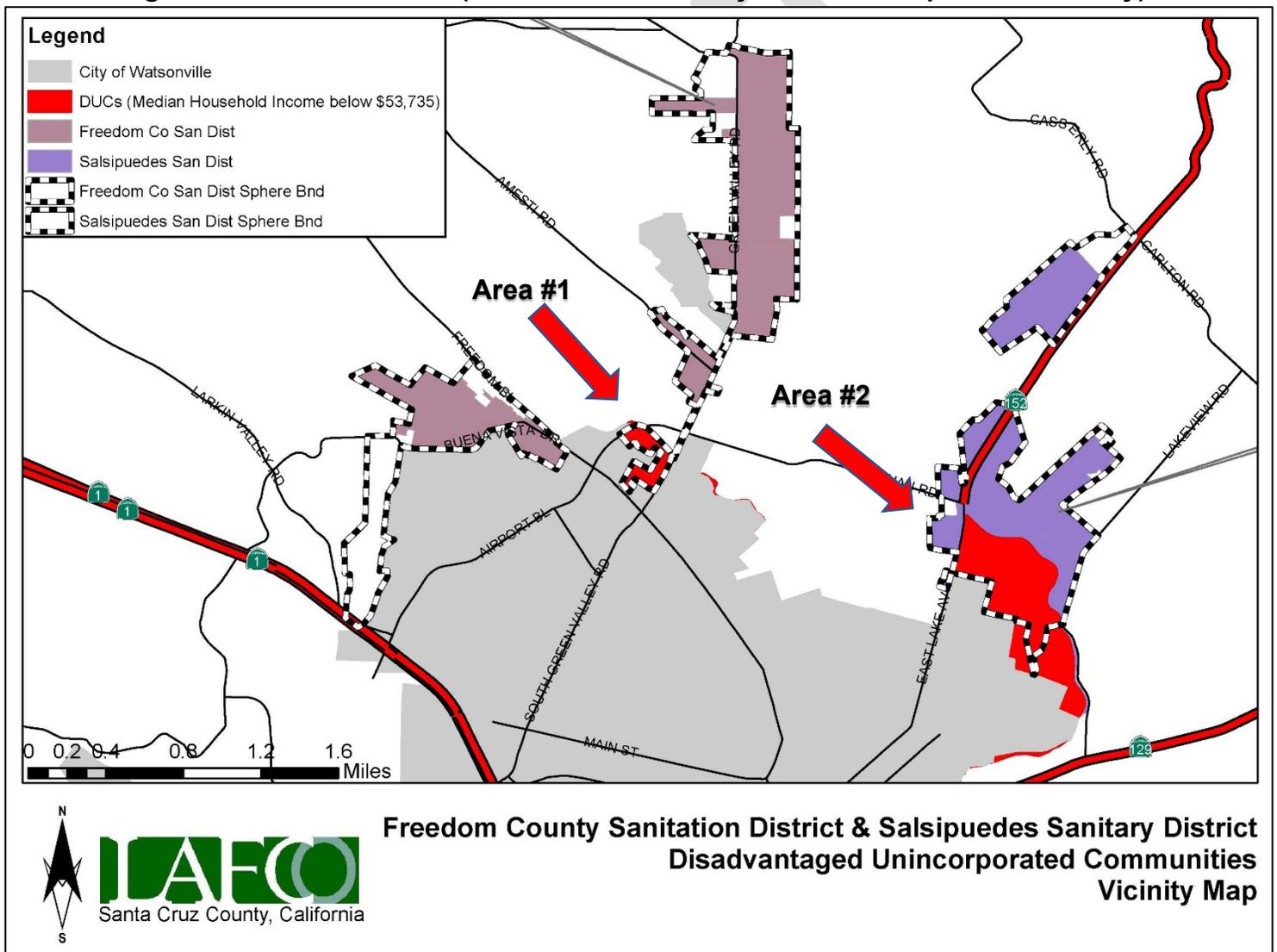


¹ 2013-2017 American Community Survey 5-year Estimates

Areas #1 and #2 (near Freedom Co. Sanitation District & Salsipuedes Sanitary District)

Based on the criteria set forth by SB 244, staff's initial analysis located one DUC within the Freedom County Sanitation District's service and sphere boundaries (Area #1) and one DUC within and outside Salsipuedes Sanitary District's service and sphere boundaries (Area #2). Area #1, located near Airport Boulevard, is built-out with single-family homes. This area is an unincorporated community immediately outside Watsonville's city limits. Since Area #1 meets the criteria under SB 244, LAFCO staff should evaluate this community in more detail if a proposed reorganization or future boundary adjustment is considered within or adjacent to this DUC. Area #2, located south of Holohan Road, is uninhabited and designated as Commercial Agriculture² in the County's General Plan. Since Area #2 is undeveloped and uninhabited, the Commission should not consider this area as a DUC in future boundary changes.

Figure 2: Areas #1 and #2 (near Freedom County SD and Salsipuedes Sanitary)

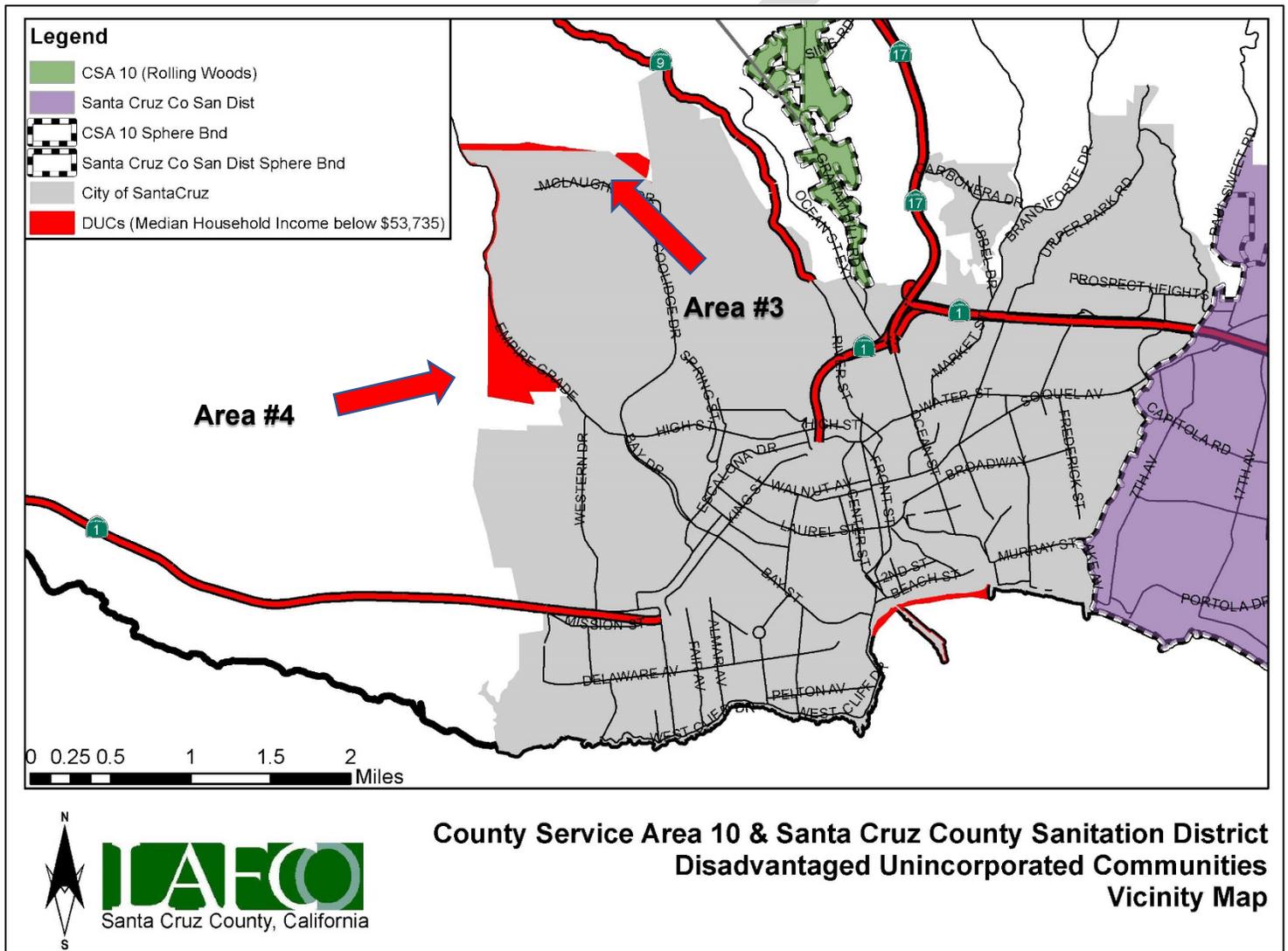


² Commercial agriculture, farm buildings, livestock raising, greenhouses, farm worker camps. One single-family dwelling.

Areas #3 and #4 (near CSA 10 and Santa Cruz County Sanitation District)

Based on the criteria set forth by SB 244, staff's initial analysis located two DUCs near CSA 10 and the Santa Cruz County Sanitation District (Areas #3 and #4). However, these two areas are not within or adjacent to a sanitation districts' service or sphere boundary, as shown in the figure below. Additionally, these two areas are within vacant parcels outside the University of California, Santa Cruz. The County's General Plan designates Area #3, located north of McLaughlin Drive, as Special Use³. Area #4, located south of Empire Grade, is designated as Commercial Agriculture. Based on the two identified sites being undeveloped and uninhabited, the Commission should not consider these areas as a disadvantaged unincorporated community in future boundary changes.

Figure 3: Areas #3 and #4 (near CSA 10 and Santa Cruz County Sanitation District)



³ Special Use - All uses allowed in the "RA" or "R-1" zone district provided the use is consistent with the General Plan. All other permitted or conditionally permitted uses provided they are consistent with the General Plan and a Level 5 use approval is obtained.

Infrastructure Components

Wastewater infrastructure includes septic systems, collection and sewer main lines, lift stations, treatment plants and recycled water treatment systems. The geography of the local area, water quality conditions, accessibility of treatment facilities, and funding are factors in determining the type of system used and infrastructure needs. Parcels that are not in proximity to a public sewer system and meet certain requirements may use individual septic systems; some geographically isolated communities share a community septic system or use an onsite package treatment plant. Developed areas are served by collection systems with treatment provided at local or regional facilities. One treatment plant, operated by the Davenport County Sanitation District, is currently producing recycled water.

The following table summarizes the wastewater infrastructure for the 10 sanitation districts:

Table 2: Wastewater Infrastructure Summary

Sanitation District	Agency Formation	Type of System	Treatment Level	No. of Connections	No. of Lift Stations	Miles of Sewer Line
Bear Creek Estates	1985	Septic and Collection System	N/A	56	2	1.2
CSA 2	1968	Septic	N/A	97	2	0.4
CSA 5	1972	Package Treatment	Secondary	184	2	1.15
CSA 7	1968	Collection and Treatment	Secondary	263	5	3.0
CSA 10	1970	Collection	N/A	104	1	3.5
CSA 20	1980	Collection, and Treatment	Secondary	21	1	0.3
Davenport Co	1979	Collection, Treatment, and Recycled Water	Tertiary	108	3	3.0
Freedom Co	1965	Collection	N/A	1,859	9	15.3
Salsipuedes	1965	Collection	N/A	512	2	7.0
Santa Cruz Co	1973	Collection	N/A	36,000	35	220.0

Footnote: Data from the County's 2017 Sewer System Management Plan and input from the subject agencies.

Aging infrastructure and the need for repair, replacement, or upgrades are a growing concern for most of the 10 sanitation districts. In some cases, a lack of funding has postponed certain capital improvement projects. Not all sanitation districts have an adopted capital improvement plan in place. The need for long-term maintenance planning should be established by all sanitation districts to identify adequate funding in order to address current and future maintenance, replacement, and/or upgrades to an aging infrastructure.

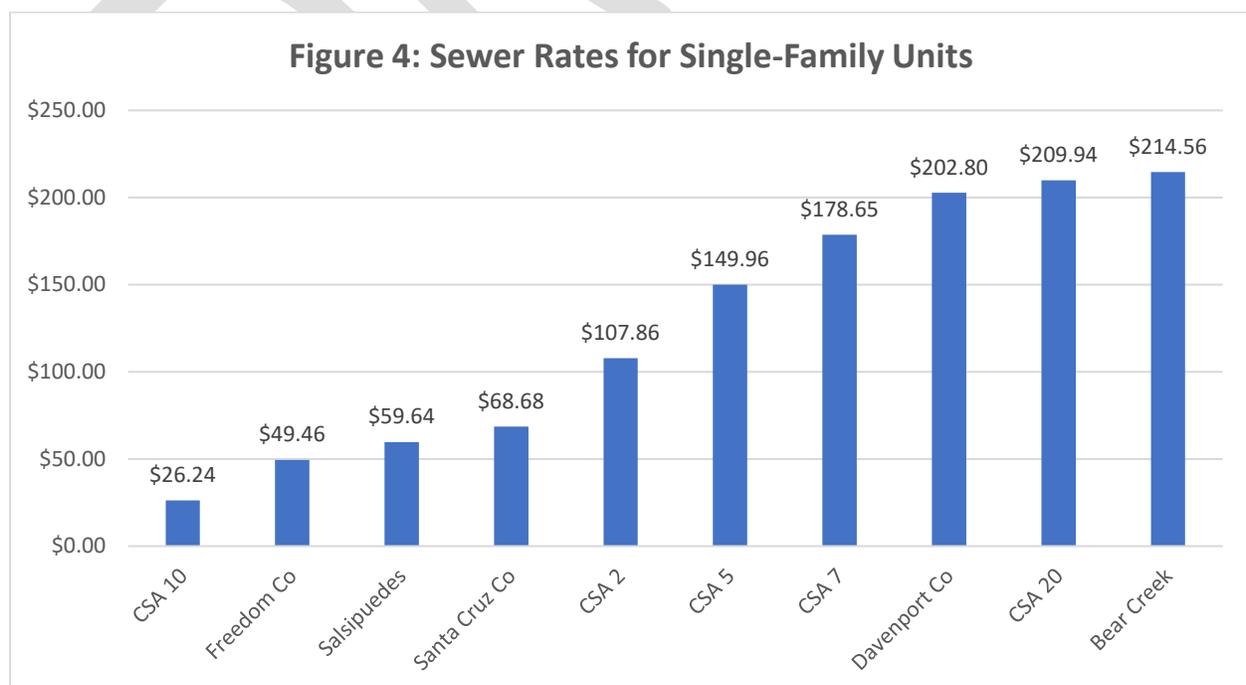
Funding Source

Wastewater services are primarily funded through sewer charges. Wastewater service rates include flat residential rates with commercial and institutional accounts being charged a base rate plus quantity charge. The following table summarizes the current annual wastewater rates. A full review of all wastewater rates for each sanitation district is discussed in the District Profile Chapters within the report.

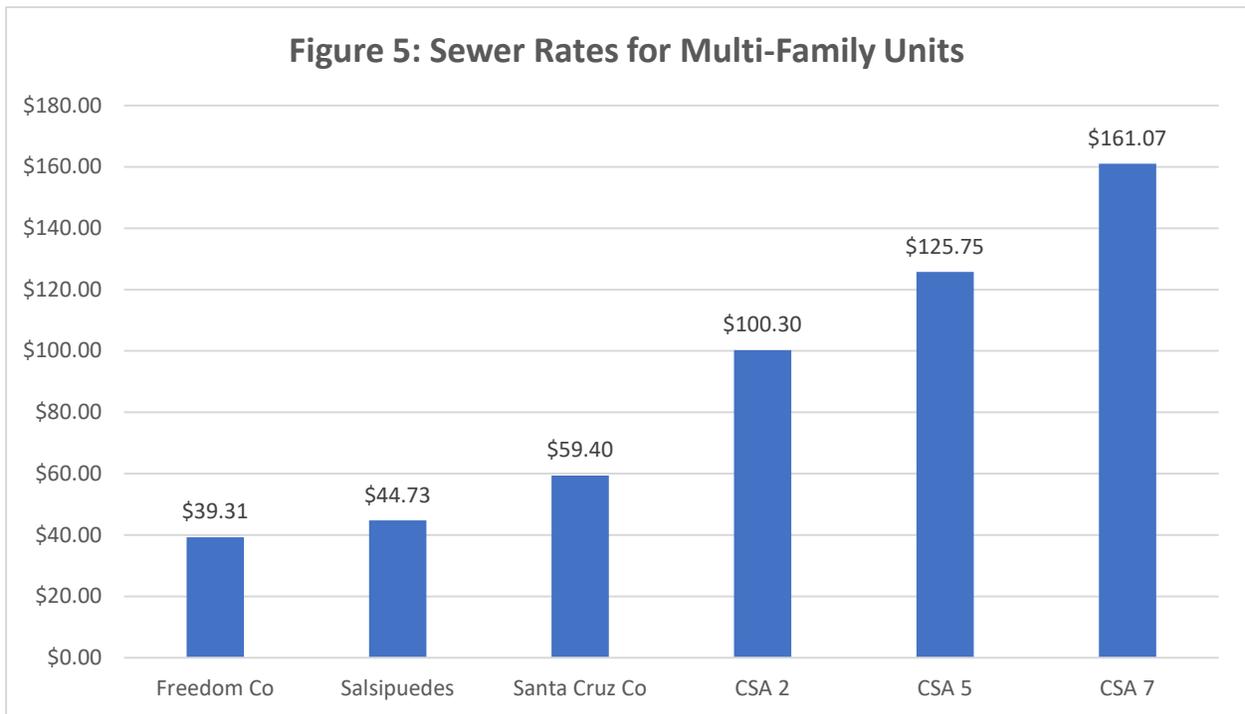
Table 3: Annual Sewer Rates (FY 19-20 data)

	Single Family	Multi Family	Mobile Home	Commercial Use	School Sites
Bear Creek	\$2,574.72	-	-	-	-
CSA 2	\$1,294.36	\$1,203.57	-	-	\$803.26
CSA 5	\$1,799.49	\$1,509.00	-	-	-
CSA 7	\$2,143.82	\$1,509.00	-	-	-
CSA 10	\$314.92	-	-	-	-
CSA 20	\$2,519.29	-	-	\$1,479.15	-
Davenport Co	\$2,433.56	-	-	\$368.40	\$368.40
Freedom Co	\$593.54	\$471.70	\$546.64	\$146.26	\$146.26
Salsipuedes	\$715.68	\$536.76	-	\$122.40	-
Santa Cruz Co	\$824.16	\$712.80	\$612.48	\$6,096.68	-

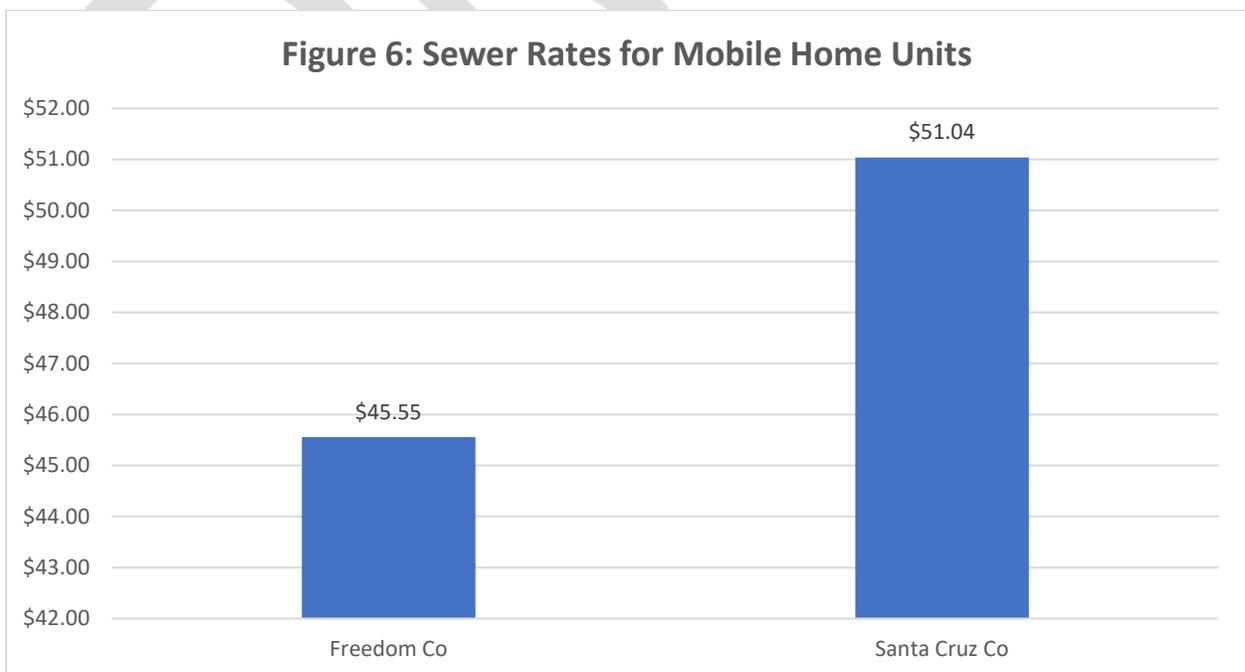
For comparison purposes, the following figures depict the sewer rates by category and monthly costs. All 10 sanitation districts have single family-units within their jurisdiction. The lowest rate for single-family units is offered by CSA 10 (\$26.24/month) and the highest is from Bear Creek Estates Wastewater System (\$214.56/month), as shown in **Figure 4**.



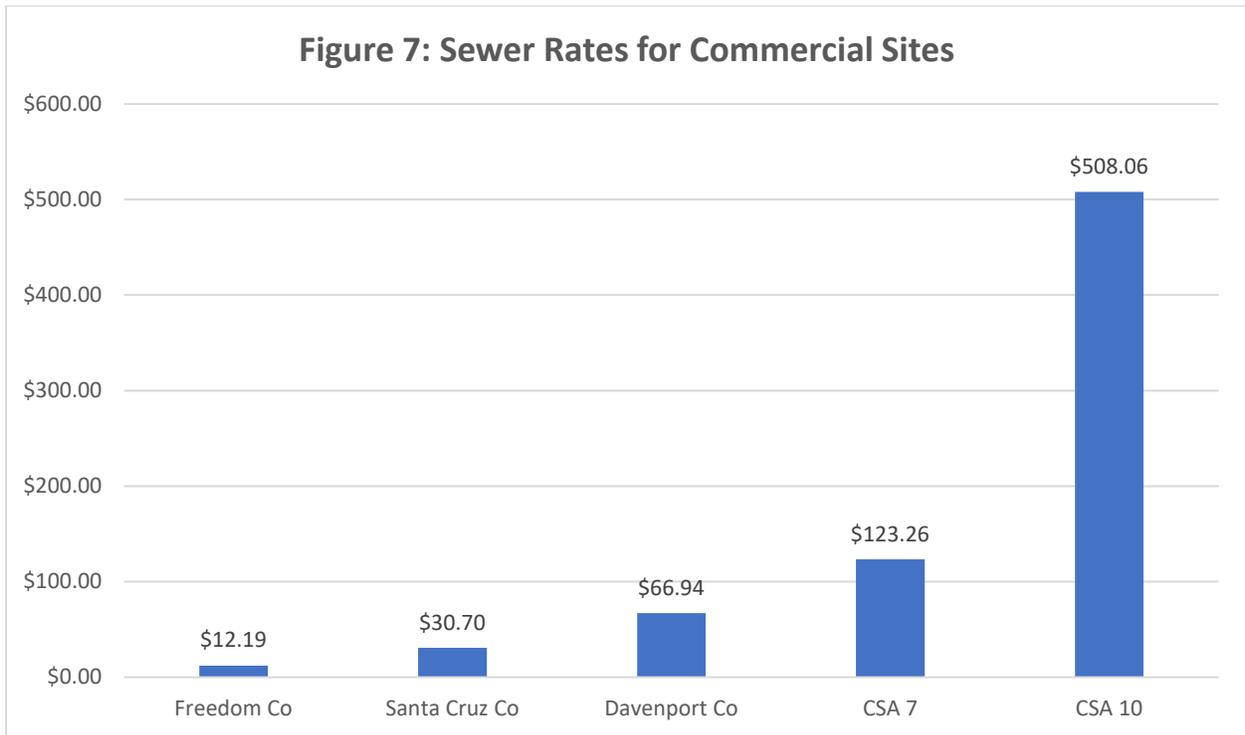
More than half of the 10 sanitation districts provide sewer service to multi-family residential units. The lowest rate for multi-family units is offered by Freedom County Sanitation District (\$39.31/month) and the highest is from CSA 7 (\$161.07/month), as shown in **Figure 5**.



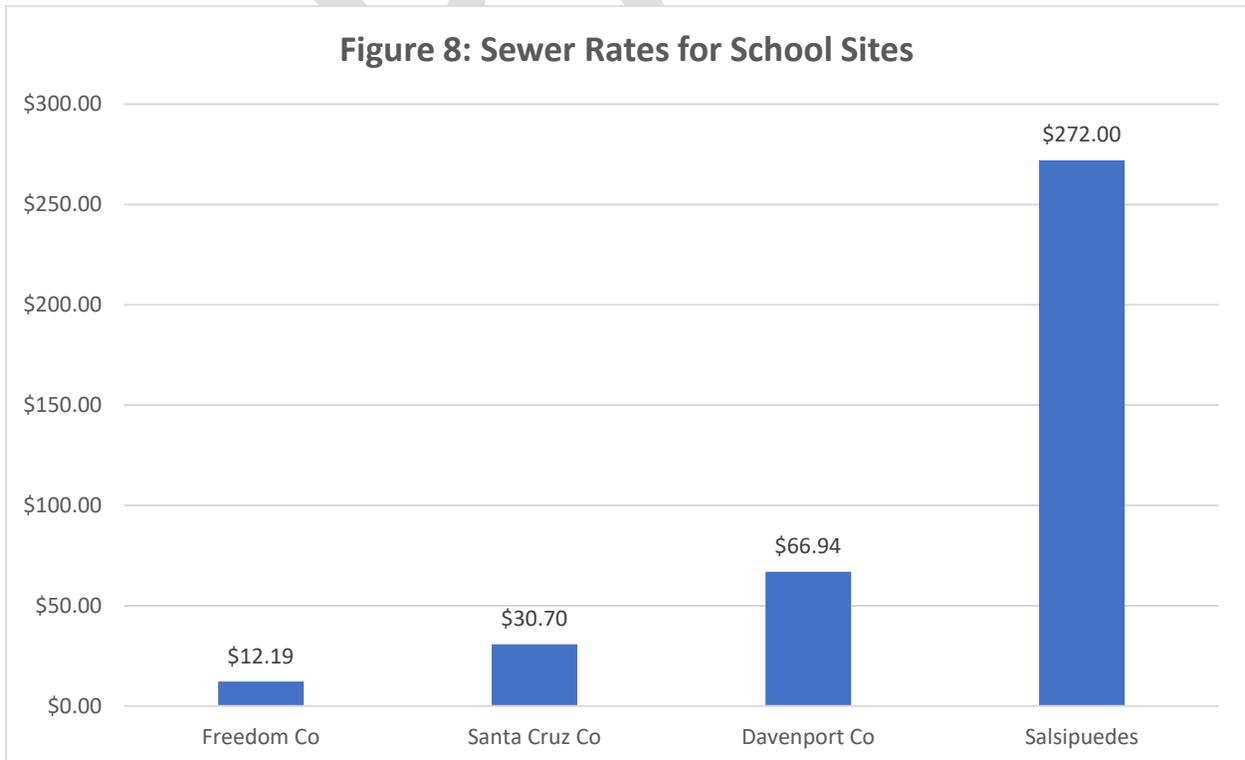
Only 2 of the 10 sanitation districts provide sewer service to mobile home units. Freedom County Sanitation District currently offers the lowest sewer rate (\$45.55/month) when compared to Santa Cruz County Sanitation District's sewer rates for mobile home units (\$51.04/month), as shown in **Figure 6**.



Half of the 10 sanitation districts provide sewer service to commercial sites. The lowest rate for commercial areas is offered by Freedom County Sanitation District (\$12.19/month) and the highest is from CSA 10 (\$508.06/month), as shown in **Figure 7**.



Only 4 of the 10 sanitation districts provide sewer service to school sites. Freedom County Sanitation District currently offers the lowest sewer rate (\$12.19/month) and the highest rate is from Salsipuedes Sanitary District (\$272/month), as shown in **Figure 8**.



Potential Countywide Coordination

Out of the 10 sanitation districts being analyzed in this report, it is noteworthy to highlight that the County manages and operates 8 of these agencies. More importantly, there is an overall coordination between the 10 sanitation districts and other regional treatment plant operators, including the Cities of Santa Cruz and Watsonville.

- **City of Santa Cruz** operates and maintains a regional wastewater treatment and disposal facility. Wastewater treatment and ocean outfall disposal are provided for the City of Santa Cruz and the Santa Cruz County Sanitation District, which include Live Oak, Capitola, Soquel and Aptos. Ocean outfall disposal is provided for the City of Scotts Valley.
- **City of Watsonville** operates as a regional treatment plant service for the City, the Freedom County Sanitation District, Pajaro Dunes, the Salsipuedes Sanitary District, and the Pajaro County Sanitation District in Monterey County. Additionally, the City of Watsonville has partnered with Pajaro Valley Water Management Agency in treating municipal wastewater through the Water Recycle Plant. The treated water is mixed with well water, delivered through the PVWMA's coastal distribution system, and used for crop irrigation.

These partnerships are based on separate contracts and agreements. It may be beneficial to explore opportunities to combine or establish a regional agreement through a Countywide Memorandum of Understanding or the creation of a Joint Powers Authority.

- **Memorandum of Understanding (MOU)** – A Memorandum of Understanding describes an agreement between two or more parties: in this case, the local agencies that provide sewer services in Santa Cruz County. The MOU expresses a convergence of will between the parties, specifying an intended common line of action or goal. The purpose of a MOU is to formally agree on the objectives, roles and ground rules of the partnership between the local governments that holds the mandate for service provision and the implementing organization. Establishing a clear agreement can help prevent conflict and reputational harm because expectations discussed, agreed and documented at an early stage leaves less room for misinterpretation. It also increases transparency in the relationship with the public authority and allows holding either party accountable to their commitments⁴.
- **Joint Powers Authority (JPA)** – defined by the California State Legislature Senate Local Government Committee is a formal, legal agreement between two or more public agencies that share a common power and want to jointly implement programs, build facilities, or deliver services. Officials from those public agencies formally approve a cooperative arrangement. JPAs offer another way for governments to deliver services. With a joint powers agreement, a member agency agrees to be responsible for delivering a service on behalf of the other member agencies. For example, the County of Marin, the City of Larkspur, and other special districts recently formed a joint powers authority to plan, acquire, construct,

⁴ Definition and purpose provided by the Water Integrity Network: <https://www.waterintegritynetwork.net/2018/03/23/11124/>

maintain and operate facilities, for either joint or sole use, for the collection, treatment, reclamation and disposal of sewage and other wastewater for the benefit of lands and inhabitants within the collective boundaries of the “Members⁵.”

Several sanitation districts analyzed in this report have expressed interest in transferring sewer responsibilities to another agency due to funding issues, limited long-term planning, or lack of economies of scale. The establishment of a countywide memorandum of understanding or a joint powers authority may unify the already-established collaboration set by the sanitation providers in the County. Such agreements may also lay the foundation for future changes of organization, including but not limited to annexations, consolidations, or mergers.

Sphere of Influence

City and special district spheres of influence define the probable physical boundaries and service area of a local agency, as determined by the Commission (Government Code Section 56076). The law requires that spheres be updated at least once every five years, either concurrently or subsequently to the preparation of Municipal Service Reviews. Spheres are determined and amended solely at the discretion of the Commission. In determining the sphere of influence for each local agency, the Commission is required by Government Code Section 56425(e) to consider certain factors, including:

- ❖ The present and planned uses in the area, including agricultural and open-space lands;
- ❖ The present and probable need for public facilities and services in the area;
- ❖ The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide;
- ❖ The existence of any social or economic communities of interest in the area if the commission determines that they are relevant to the agency; and
- ❖ An update on a sphere of influence for a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, that occurs pursuant to subdivision (g) on or after July 1, 2012, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.

Reaffirmation of all sphere boundaries is being recommended except for CSA 20 and the Bear Creek Estates Wastewater System. Based on staff’s analysis, these two service providers do not have an adopted sphere of influence. LAFCO staff is recommending a zero sphere for the Bear Creek Estates Wastewater System and a coterminous sphere for CSA 20. A “zero” sphere of influence indicates that the district should be dissolved, and sewer responsibilities should be transferred to another local agency. A “coterminous” sphere of influence is identical to the agency’s jurisdictional boundary.

⁵ Information based on June 2018 Joint Exercise of Powers Agreement:
<https://www.cmsa.us/assets/documents/administrative/2018%20CMSA%20JPA%20with%20Exhibits.pdf>

Key Findings

The following are key findings of the 2019 Comprehensive Sanitation Service and Sphere of Influence Review:

Bear Creek Estates Wastewater System

1. The System is a small component of the San Lorenzo Valley Water District.

The San Lorenzo Valley Water District (SLVWD) was formed back in 1941 and provides water service to approximately 7,900 connections throughout the communities of Boulder Creek, Brookdale, Ben Lomond, Felton, Zayante, and southern Scotts Valley. Since the development of the Bear Creek Estates subdivision back in 1985, SLVWD has also been providing sewer service to 56 connections under the governance of the Bear Creek Estates Wastewater System. This residential subdivision has approximately 183 residents and represents approximately 2% of the total population within the San Lorenzo Valley Water District. The District has expressed interest in transferring sewer service responsibilities to another local agency.

2. The System is facing financial constraints.

The Bear Creek Estates Wastewater System has experienced an annual deficit over the past six years. Audited financial statements from Fiscal Years 2013 to 2018 indicate that the annual shortage has ranged from \$2,200 to \$60,000. As of June 30, 2018, the System is operating with a net position of approximately \$339,000 with no current assets or cash available. LAFCO staff projects that this negative trend will continue unless the System increases its overall revenue stream or decreases annual expenses.

3. The System does not have a sphere of influence boundary.

LAFCO has established a sphere of influence for the San Lorenzo Valley Water District. However, based on staff's analysis and research, it was determined that there is no sphere of influence for the Bear Creek Estates Wastewater System. Due to the ongoing financial constraints, in conjunction with SLVWD's interest in transferring sewer responsibilities to another local agency, LAFCO staff recommends adopting a "zero" sphere of influence for the Bear Creek Estates Wastewater System.

The Commission may adopt a "zero" sphere of influence (encompassing no territory) for an agency when the Commission has determined that the public service functions of the agency are either: nonexistent, no longer needed, or should be reallocated to some other agency of government. The adoption of a "zero" sphere indicates that the Bear Creek Estates Wastewater System should ultimately be dissolved, and sewer responsibilities transferred to another local agency.

County Service Area 2

1. CSA 2 provides sewer service to the Place de Mer subdivision with a community septic system.

County Service Area 2 has been collecting and disposing wastewater from the ocean-front residential development in La Selva Beach, known as Place de Mer, since the construction of the septic system back in 1972. The current two-pump station community septic tank system has 97 connections and serves about 168 residents.

2. CSA 2 is financially stable.

County Service Area 2's financial ability to provide services is well-established. The CSA has successfully kept costs below its revenue stream since 2013. Audited financial statements from Fiscal Years 2013 to 2017 indicate that total revenue for CSA 2 exceeded total expenditures. As of June 30, 2018, CSA 2 is operating with a net position of approximately \$579,000, of which \$493,000 is in cash and investments.

3. CSA 2 does not have a long-term maintenance or capital improvement plan.

The County currently has a countywide capital improvement plan and a specific capital improvement plan for the Santa Cruz County Sanitation District. Additionally, the County has adopted a Sewer System Management Plan (SSMP). However, CSA 2 does not have any current or proposed sewer-related capital improvement projects scheduled at this time, and is not part of the County's SSMP.

The County has indicated that the existing community septic tank system is undersized and requires new larger tanks and new leach pits. Estimated costs for these upgrades are expected to be around \$1-2 million. CSA 2 does not have the reserves to pay for the required septic system upgrade. The County should consider developing a specific capital improvement plan and/or long-term maintenance plan that covers the sanitation districts managed and operated by the Public Works Department – Davenport, Freedom, Santa Cruz County Sanitation Districts, and CSAs 2, 5, 7, 10, and 20.

4. CSA 2's sphere of influence is coterminous with its jurisdictional boundary.

LAFCO originally adopted a coterminous sphere of influence for CSA 2 in 1988. A coterminous sphere of influence is identical to the agency's jurisdictional boundary. For the past 30 years, the sphere boundary has remained unchanged. LAFCO staff, along with representatives of CSA 2, do not recommend any changes to the sphere of influence at this time.

County Service Area 5

1. CSA 5 provides sewer service to the Sand Dollar/ Canon del Sol community with a package treatment plant.

County Service Area 5 operates two separate treatment plants and serves over 200 residents. The Sand Dollar treatment plant was constructed in 1967 and the Canon del Sol treatment plant was constructed in 1982. CSA 5 currently has 184 connections and approximately 1.2 miles of sewer line.

2. CSA 5's sewer rates are based on residential units.

County Service Area 5's annual sewer rates derive from the single-family residential units in the Sand Dollar area and the condominiums in the Canon del Sol area. Each community has its own sewer rate. These annual rates are the primary source of revenue for the CSA. Audited financial statements from Fiscal Years 2013 to 2018 indicate that CSA 5 has experienced a fiscal shortage in two separate years (FY 14-15 and FY 17-18). As of June 30, 2018, CSA 5 is operating with a net position of approximately \$788,000, of which \$311,000 is in cash and investments.

3. CSA 5 does not have a long-term maintenance or capital improvement plan.

The County currently has a countywide capital improvement plan and a specific capital improvement plan for the Santa Cruz County Sanitation District. Additionally, the County has adopted a Sewer System Management Plan. However, CSA 5 does not have any current or proposed sewer-related capital improvement projects scheduled at this time.

The County has indicated that a grating must be installed over the existing aeration tank. Estimated costs for this installation are expected to be over \$100,000. CSA 5 currently has enough reserves to pay for the installation at this time. However, if there is a system failure that occurs and must be fixed on an emergency basis, CSA 5 may require additional funds. The County should consider developing a specific capital improvement plan and/or long-term maintenance plan that covers the sanitation districts managed and operated by the Public Works Department – Davenport, Freedom, Santa Cruz County Sanitation Districts, and CSAs 2, 5, 7, 10, and 20.

4. CSA 5's sphere of influence is coterminous with its jurisdictional boundary.

LAFCO originally adopted a coterminous sphere of influence for CSA 5 in 1988. A coterminous sphere of influence is identical to the agency's jurisdictional boundary. For the past 30 years, the sphere boundary has remained unchanged. LAFCO staff, along with representatives of CSA 5, do not recommend any changes to the sphere of influence at this time.

County Service Area 7

1. CSA 7 provides sewer service to the Boulder Creek area with a wastewater plant.

County Service Area 7 has a wastewater collection and treatment plant that treats the domestic wastewater from the Boulder Creek Country Club and surrounding houses. The all-in-one wastewater treatment plant consists of an equalization tank, aeration tank, and a clarifier to remove solids, and the treated effluent is discharged to leach fields. CSA 7 has 263 connections and serves over 600 residents.

2. CSA 7 is financially sound.

County Service Area 7's financial ability to provide services is well-established. The CSA has successfully kept costs below its revenue stream since 2013. Audited financial statements from Fiscal Years 2013 to 2018 indicate that the increase in net position has ranged from \$95,000 to \$143,000. As of June 30, 2018, CSA 7 is operating with a net position of approximately \$1.8 million, of which \$1 million is in cash and investments.

3. CSA 7 does not have a long-term maintenance or capital improvement plan.

The County currently has a countywide capital improvement plan and a specific capital improvement plan for the Santa Cruz County Sanitation District. Additionally, the County has adopted a Sewer System Management Plan. However, CSA 7 does not have any current or proposed sewer-related capital improvement projects scheduled at this time.

The County has indicated that the wastewater treatment plant is deteriorating and in need of repair. Estimated costs for the necessary repairs are expected to be approximately \$500,000. Replacement and rehabilitation are also needed at some of the CSA's sewer

pump stations and sewer mains, which will require additional funding. CSA 7 currently has enough reserves to pay for the repairs at this time. However, if there is a system failure that occurs and must be fixed on an emergency basis, CSA 7 may require additional funds. The County should consider developing a specific capital improvement plan and/or long-term maintenance plan that covers the sanitation districts managed and operated by the Public Works Department – Davenport, Freedom, Santa Cruz County Sanitation Districts, and CSAs 2, 5, 7, 10, and 20.

4. CSA 7's sphere of influence is smaller than its jurisdictional boundary.

LAFCO originally adopted a sphere of influence for CSA 7 back in 1987. The Commission, at that time, adopted a sphere boundary that excluded 3 parcels. This area outside the sphere of influence, but within CSA 7, is approximately 32 acres, undeveloped, and mostly open terrain. The exclusion of this area from the adopted sphere of influence indicates that the subject area should be detached from CSA 7. The County General Plan designates this area as "R-1" Single Family Residential. It is unknown whether future developments are scheduled in this particular area. Therefore, LAFCO staff does not recommend detachment or a change to the sphere of influence boundary at this time.

County Service Area 10

1. CSA 10 provides sewer service to the Graham Hill corridor with a collection line.

County Service Area 10 operates a sanitary sewer collection system and serves the residential areas of Rolling Woods and Woods Cove, as well as the Pasatiempo Golf Club. The County currently has a contractual agreement with the City of Santa Cruz to transfer collected wastewater to the City of Santa Cruz's treatment system. The City treats the sewage at its Neary Lagoon Wastewater Treatment Facility and disposes the treated wastewater into the Pacific Ocean off West Cliff Drive. CSA 10 has 104 connections and serves almost 900 residents.

2. CSA 10 is financially stable.

County Service Area 10's financial ability to provide services is well-established. The CSA has successfully kept costs below its revenue stream since 2013. Audited financial statements from Fiscal Years 2013 to 2018 indicate that the increase in net position has ranged from \$2,700 to \$95,000. As of June 30, 2018, CSA 10 is operating with a net position of approximately \$797,000, of which \$687,000 is in cash and investments.

3. CSA 10 does not have a long-term maintenance or capital improvement plan.

The County currently has a countywide capital improvement plan and a specific capital improvement plan for the Santa Cruz County Sanitation District. Additionally, the County has adopted a Sewer System Management Plan. However, CSA 10 does not have any current or proposed sewer-related capital improvement projects scheduled.

The County has not identified any infrastructure needs at this time. However, repairs, installations, and other infrastructure issues are being faced by other CSAs. CSA 10 currently has approximately \$680,000 in cash on hand. If there is a major infrastructure repair or a system failure that requires immediate restoration, CSA 10 may require additional funds. The County should consider developing a specific capital improvement plan and/or long-term maintenance plan that covers the sanitation districts managed and

operated by the Public Works Department – Davenport, Freedom, Santa Cruz County Sanitation Districts, and CSAs 2, 5, 7, 10, and 20.

4. CSA 10's sphere of influence is coterminous with its jurisdictional boundary.

LAFCO originally adopted a sphere of influence for the District in 1984. In 2014, the Commission approved a reorganization that transferred sewer services from CSA 57 to CSA 10. In total, 299 parcels were annexed into CSA 10 under this reorganization. As part of the reorganization, CSA 10's sphere of influence was amended to reflect the annexation. Today, CSA 10's sphere is coterminous with its service area. A coterminous sphere of influence is identical to the agency's jurisdictional boundary. LAFCO staff, along with representatives of CSA 10, do not recommend any changes to the sphere of influence at this time.

County Service Area 20

1. CSA 20 provides sewer service to the Trestle Beach community with a collection and treatment plant.

County Service Area 20 operates a collection and treatment plant located in the Trestle Beach subdivision near La Selva Beach. The wastewater system provides on-site treatment to a secondary level and serves a small community of around 40 residents. The Public Works Department has indicated that the current infrastructure is aging, deteriorating, and in need of repair.

2. CSA 20 is facing financial constraints.

County Service Area 20 has experienced an annual deficit over the past six years. Audited financial statements from Fiscal Years 2013 to 2018 indicate that the annual shortage has ranged from \$400 to \$16,000. As of June 30, 2018, CSA 20 is operating with a net position of approximately \$33,000. LAFCO staff projects that this negative trend will continue unless the CSA increases its overall revenue stream or decreases annual expenses.

3. CSA 20 does not have a long-term maintenance or capital improvement plan.

The County currently has a countywide capital improvement plan and a specific capital improvement plan for the Santa Cruz County Sanitation District. Additionally, the County has adopted a Sewer System Management Plan (SSMP). However, CSA 20 does not have any current or proposed sewer-related capital improvement projects scheduled at this time, and is not part of the County's SSMP.

The County has indicated that the existing treatment plant requires approximately \$95,000 in repairs. CSA 20 does not have the reserves to pay for the required repairs. The County should consider developing a specific capital improvement plan and/or long-term maintenance plan that covers the sanitation districts managed and operated by the Public Works Department – Davenport, Freedom, Santa Cruz County Sanitation Districts, and CSAs 2, 5, 7, 10, and 20.

4. CSA 20 does not have a sphere of influence boundary.

LAFCO originally adopted spheres of influence for a number of CSAs back in the 1980s. However, based on staff's analysis and research, it was determined that there is no

sphere of influence for CSA 20. In accordance to Government Code Section 56425, the Commission shall adopt a sphere of influence for cities, special districts, and county service areas.

During the months of August and September, LAFCO staff met with representatives of CSA 20 to discuss the sphere designation. While the CSA is currently experiencing a financial shortage, the County will be working to make CSA 20 economically sustainable. As a result of our ongoing discussions, LAFCO staff, in conjunction with CSA 20 representatives, recommend that the Commission adopt a coterminous sphere of influence. If the financial shortage continues, the Commission should consider a zero sphere during the next service review cycle.

Davenport County Sanitation District

1. The District collects, treats, and provides recycled water to the Davenport community with a wastewater plant.

The Davenport County Sanitation District owns and operates a wastewater treatment facility serving the community of Davenport, which includes a domestic wastewater collection system, influent headworks, aerated lagoon, sand filter, and a chlorine contact tank. The District currently has 108 connections and serves over 200 residents.

2. The District has experienced financial deficits.

The Davenport County Sanitation District has recently experienced annual deficits. Audited financial statements from Fiscal Years 2013 to 2017 indicate that the annual shortage has ranged from \$18,000 to \$120,000. As of June 30, 2018, the District is operating with a net position of approximately \$6.8 million. However, cash and investments, on average, represent only 1% of total net position. LAFCO staff projects that this negative trend will continue unless the CSA increases its overall revenue stream or decreases annual expenses.

3. The District may experience a higher demand from the former CEMEX property.

The CEMEX plant closed in 2008. The County has indicated that if the CEMEX plant is sold and developed, it could add a significant population to the Davenport County Sanitation District's service area. Any added commercial or residential use would be beneficial to the District, as the revenue generated from the sewer and water rates could fund necessary infrastructure improvements that are too expensive for the current Davenport population to fund. If the CEMEX site were to be developed, the water treatment plant and recycled water plant would need to be expanded to meet the new demands. There would also be a need for new transmission lines and possibly pump stations to serve the new development.

4. The District's sphere of influence is coterminous with its jurisdictional boundary.

LAFCO originally adopted a coterminous sphere of influence for the District in 1991. A coterminous sphere of influence is identical to the agency's jurisdictional boundary. For the past 28 years, the sphere boundary has remained unchanged. Although the CEMEX site is and has been served by the District, the sphere of influence boundary does not include the CEMEX property. It is yet to be determined how or when the CEMEX site will

be developed. At this time, LAFCO staff, along with representatives of the District, do not recommend any changes to the sphere of influence.

Freedom County Sanitation District

1. The District provides sewer service to a large community.

The Freedom County Sanitation District provides wastewater collection service for the Buena Vista/Calabasas area of Freedom and the Green Valley Road corridor outside Watsonville's city limits. The District also serves three connections outside its boundaries, including one duplex, one single family dwelling, and the Pinto Lake County Park ranger's residence. The District currently has over 1,800 connections and serves approximately 4,000 residents.

2. The District has a disadvantaged unincorporated community.

State law requires LAFCO to identify and describe all "disadvantaged unincorporated communities" (DUCs) located within or contiguous to the existing spheres of influence for cities and special districts that provide fire protection, sewer, and/or water services. DUCs are defined as inhabited unincorporated areas with an annual median household income that is 80% or less than the statewide annual median household income.

LAFCO staff utilized the ArcGIS mapping program to locate potential DUCs in the County. Based on the criteria set forth by SB 244, staff's analysis located one DUC within the Freedom County Sanitation District's service and sphere boundaries. The DUC, located near Airport Boulevard, is built-out with single-family homes. LAFCO staff should evaluate this DUC in more detail if a proposed reorganization or future boundary adjustment is considered within or adjacent to this disadvantaged community.

3. The District has experienced financial deficits.

The Freedom County Sanitation District has recently experienced annual shortfalls. Audited financial statements from Fiscal Years 2013 to 2018 indicate that the District has experienced a fiscal shortage in three separate years (FYs 14-15, 16-17, and 17-18). As of June 30, 2018, the District is operating with a net position of approximately \$6.2 million, of which \$2 million is in cash and investments.

4. The District's sphere of influence is larger than its jurisdictional boundary.

LAFCO adopted the first sphere of influence for the District in 1975, and performed a major review of the District's sphere boundary in 1990. Since then, the City of Watsonville has annexed over 300 acres of the District involving thousands of residents at the time of annexation. The last sphere update for the Freedom County Sanitation District was in March 2011. LAFCO staff, along with District representatives, do not recommend any changes to the sphere of influence at this time.

Salsipuedes Sanitary District

1. The District provides sewer service to an unincorporated community adjacent to the city limits of Watsonville.

Salsipuedes Sanitary District has provided wastewater collection services to the unincorporated area northeast of Watsonville since 1965. Treatment of collected

wastewater is provided by the Watsonville Wastewater Treatment Plant as part of a 1985 contractual agreement. The District currently has over 500 connections and serves about 2,100 residents.

2. The District is financially sound.

Salsipuedes Sanitary District's financial ability to provide services is well-established. The District has successfully kept costs below its revenue stream since 2013. Audited financial statements from Fiscal Years 2013 to 2018 indicate that the increase in net position has ranged from \$62,000 to \$174,000. As of June 30, 2018, the District is operating with a net position of approximately \$1.8 million, of which \$1.4 million is in cash and investments.

3. The District's sphere of influence includes areas beyond its jurisdictional boundary and areas that should be considered for detachment.

LAFCO originally adopted a sphere of influence for the District back in 1987. At that time, the Commission adopted a sphere boundary that goes beyond the District's jurisdictional boundary in the north but also excluded areas from being part of the sphere boundary adjacent to Watsonville's city limits.

The area outside the sphere of influence but within the District is approximately 60 acres, undeveloped, and primarily used for agriculture. The exclusion of this area from the adopted sphere of influence indicates that this area should be detached from the Salsipuedes Sanitary District. The County General Plan designates this area as "CA" Commercial Agriculture. It is unknown whether future developments are scheduled in this area. Therefore, LAFCO staff does not recommend changing the sphere of influence boundary at this time.

Santa Cruz County Sanitation District

1. The District provides sewer service to a large area, including one city.

The Santa Cruz County Sanitation District provides wastewater collection service for the City of Capitola and the unincorporated communities of Aptos, Soquel and Live Oak. The District also serves Harbor High School, a satellite medical center and the Port District which are within the City of Santa Cruz and outside the District's boundary.

The County currently has a contractual agreement with the City of Santa Cruz to transfer collected wastewater to the City of Santa Cruz's treatment system. The City treats the sewage at its Neary Lagoon Wastewater Treatment Facility and disposes the treated wastewater into the Pacific Ocean off West Cliff Drive. The District currently has 36,000 connections and serves over 72,000 residents.

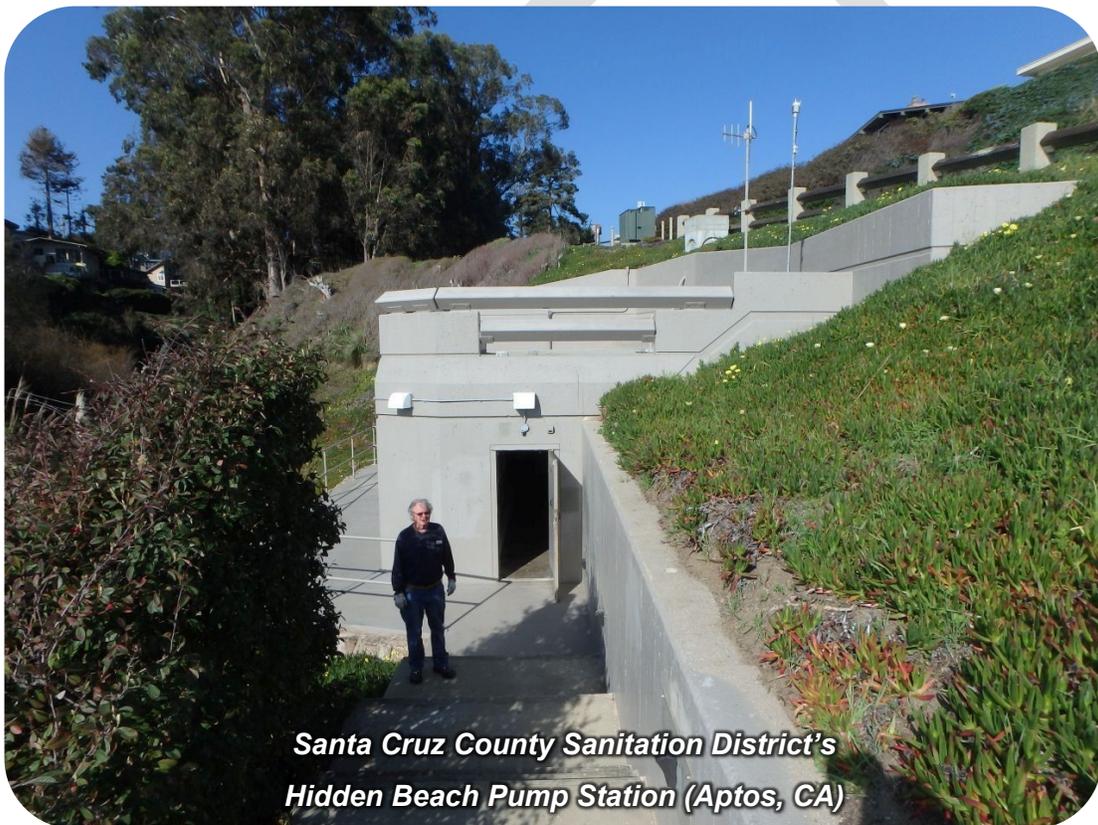
2. The District has a large budget and net position balance.

For FY 19-20, the County adopted a budget of \$42 million in anticipated revenue. The District has successfully kept costs below its revenue stream since 2014. Audited financial statements from Fiscal Years 2014 to 2018 indicate that the increase in net position has ranged from \$2.6 million to \$3.9 million. As of June 30, 2018, the District is operating with a net position of approximately \$134 million, of which \$14 million is in cash and investments. However, the two most recently adopted budgets (FY 18-19 and FY 19-20) indicate potential revenue shortage ranging between \$8-10 million.

3. The District's sphere of influence and jurisdictional boundaries are inconsistent with the County's Urban Services Line.

LAFCO originally adopted a sphere of influence for the Santa Cruz County Sanitation District back in 1983. The main theme of that sphere boundary was to utilize the County's Urban Services Line as the primary tool to locate the sphere line. The adopted sphere of influence boundary included the areas of the District in Live Oak, Capitola, Soquel, and Aptos, and many developed and undeveloped areas of Live Oak (Santa Cruz Gardens), Soquel, and Aptos that were inside the Urban Services Line, but not yet annexed or connected for sewer service. That said, there are still inconsistencies between the District's jurisdictional and sphere boundaries and the Urban Services Line.

LAFCO staff, along with District representatives, do not recommend any changes to the sphere of influence at this time. However, the County and LAFCO should meet to discuss how the Urban Services Line relates to the District's jurisdiction and sphere of influence, and explore opportunities to address irregular boundaries currently in place.

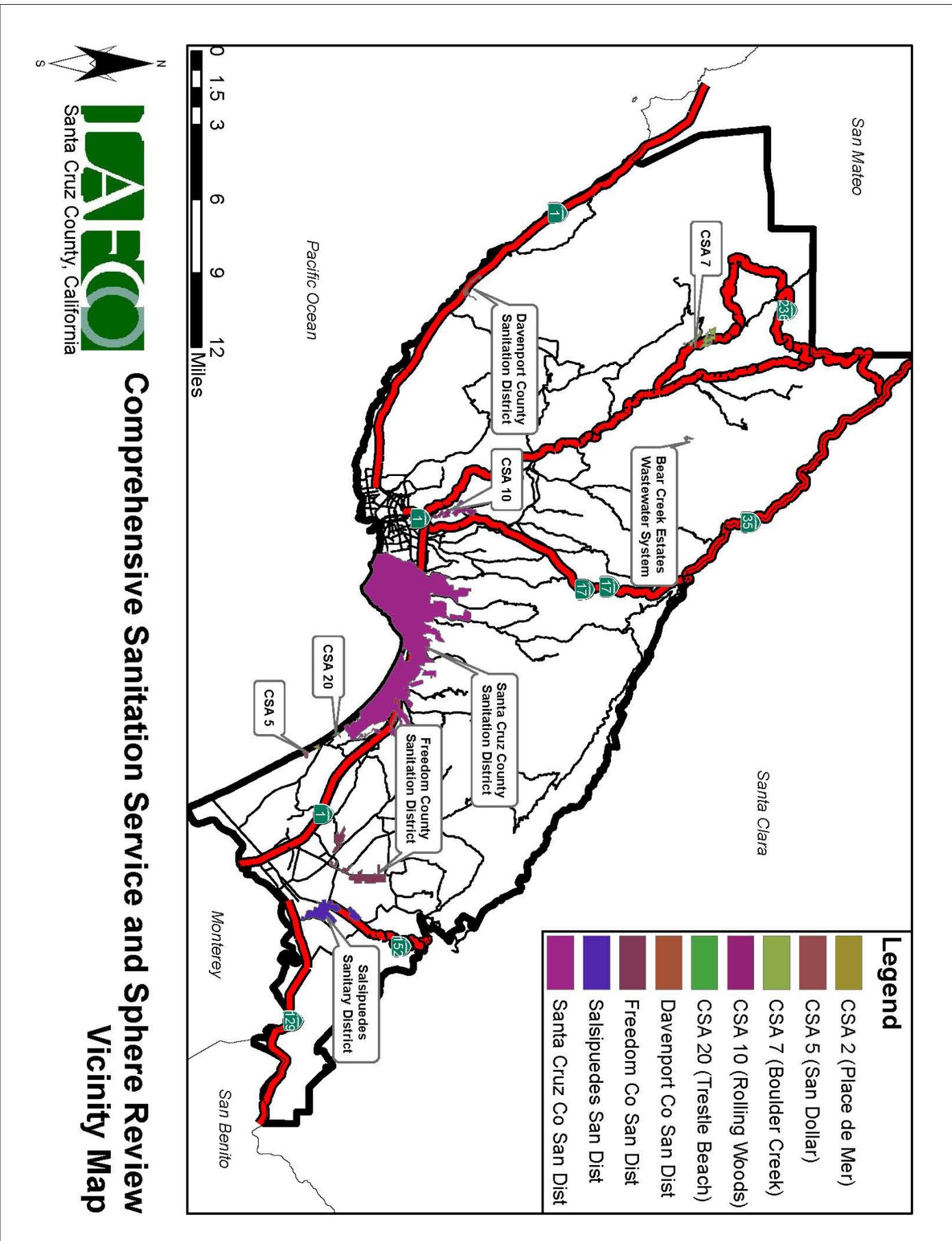


Recommended Actions

Based on the analysis and findings in the 2019 Comprehensive Sanitation Service and Sphere of Influence Review, the Executive Officer recommends that the Commission:

1. Find that pursuant to Section 15061(b)(3) of the State CEQA Guidelines, LAFCO determined that the service and sphere of influence review is not subject to the environmental impact evaluation process because it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment and the activity is not subject to CEQA;
2. Determine, pursuant to Government Code Section 56425, the Local Agency Formation Commission of Santa Cruz County is required to develop and determine a sphere of influence for the 10 sanitation districts, and review and update, as necessary;
3. Determine, pursuant to Government Code Section 56430, the Local Agency Formation Commission of Santa Cruz County is required to conduct a service review before, or in conjunction with an action to establish or update a sphere of influence; and
4. Adopt a Resolution (LAFCO No. 2019-19) approving the 2019 Comprehensive Sanitation Service and Sphere Review, with the following terms and conditions:
 - a. Reaffirm the sphere of influence boundary for the Davenport County Sanitation District, Freedom County Sanitation District, Santa Cruz County Sanitation District, Salsipuedes Sanitary District, and County Service Areas 2, 5, 7, and 10;
 - b. Adopt a zero sphere of influence for Bear Creek Estates Wastewater System;
 - c. Adopt a coterminous sphere of influence for County Service Area 20 (Trestle Beach); and
 - d. Direct the LAFCO Executive Officer to meet with the County Public Works Department to discuss how the Urban Services Line relates to the Santa Cruz County Sanitation District's jurisdictional and sphere boundaries, and explore opportunities to address any irregularities.

Figure 9: Comprehensive Vicinity Map



BEAR CREEK ESTATES WASTEWATER SYSTEM

District Overview

The Bear Creek Estates Wastewater System, operated by the San Lorenzo Valley Water District (SLVWD), provides wastewater collection and treatment for 56 parcels in a portion of Bear Creek Estates subdivision (units 3, 4, and 5). The Bear Creek Estates Wastewater Treatment plant is located at 15900 Bear Creek Road, Boulder Creek, California. It was initially constructed in 1985 as a septic tank treatment system. It was designed to treat a daily average flow of 12,000 gallons per day (GPD) and a peak wet weather flow of 32,500 gallons per day (GPD). The System consists of two (2) cast-in-place, underground concrete tanks, four (4) above ground trickling media filters, an influent pump station, an effluent pump station, and a 2.3-acre leach field. **Figure 11**, on page 31, is a vicinity map of the service area.

Sewer Provision History

The Bear Creek Estates subdivision was first developed between 1963 and 1965 and expanded in 1975. Residential units were historically on private septic systems, and approximately half the units remained on private septic systems during the conversion to the sewer system. A private developer constructed the District's wastewater collection system and septic disposal system in 1985. The Wastewater System was acquired by SLVWD when the development requested annexation into the District's water system.

Population & Growth

There are no growth projections available for the San Lorenzo Valley Water District or the Bear Creek Estates Wastewater System. In general, the Santa Cruz County unincorporated area is projected to have slow growth over the next fifteen years. The FY 2017-18 audit indicates that the District provides water service to approximately 7,900 customers within its service area. LAFCO staff estimates that the population within the Bear Creek Estates Wastewater System was approximately 183 in 2015. Based on the growth rate of approximately 1% for the unincorporated areas in the County, LAFCO staff projects that the System's entire population in 2020 will be around 185.

Under the assumed population growth, the projected population for the Bear Creek Estates Wastewater System are as follows:

Table 4: Projected Population

	2020	2025	2030	2035	Growth Rate
Santa Cruz County (unincorporated)	136,891	137,896	139,105	140,356	1%
San Lorenzo Valley Water District	7,966	8,033	8,100	8,168	1%
Bear Creek Estates Wastewater System	185	186	188	189	1%

Source: AMBAG 2018 Regional Growth Forecast

Disadvantaged Unincorporated Communities

State law requires LAFCO to identify and describe all “disadvantaged unincorporated communities” (DUC) located within or contiguous to the existing spheres of influence of cities and special districts that provide fire protection, sewer, and/or water services. DUCs are defined as inhabited unincorporated areas with an annual median household income that is 80% or less than the statewide annual median household income.

In 2017, the California statewide median household income was \$67,169⁶, and 80% of that was \$53,735. LAFCO staff utilized the ArcGIS mapping program to locate potential DUCs in the County. Based on the criteria set forth by SB 244, staff’s analysis indicates that there are no areas in the Bear Creek Estates Wastewater System designated as a disadvantaged unincorporated community.

Services & Operations

The San Lorenzo Valley Water District owns, operates, and maintains a wastewater system in Boulder Creek’s Bear Creek Estates. Based on staff’s analysis, the System has 56 connections with 1.2 miles of sewer lines and 2 pump stations. The System is operating on a routine or as needed basis with staff being allocated from the Operations & Distribution or Supply & Treatment Departments. An indirect allocation process is used based on number of overall customers to allocate indirect costs identified as being a shared benefit to all customers. The following are key highlights of the Bear Creek Estates Wastewater System:

- The system collects and treats domestic wastewater flow;
- The existing collection system consists of 19 manholes, 2 cleanouts, approximately 3,600 linear feet of gravity sewer, 2,600 linear feet of force mains, 2 sewer pump stations, and 56 laterals;
- From 2005 to 2013, the District completed several modifications aimed at achieving regulatory compliance and improved nitrogen removal efficiency. This resulted in the existing treatment septic system being modified to incorporate a 3-stage trickling filter system, new internal recirculation/splitter/ball valves, and new air blowers with high capacity disc diffusers in the clarifier tanks; and
- Due to high regulatory requirements, there is still significant improvements needed for the wastewater system.

Sewer Rates

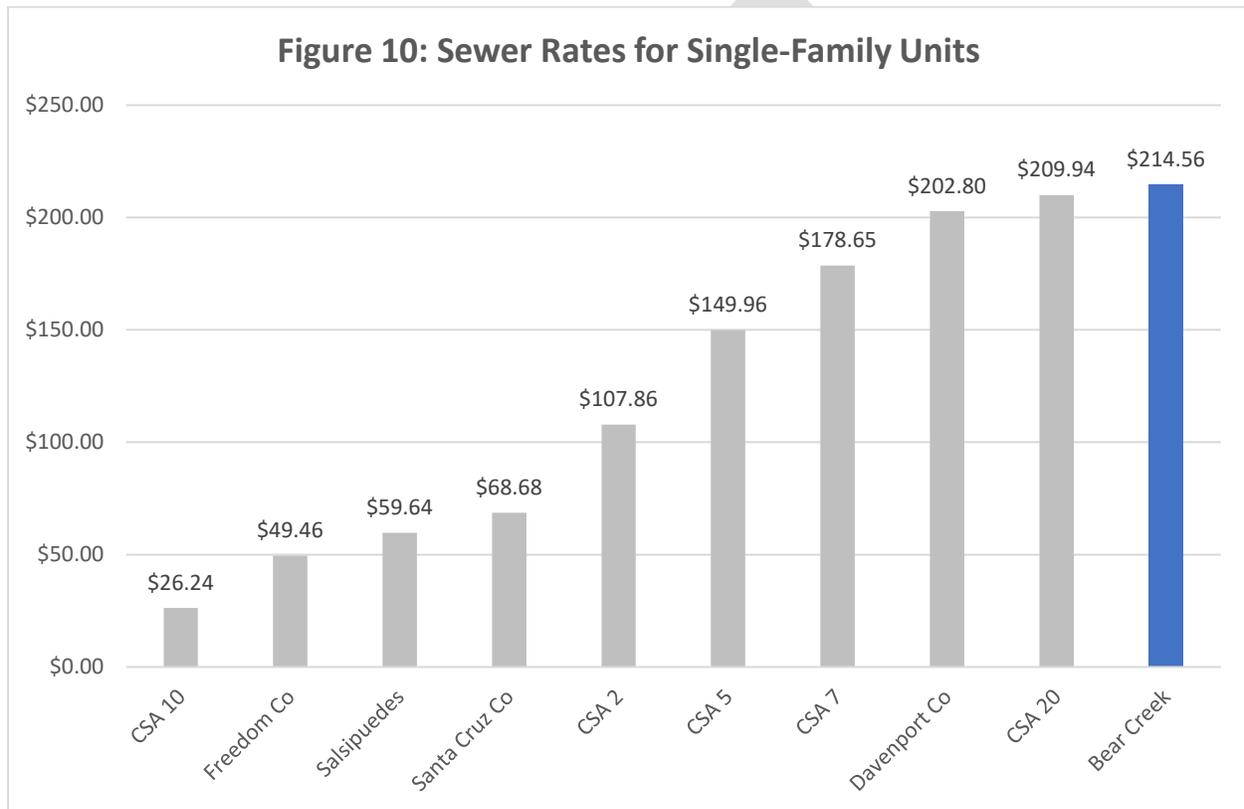
At present, the System’s annual sewer rates derive from single-family units in the Bear Creek Estates subdivision. **Table 5** shows the gradual increase in annual rates during the last several years. From 2013 to 2017, monthly sewer rates were \$149/month. In January 2019, the rates were raised to \$178/month. In January 2020, the rates are expected to increase to \$214.56/month.

⁶ 2013-2017 American Community Survey 5-year Estimates

Table 5: Annual Sewer Rates

	FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20
Bear Creek Estates	\$1,488.00	\$1,488.00	\$1,488.00	\$1,488.00	\$1,788.00	\$2,174.72	\$2,574.72
Change (\$)		\$0	\$0	\$0	\$300.00	\$357.60	\$429.12
Change (%)		0%	0%	0%	20%	20%	20%

When comparing the sewer rates with the other sanitation districts analyzed in this report, the Bear Creek Estates Wastewater System is ranked the highest in charges towards single-family units (\$214.56/month), as shown in the figure below.



California Central Coast Regional Water Quality Board Regulations

In 2005, the Central Coast Regional Water Control Board (Regional Board) issued new regulations requiring 50% reduction in total nitrogen (TN) in the wastewater discharge from the treatment plant. To comply with this new requirement, the District completed treatment upgrades in 2005, 2009, and 2013 to the existing treatment septic system by installing three new stage tricking filters, new internal recirculation/splitter/ball valves, and a new air blower with high-capacity disc diffusers in the clarifier tanks. Unfortunately, these modifications have not been successful.

In 2016, the Regional Water Board issued a Notice of Violation of the Waste Discharge Requirements to the District citing ongoing violations with insufficient total nitrogen reduction, since 2007, excess flow violations from inflow and infiltration into the District collection system during rain events, and unsatisfactory operator response for occasional

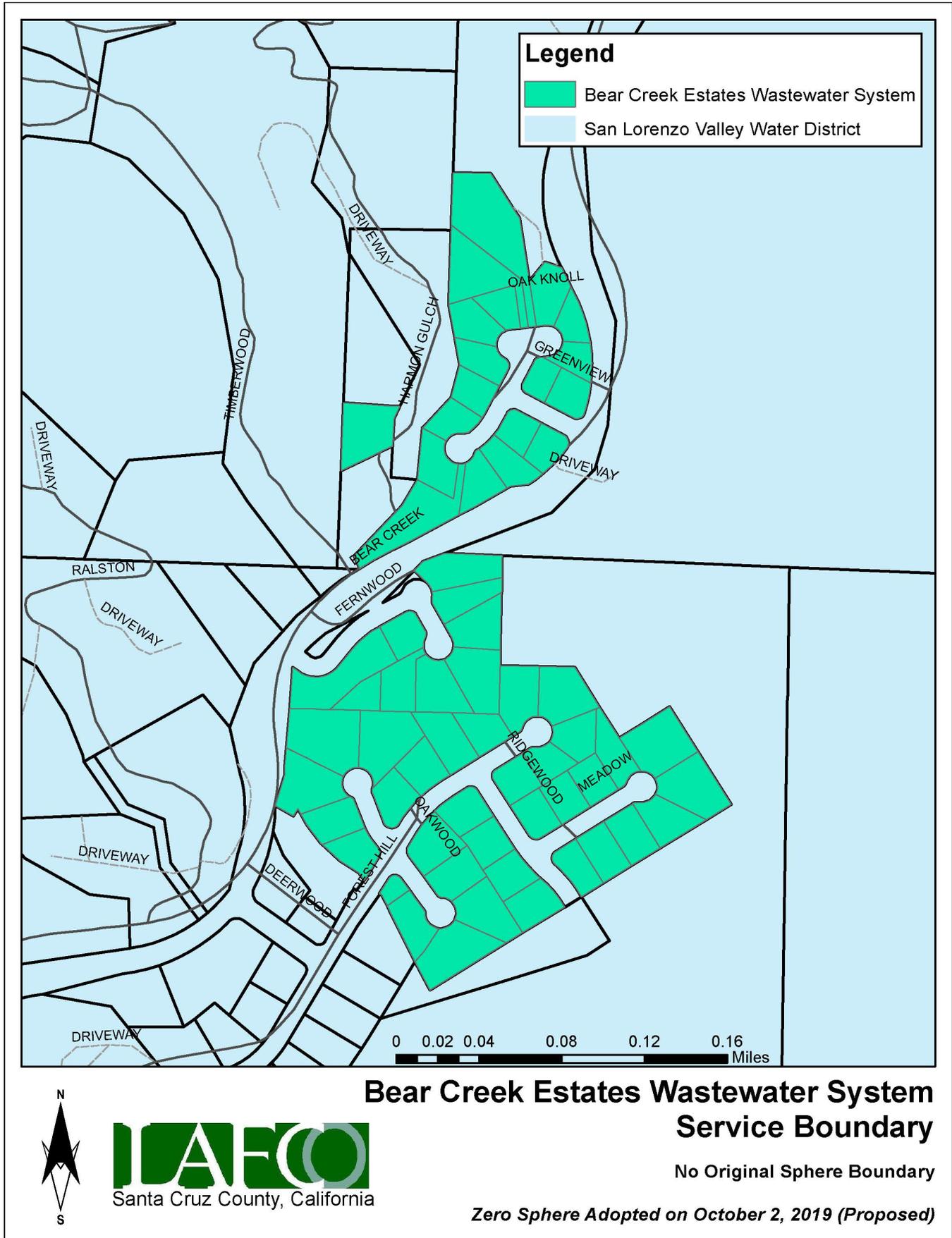
sanitary spills and runoffs from the system into Bear Creek. The Regional Board ordered the District to submit a certified engineering report by May 15, 2016, addressing the following: (1) Wastewater treatment plant modifications to ensure the denitrification process will reduce total nitrogen by 50%, and (2) Engineering controls to reduce inflow and infiltration during rain events. Evidence of Bear Creek Estates Wastewater Treatment Plant operators being properly trained in sanitary sewer and wastewater treatment plant spills.

The District prepared multiple reports investigating these items. Two technical memorandums and the 2018 Bear Creek Estates Wastewater Treatment Plant Wastewater Collection and Treatment System Improvements Report are available on the District website for review. The District's intent is to award a single contract to an engineering firm qualified to do the work. The selected firm will be expected to compile and review data, attend a kickoff meeting, evaluate three alternatives, prepare cost estimates for design and construction, and associated environmental/permitting costs.

The firm will be expected to submit a technical memorandum that includes descriptions of each of the identified alternatives, background, assumptions, and final recommendations. In response to a Request for Proposal on August 30, 2019, the District received three engineering proposals for the Bear Creek Estates Wastewater Alternate Analysis. The District has recently hired a District Engineer who will serve as Project Manager. The selected Engineering firm will be expected to coordinate with the District Engineer throughout the project. The final reports shall include assessment of alternatives and justification for final recommendations. The District anticipates that the study will be completed by Spring 2020.

Infrastructure improvements continues to be an ongoing issue for not only Bear Creek Estates Wastewater System, but rather, most of the sanitation districts throughout the County.

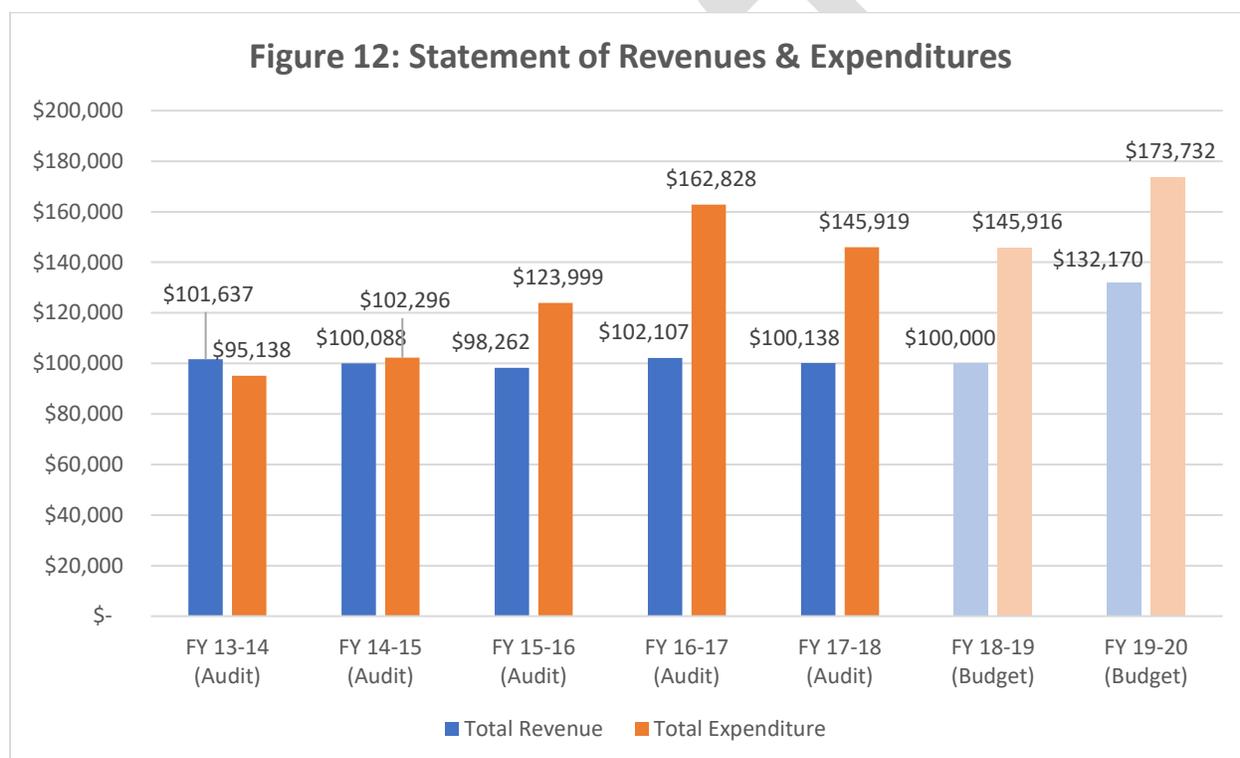
Figure 11: Bear Creek Estates Wastewater System's Vicinity Map



Finances

This section will highlight the System’s audited financial performance during the most recent fiscal years. Fiscal Year 2017-18 is the latest audited financial statement available. A comprehensive analysis of the System’s financial performance during the past 5 years is shown in **Tables 8** and **9**, on pages 35 and 36.

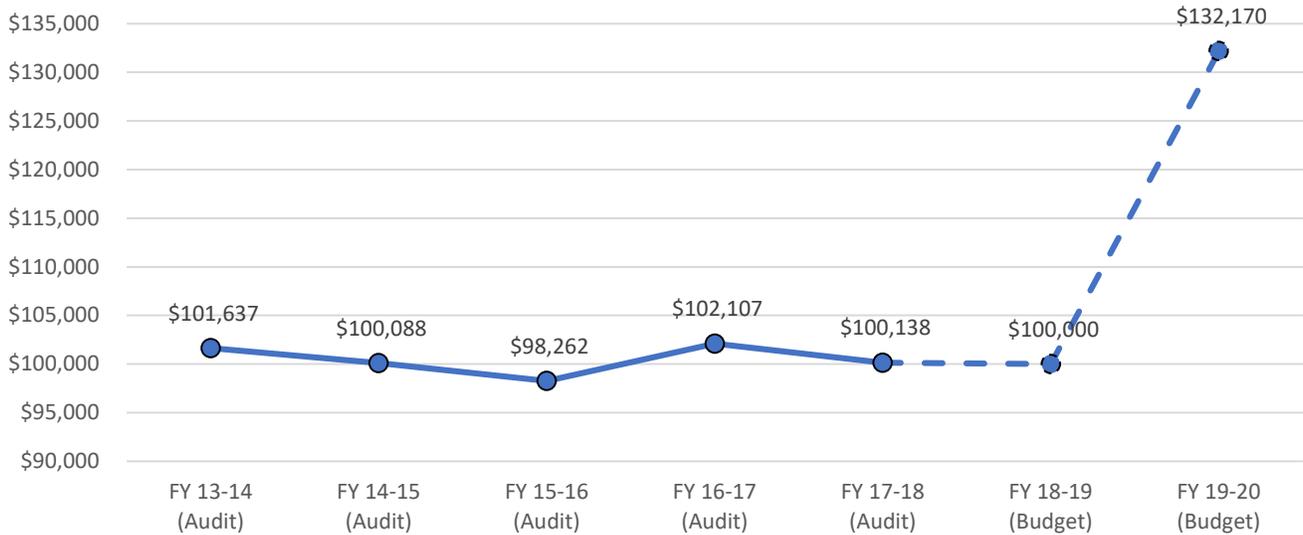
At the end of Fiscal Year 2017-18, total revenue collected was approximately \$100,000, representing a 2% decrease from the previous year (\$102,107 in FY 16-17). Total expenses for FY 17-18 were approximately \$146,000, which decreased from the previous year by approximately \$17,000 (\$162,828 in FY 16-17). As shown in **Figure 12**, the System’s total revenues have been less than total expenditures each year since FY 14-15, resulting in a negative impact, ranging from \$2,200 to \$60,700, to the System’s net position. Based on the two recently adopted budgets, LAFCO staff projects that this negative trend will continue.



District Revenues

The Bear Creek Estates Wastewater System’s only source of revenue is from Wastewater Service Fees. On average, the System receives approximately \$100,450 each year in service fees. **Figure 13** highlights the fluctuation of total revenue received since 2013. The table shows a downward trend in revenues received during FY 13-14 to FY 15-16, and again, during FY 16-17 to FY 18-19. However, the current budget for FY 19-20 projects that the District will earn approximately \$132,000 in service fees. While the expected revenue is scheduled to increase, LAFCO staff projections indicate that total revenues will not cover total expenditures during FY 18-19 and FY 19-20.

**Figure 13: Total Revenue
(FY 13-14 to FY 19-20)**



District Expenditures

The Bear Creek Estates Wastewater System’s total expenditures can be categorized into 4 budgetary groups: Salaries & Benefits, General & Administrative, Professional Services, and Operations & Maintenance. The figure below distinguishes the cost and percentage per category. The following pages provide a summary for each budgetary group. As shown below, Operations & Maintenance is the highest expenditure during FY 17-18.

Figure 13: FY 2017-18 Expenditure Breakdown

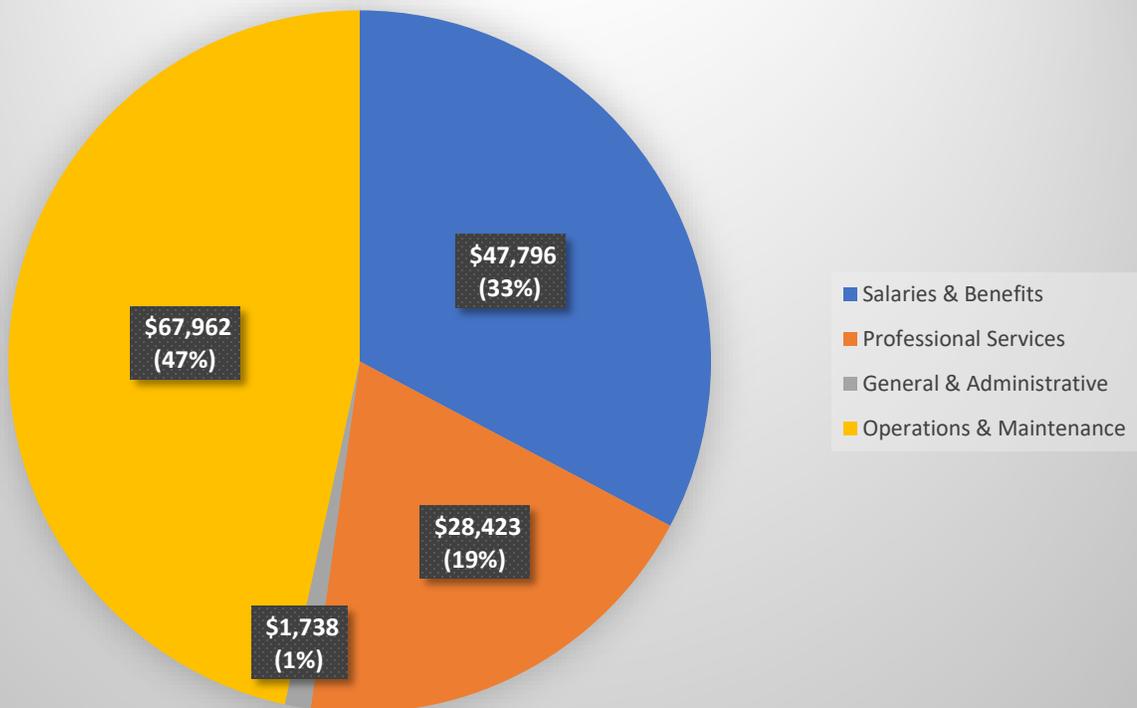


Table 6: FY-2017-18 Expenditure Review

Expenditures:	(\$)	(%)
Operations & Maintenance	\$67,962	47%
Salaries & Benefits	\$47,796	33%
Professional Services	\$28,423	19%
General & Administrative	\$1,738	1%
Total Expenditures	\$145,919	100%

Assets & Liabilities

The Bear Creek Estates Wastewater System, administered by the San Lorenzo Valley Water District, provides sewer services to 56 connections and has limited assets and liabilities. The following is an overview of the System's assets and liabilities:

- System Assets: As of June 30, 2018, the System has \$340,382 in total assets. The Bear Creek Estates Wastewater System has no current assets. The System's non-current assets are primarily capital assets.
- System Liabilities: As of June 30, 2018, the System has \$1,078 in total liabilities. The Bear Creek Estates Wastewater System has no long-term debt. Current liabilities are primarily Accounts Payable and Accrued Expense.

Fund Balance/Net Position

As of June 30, 2018, the total fund balance is approximately \$339,000. The fund balance has been declining moderately on an annual basis since 2014, as shown in the following table.

Table 7: Fund Balance/Net Position

	FY 13-14 (Audited)	FY 14-15 (Audited)	FY 15-16 (Audited)	FY 16-17 (Audited)	FY 17-18 (Audited)
Net Position (Ending Balance)	\$473,751	\$471,543	\$445,806	\$385,085	\$339,304
Change in (\$) from previous year		-\$2,208	-\$25,737	-\$60,721	-\$45,781
Change in (%) from previous year		-0.47%	-5.46%	-13.62%	-11.89%

Table 8: Total Revenues & Expenditures

	FY 13-14 (Audit)	FY 14-15 (Audit)	FY 15-16 (Audit)	FY 16-17 (Audit)	FY 17-18 (Audit)	FY 18-19 (Budget)	FY 19-20 (Budget)
REVENUE							
Wastewater Service	\$101,637	\$100,088	\$ 98,262	\$102,107	\$100,138	\$ 100,000	\$132,170
Total Revenue	\$101,637	\$100,088	\$ 98,262	\$102,107	\$100,138	\$ 100,000	\$132,170
EXPENDITURE							
Salaries and Benefits	\$ 12,954	\$ 7,213	\$ -	\$ -	\$ 47,796	\$ 43,020	\$ 56,667
Professional Services	\$ 5,406	\$ 21,500	\$ 33,791	\$ 66,751	\$ 28,423	\$ 64,747	\$ 75,772
Operational	\$ 10,620	\$ 2,453	\$ 12,285	\$ 18,319	\$ 16,116	\$ 23,014	\$ 25,026
Maintenance	\$ 280	\$ -	\$ -	\$ -	\$ 1,106	\$ 2,222	\$ 2,472
Facilities	\$ 8,769	\$ 8,608	\$ 15,486	\$ 8,403	\$ 8,384	\$ 11,128	\$ 12,248
General and Administrative	\$ 15,336	\$ 20,749	\$ -	\$ -	\$ 1,738	\$ 1,785	\$ 1,547
Overhead Adsorption	\$ -	\$ -	\$ 22,987	\$ 26,998	\$ -	\$ -	\$ -
Depreciation	\$ 41,773	\$ 41,773	\$ 39,450	\$ 42,357	\$ 42,356	\$ -	\$ -
Total Expenditure	\$ 95,138	\$102,296	\$123,999	\$162,828	\$145,919	\$ 145,916	\$173,732
Surplus/(Deficit)	\$ 6,499	\$ (2,208)	\$ (25,737)	\$ (60,721)	\$ (45,781)	\$ (45,916)	\$ (41,562)
Net Position - Beginning	\$467,252	\$473,751	\$471,543	\$445,806	\$385,085	\$ 339,304	\$293,388
Net Position - Ending	\$473,751	\$471,543	\$445,806	\$385,085	\$339,304	\$ 293,388	\$251,826

Footnote: The District anticipates Depreciation to be approximately \$24,000/year for Fiscal Year 2018-19 and 2019-20.

Table 9: Total Assets & Liabilities

	FY 13-14 (Audit)	FY 14-15 (Audit)	FY 15-16 (Audit)	FY 16-17 (Audit)	FY 17-18 (Audit)
ASSETS					
<u>Current Assets</u>					
Internal Balances	\$ (94,772)	\$ (55,207)	\$ (52,791)	\$ (115,762)	\$ (124,678)
<u>Non-Current Assets</u>					
Investments	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Assets - not being depreciated	\$ 28,213	\$ 28,213	\$ 46,956	\$ 88,814	\$ 90,685
Capital Assets - being depreciated	<u>\$540,310</u>	<u>\$498,537</u>	<u>\$459,087</u>	<u>\$ 416,731</u>	<u>\$ 374,375</u>
Total Assets	\$473,751	\$471,543	\$453,252	\$ 389,783	\$ 340,382
LIABILITIES					
Current Liabilities	\$ -	\$ -	\$ 7,446	\$ 4,698	\$ 1,078
Non-Current Liabilities	<u>\$ -</u>				
Total Liabilities	\$ -	\$ -	\$ 7,446	\$ 4,698	\$ 1,078
NET POSITION					
Net Investment in Capital Assets	\$568,523	\$526,750	\$506,043	\$ 505,545	\$ 465,060
Restricted for Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	<u>\$ (94,772)</u>	<u>\$ (55,207)</u>	<u>\$ (60,237)</u>	<u>\$ (120,460)</u>	<u>\$ (125,756)</u>
Total Net Position	\$473,751	\$471,543	\$445,806	\$ 385,085	\$ 339,304

Governance

The San Lorenzo Valley Water District currently owns and operates the Bear Creek Estates Wastewater System. The San Lorenzo Valley Water 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 Expiration
Lois Henry	Board Chair	2022
Robert Fultz	Vice Chair	2022
Stephen Swan	Board Member	2022
Lew Farris	Board Member	2020
Rick Moran	Board Member	2020

The Board of Directors meet on the first and third Thursday of each month at 6:30 PM. Meetings are held at various locations throughout the San Lorenzo Valley. Public notice is provided through posting. The District contracts for independent audits.

Website Requirements

Senate Bill 929 was signed into law in September 2018 and requires all independent special districts to have and maintain a website by January 1, 2020. It outlines minimum website data requirements, including contact information, financial reports, and meeting agendas/minutes. The San Lorenzo Valley Water District has a website which consists of webpages for all operations, including the Bear Creek Estates Wastewater System. The website is currently in contract to be replaced with a new website with additional features, including ADA compliance.

In 2016, the District received the District Transparency Certificate of Excellence by the Special District Leadership Foundation (SDLF) of California in recognition of its outstanding efforts to promote transparency and good governance. In order to receive the award, a special district must demonstrate the completion of eight essential governance transparency requirements. The requirements include conducting ethics training for all board members, properly conducting open and public meetings, and filing financial transactions and compensation reports to the State Controller in a timely manner. The San Lorenzo Valley Water District also fulfilled 15 website requirements including providing readily available information to the public such as board agendas, past minutes, current district budget and the most recent financial audit.

LAFCO staff believes that the Bear Creek Estates Wastewater System webpage provides useful information. However, it may be beneficial if the System's webpage is updated to identify past and future meeting dates and agenda materials (ex. staff reports, meeting minutes, etc.). Currently, it is difficult to determine when the next meeting date will occur.

LAFCO Staff Recommendation: *The District should consider updating how meeting dates and materials are displayed on the existing System webpage. The District should also include past and future LAFCO service reviews as additional resource materials.*

Capital Improvement Plan

The San Lorenzo Valley Water District has adopted a District-wide capital improvement plan. Based on staff's research, there are no capital improvement projects scheduled for the Bear Creek Estates Wastewater System. The District should consider adopting a long-term maintenance plan to ensure scheduled and unforeseen repairs, replacements, and installations are adequately funded.

Sewer System Management Plan

The State Water Resources Control Board regulates wastewater discharges to surface water (rivers, ocean, etc.) and to groundwater (via land). The State Water Board requires sanitation districts to follow the Statewide General Waste Discharge Requirements for Sanitary Sewer Systems. These requirements include the following:

- Sanitary Sewer Overflows are prohibited, and
- All Sanitary Sewer Overflow (SSOs), with the exception of Private Sewer Lateral Discharge (PLSDs), irrespective of size, must be reported to the State Water Board electronically using the California Integrated Water Quality System, and the Districts/CSAs must prepare and implement a Sewer System Management Plan (SSMP).

The San Lorenzo Valley Water District has adopted an Urban Water Management Plan, which includes a description of the existing location and capacity of the Wastewater System. It is LAFCO staff's understanding that the District does not have an adopted SSMP.

Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting, to the San Lorenzo Valley Water District for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2017. This was the first year that the District has achieved this prestigious award.

In order to be awarded a Certificate of Achievement for Excellence in Financial Reporting, a government unit must publish an easily readable and efficiently organized CAFR. This report must satisfy both Generally Accepted Accounting Principles (GAAP) and all applicable legal requirements. A Certificate of Achievement for Excellence in Financial Reporting is valid for a period of one year only.

Opportunities & Challenges

The Bear Creek Estates Wastewater System is significantly affected by aging infrastructure, escalating operational costs, and changes to state laws and regulations that may introduce new requirements without additional funding. These issues are common with other sanitation districts in Santa Cruz County. The following section discusses these challenges and identifies possible opportunities to ensure the delivery of wastewater services in an efficient and effective manner.

Governance Structure Options

The San Lorenzo Valley Water District desires to transfer ownership and operation of the wastewater system to another agency, such as the County of Santa Cruz, which may be able to operate the system more efficiently. The District's 2016 Strategic Plan identifies specific steps to potentially transfer service provisions to another local agency. These steps include:

- Development of a rate-study that will establish operational and capital needs of the wastewater system;
- Implement a Proposition 218 rate increase process that will set rates appropriate to the operational and capital needs of the system; and
- Coordination with Bear Creek Estates residents, meeting with County representatives on a regular basis to discuss and move this idea forward, and collaboratively establishing a plan with a schedule and key milestones.

LAFCO staff sees value in local agencies collaborating and exploring opportunities to improve delivery of municipal services. It is still unknown whether it is feasible for the County or another local service provider to assume responsibilities within this area. Therefore, LAFCO staff recommends that the District continue to discuss possible partnerships with the County and other neighboring agencies. If an agreement is made, in which all affected parties agree in the transfer of responsibilities, a change of organization may be considered at that point.

Regional Collaboration

Several sanitation districts, including the Bear Creek Estates Wastewater System, have expressed interest in transferring sewer responsibilities to another agency due to funding issues, limited long-term planning, or lack of economies of scale. Establishment of a countywide memorandum of understanding or a joint powers authority may unify the already-established collaboration set by the sanitation providers in the county. Such agreements may also lay the foundation for future changes of organization, including but not limited to annexations, consolidations, or mergers.

Sphere of Influence

LAFCO has established a sphere of influence for the San Lorenzo Valley Water District. Based on staff's analysis and research, it was determined that there is no sphere of influence for the Bear Creek Estates Wastewater System. Due to the ongoing financial constraints, in conjunction with SLVWD's interest in transferring sewer responsibilities to

another local agency, LAFCO staff recommends adopting a zero sphere of influence for the Bear Creek Estates Wastewater System, as shown below.

The Commission may adopt a “zero” sphere of influence (encompassing no territory) for an agency when the Commission has determined that the public service functions of the agency are either: nonexistent, no longer needed, or should be reallocated to some other agency of government. The adoption of a “zero” sphere indicates the agency should ultimately be dissolved and sewer responsibilities transferred to another local agency. Figure 16, on page 41, shows the adopted sphere of influence boundary for the entire San Lorenzo Valley Water District.

Figure 15: Proposed “Zero” Sphere of Influence

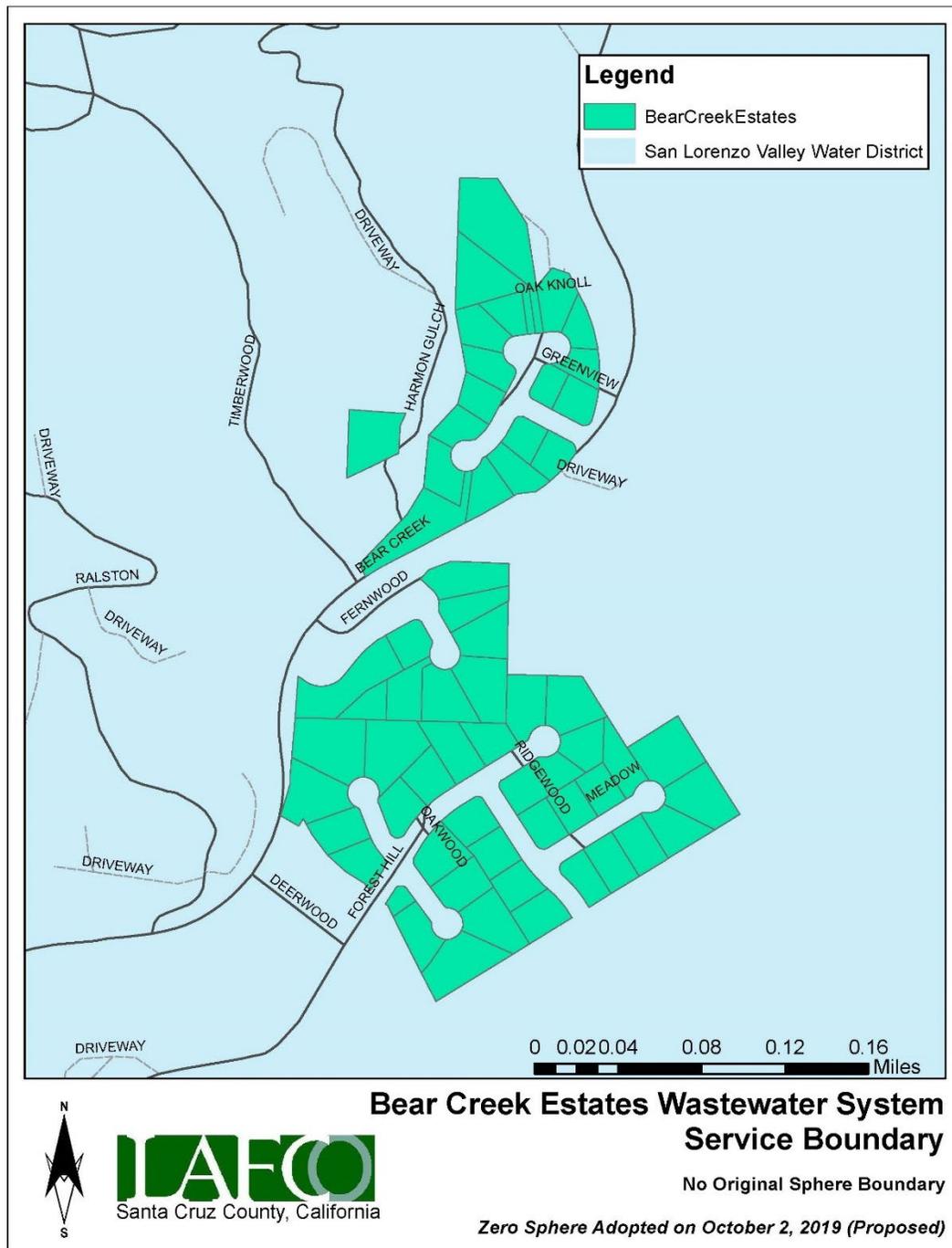
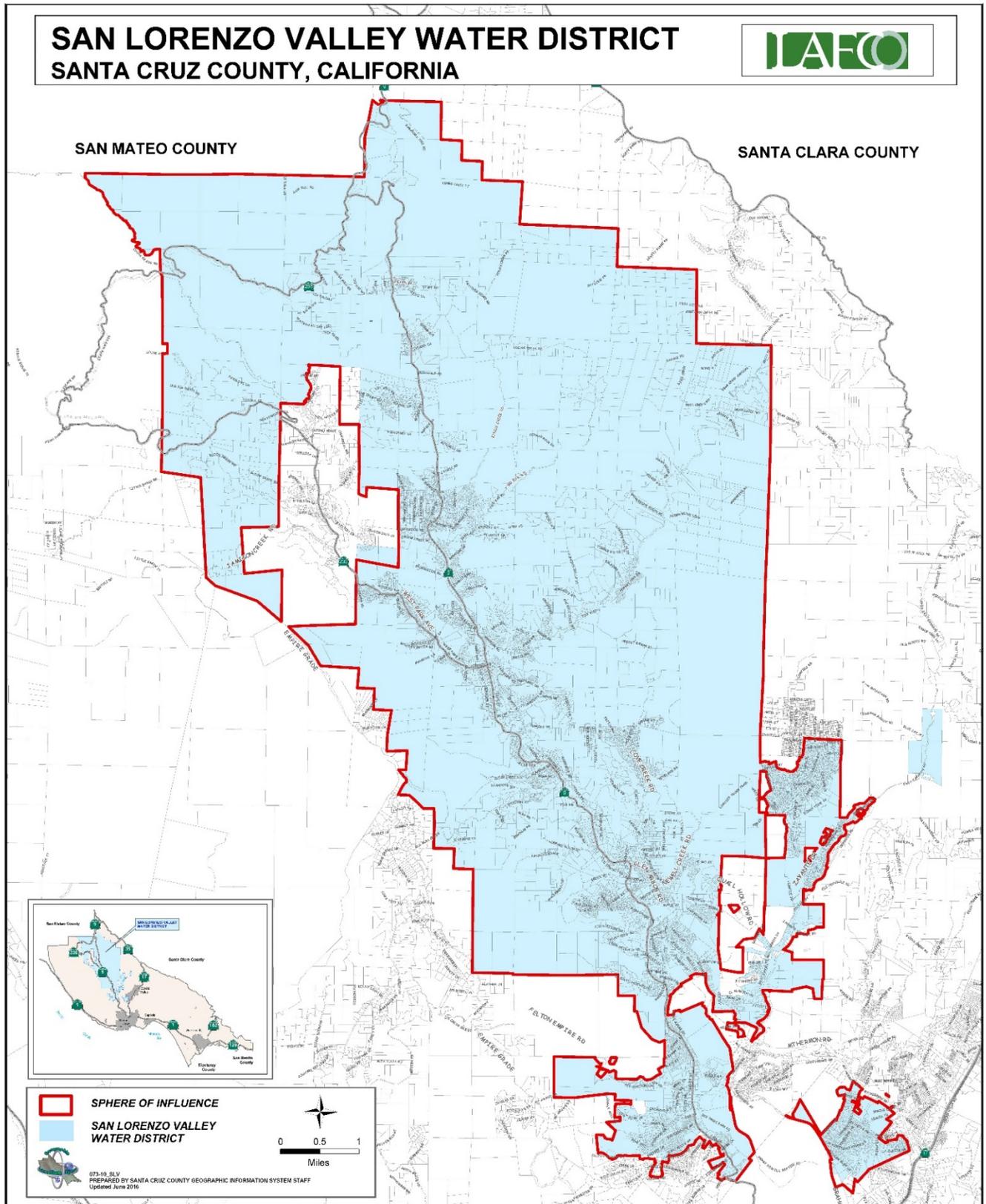


Figure 16: San Lorenzo Valley Water District's Current Sphere Map
 (No Sphere of Influence has been adopted for the Bear Creek Estates Wastewater System)



District Summary

Bear Creek Estates Wastewater System (San Lorenzo Valley Water District)	
Formation	California Water Code, section 30,000 et seq.
Board of Directors	Five members, elected at-large to four-year terms
Contact Person	Rick Rogers, General Manager
Employees	34 Full-Time Employees (entire SLVWD)
Facilities	19 manholes, 2 cleanouts, approximately 3,600 linear feet of gravity sewer, 2,600 linear feet of force mains, 2 sewer pump stations, and 56 laterals
District Area	18.44 acres (0.029 square miles)
Sphere of Influence	<i>Proposed Designation:</i> Zero Sphere of Influence The San Lorenzo Valley Water District's sphere is Slightly Larger than the District (i.e. sphere goes beyond existing jurisdictional boundary)
FY 2019-20 Budget	Total Revenue = \$132,170 Total Expenditure = \$173,732 Projected Net Position (Beginning Balance) = \$251,826
Contact Information	Mailing Address: 13060 Highway 9 Boulder Creek CA 95006 Phone Number: (831) 430-4636 Email Address: bod@slvwd.com Website: http://www.slvwd.com/ BearCreek.htm
Public Meetings	Meetings are typically held on the first and third Thursday of each month at 6:30 p.m.
Mission Statement	"Our mission is to provide our customers and all future generations with reliable, safe and high quality water at an equitable price; to create and maintain outstanding customer service; to manage and protect the environmental health of the aquifers and watersheds; and, to ensure the fiscal vitality of the San Lorenzo Valley Water District."

Service and Sphere Review Determinations

The following service and sphere review determinations fulfill the requirements outlined in the Cortese-Knox-Hertzberg Act. The District was instrumental in addressing the determinations by responding to a survey sent by LAFCO in June 2019. **Appendix A** provides a copy of the District's survey response.

Service Provision Determinations

Government Code Section 56430 requires LAFCO to conduct a municipal service review before, or in conjunction with, an action to establish or update a sphere of influence. Written statements of determination must be prepared with respect to each of the following:

1. Growth and population projections for the affected area.

There are no growth projections available for the San Lorenzo Valley Water District or the Bear Creek Estates Wastewater System. In general, the Santa Cruz County unincorporated area is projected to have slow growth over the next fifteen years. The FY 2017-18 audit indicates that the District provides water service to approximately 7,900 customers within its service area. LAFCO staff estimates that the population within the Bear Creek Estates Wastewater System was approximately 183 in 2015. Based on the growth rate of approximately 1% for the unincorporated areas in the County, LAFCO staff projects that the System's entire population in 2020 will be around 185.

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

In 2017, the California statewide median household income was \$67,169⁷, and 80% of that was \$53,735. LAFCO staff utilized the ArcGIS mapping program to locate potential DUCs in the County. Based on the criteria set forth by SB 244, staff's analysis indicates that there are no areas in the Bear Creek Estates Wastewater System designated as a disadvantaged unincorporated community.

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

The San Lorenzo Valley Water District (SLVWD) was formed back in 1941 and provides water service to approximately 7,900 connections throughout the communities of Boulder Creek, Brookdale, Ben Lomond, Felton, Zayante, and southern Scotts Valley. Since the development of the Bear Creek Estates subdivision back in 1985, SLVWD has been providing sewer service to 56 connections under the governance of the Bear Creek Estates Wastewater System. This residential subdivision has approximately 183 residents and represents approximately 2% of the total population within the San Lorenzo Valley Water District. The District has expressed interest in transferring sewer service responsibilities to another local agency.

⁷ 2013-2017 American Community Survey 5-year Estimates

4. Financial ability of agencies to provide services.

The Bear Creek Estates Wastewater System has experienced an annual deficit over the past six years. Audited financial statements from Fiscal Years 2013 to 2018 indicate that the annual shortage has ranged from \$2,200 to \$60,000. As of June 30, 2018, the System is operating with a net position of approximately \$339,000 with no current assets or cash available. LAFCO staff projects that this negative trend will continue unless the System increases its overall revenue stream or decreases annual expenses.

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

Several sanitation districts, including the Bear Creek Estates Wastewater System, have expressed interest in transferring sewer responsibilities to another agency due to funding issues, limited long-term planning, or lack of economies of scale. Establishment of a countywide memorandum of understanding or a joint powers authority may unify the already-established collaboration set by the sanitation providers in the county. Such agreements may also lay the foundation for future changes of organization, including but not limited to annexations, consolidations, or mergers.

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

The San Lorenzo Valley Water District has adopted a District-wide capital improvement plan. Based on staff's research, there are no capital improvement projects scheduled involving the Bear Creek Estates Wastewater System. The District should consider adopting a long-term maintenance plan to ensure scheduled and unforeseen repairs, replacements, and installations are adequately funded.

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

No additional local LAFCO policies are specifically relevant to this service and sphere review.

Sphere of Influence Determinations

Government Code Section 56425 requires LAFCO to periodically review and update spheres of influence in concert with conducting municipal service reviews. Spheres are used as regional planning tools to discourage urban sprawl and encourage orderly growth. Written statements of determination must be prepared with respect to each of the following:

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

The Bear Creek Estates Wastewater System's service area is built out with residential homes. There are no agricultural or open-space lands within the service area.

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

Due to the System's ongoing financial constraints, in conjunction with SLVWD's interest in transferring sewer responsibilities to another local agency, LAFCO staff recommends adopting a zero sphere of influence for the Bear Creek Estates Wastewater System.

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

The San Lorenzo Valley Water District owns, operates, and maintains a wastewater system in Boulder Creek's Bear Creek Estates. Based on staff's analysis, the System has 56 connections with 1.2 miles of sewer lines and 2 pump stations. The System is operating on a routine or as needed basis with staff being allocated from the Operations & Distribution or Supply & Treatment Departments. The San Lorenzo Valley Water District desires to transfer ownership and operation of the wastewater system to another agency, such as the County of Santa Cruz, which may be able to operate the system more efficiently. The District's 2016 Strategic Plan identifies specific steps to potentially transfer service provisions to another local agency.

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.

LAFCO staff is not aware of any social or economic communities of interest in the area. The Bear Creek Estates Wastewater System's service area is primarily single-family homes.

5. For an update of a sphere of influence of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, that occurs pursuant to subdivision (g) on or after July 1, 2012, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.

Neither the County nor LAFCO has identified any sub-area within or contiguous to the District's service or sphere boundaries that meet the definition of a disadvantaged unincorporated community. That said, the District 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.

COUNTY SERVICE AREA 2 (PLACE DE MER)

District Overview

County Service Area 2 serves the Place de Mer subdivision which encompasses 12.8 acres (0.02 square miles). The wastewater facility is a community septic tank system with 97 connections. The existing septic system was constructed back in 1972. **Figure 19**, on page 50, is a vicinity map of the service area.

Population & Growth

The Place de Mer subdivision is an ocean-front residential development in La Selva Beach that is substantially built-out. There are no growth projections available for CSA 2. In general, the Santa Cruz County unincorporated area is projected to have slow growth over the next fifteen years. The County Public Works Department estimates that the population within CSA 2 is approximately 168. Based on the growth rate of approximately 1% for the unincorporated areas in the County, LAFCO staff projects that CSA 2's entire population in 2020 will be around 170. The projected population for CSA 2 are as follows:

Table 11: Projected Population

	2020	2025	2030	2035	Growth Rate
Santa Cruz County (unincorporated)	136,891	137,896	139,105	140,356	1%
CSA 2	170	171	173	175	1%

Source: AMBAG 2018 Regional Growth Forecast

Disadvantaged Unincorporated Communities

State law requires LAFCO to identify and describe all “disadvantaged unincorporated communities” (DUC) located within or contiguous to the existing spheres of influence of cities and special districts that provide fire protection, sewer, and/or water services. DUCs are defined as inhabited unincorporated areas with an annual median household income that is 80% or less than the statewide annual median household income.

In 2017, the California statewide median household income was \$67,169⁸, and 80% of that was \$53,735. LAFCO staff utilized the ArcGIS mapping program to locate potential DUCs in the County. Based on the criteria set forth by SB 244, staff’s analysis indicates that there are no areas in CSA 2 designated as a disadvantaged unincorporated community.

Services & Operations

CSA 2 Place De Mer has an aging septic system that services the privately-owned residential properties. The system is maintained by the County of Santa Cruz. Based on staff’s analysis, CSA 2 has 97 connections with 0.4 miles of sewer lines and 2 pump stations. Annual sewer charges are the District’s primary source of revenue.

⁸ 2013-2017 American Community Survey 5-year Estimates

Sewer Rates

At present, CSA 2's annual sewer rates are based on four zones: Apartment (Zone A), Hill (Zone H), Park (Zone P), and Townhouse (Zone T). Each zone has its own sewer rate. **Table 12** shows the gradual increase in annual rates during the last seven years.

Table 12: Annual Sewer Rates

	FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20
Zone A	\$1,003.28	\$1,025.34	\$1,054.04	\$1,081.44	\$1,119.29	\$1,151.75	\$1,203.57
Zone H	\$86.82	\$88.72	\$89.14	\$91.44	\$94.64	\$97.38	\$101.76
Zone P	\$1,003.28	\$1,025.34	\$1,054.04	\$1,081.44	\$1,119.29	\$1,151.75	\$1,203.57
Zone T	\$1,078.96	\$1,102.68	\$1,133.54	\$1,163.00	\$1,203.71	\$1,238.62	\$1,294.36

Pursuant to Santa Cruz County Code Section 4.26, the Director of Public Works must annually compute the benefit assessment/service charge rates for CSAs and submit a report to the Board of Supervisors describing each parcel of real property receiving the special benefit and the amount of the charge per CSA for each parcel for the upcoming fiscal year.

CSA fees are considered benefit assessments, and any rate increase (except for preapproved annual Consumer Price Index (CPI) increases) must comply with Proposition 218 procedures. These procedures require that an increase is approved by at least half of the votes cast by the property owners, with the votes weighted according to the amount of the proposed assessment of each parcel. Furthermore, a public hearing must be held to consider any protests to the proposed increase. The following tables (**Tables 13 to 16**) depict the change in dollar amount and percentage for each specific zone.

Table 13: Zone A (Apartments)'s Annual Sewer Rates Review

	FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	Average Change
Zone A	\$1,003.28	\$1,025.34	\$1,054.04	\$1,081.44	\$1,119.29	\$1,151.75	\$1,203.57	
Change (\$)		\$22.06	\$28.70	\$27.40	\$37.85	\$32.46	\$51.82	\$33.38
Change (%)		2%	3%	3%	3%	3%	4%	3%

Table 14: Zone H (Hill)'s Annual Sewer Rates Review

	FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	Average Change
Zone H	\$86.82	\$88.72	\$89.14	\$91.44	\$94.64	\$97.38	\$101.76	
Change (\$)		\$1.90	\$0.42	\$2.30	\$3.20	\$2.74	\$4.38	\$2.49
Change (%)		2%	0.5%	3%	3%	3%	4%	3%

Table 15: Zone P (Park)'s Annual Sewer Rates Review

	FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	Average Change
Zone P	\$1,003.28	\$1,025.34	\$1,054.04	\$1,081.44	\$1,119.29	\$1,151.75	\$1,203.57	
Change (\$)		\$22.06	\$28.70	\$27.40	\$37.85	\$32.46	\$51.82	\$33.38
Change (%)		2%	3%	3%	3%	3%	4%	3%

Table 16: Zone A (Apartments)'s Annual Sewer Rates Review

	FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	Average Change
Zone T	\$1,078.96	\$1,102.68	\$1,133.54	\$1,163.00	\$1,203.71	\$1,238.62	\$1,294.36	
Change (\$)		\$23.72	\$30.86	\$29.46	\$40.71	\$34.91	\$55.74	\$35.90
Change (%)		2%	3%	3%	4%	3%	5%	3%

When comparing the sewer rates with the other sanitation districts analyzed in this report, CSA 2 is ranked fifth in charges towards single family units (\$107.86/month) and ranked fourth in charges towards multi-family units (\$100.30/month). Sewer rate comparisons are shown in the following figures below.

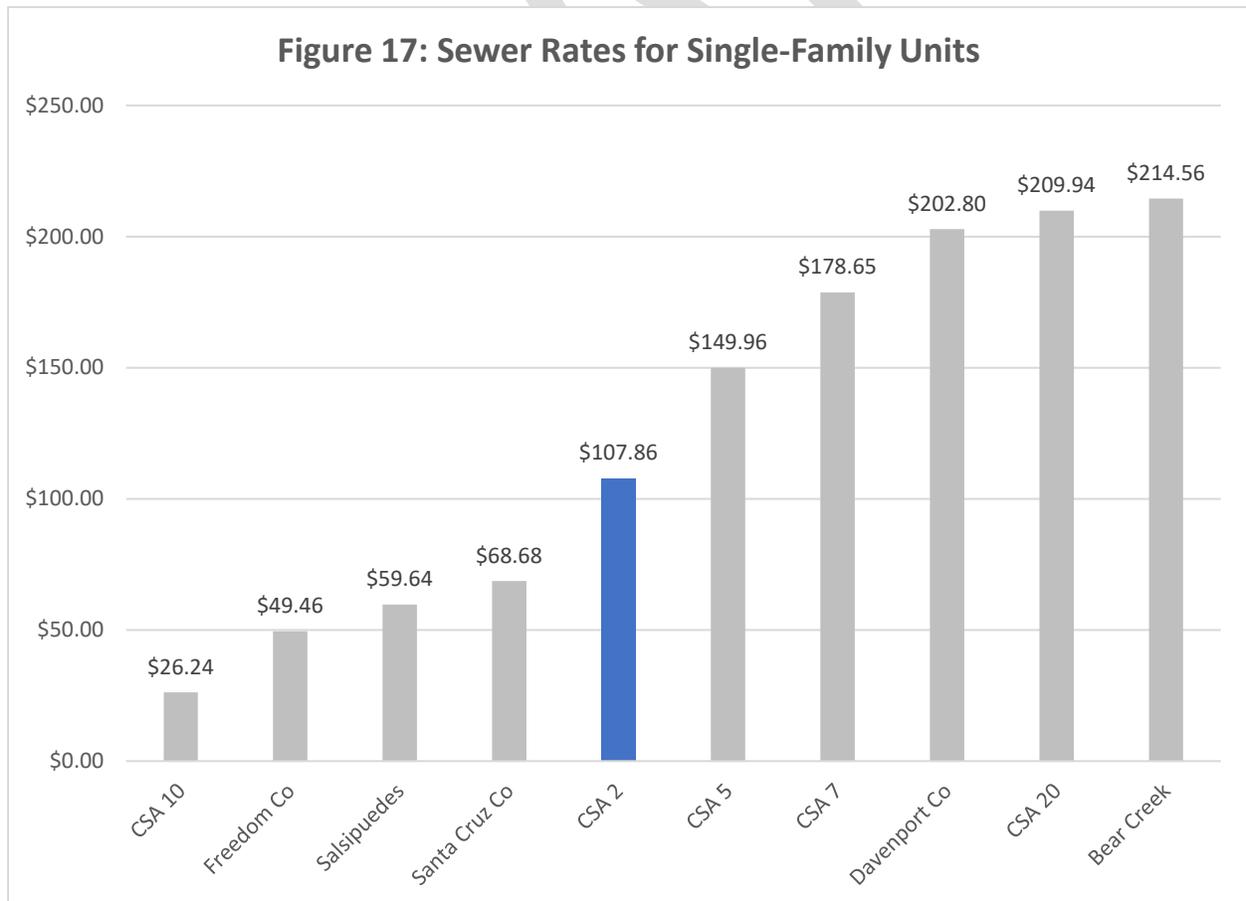
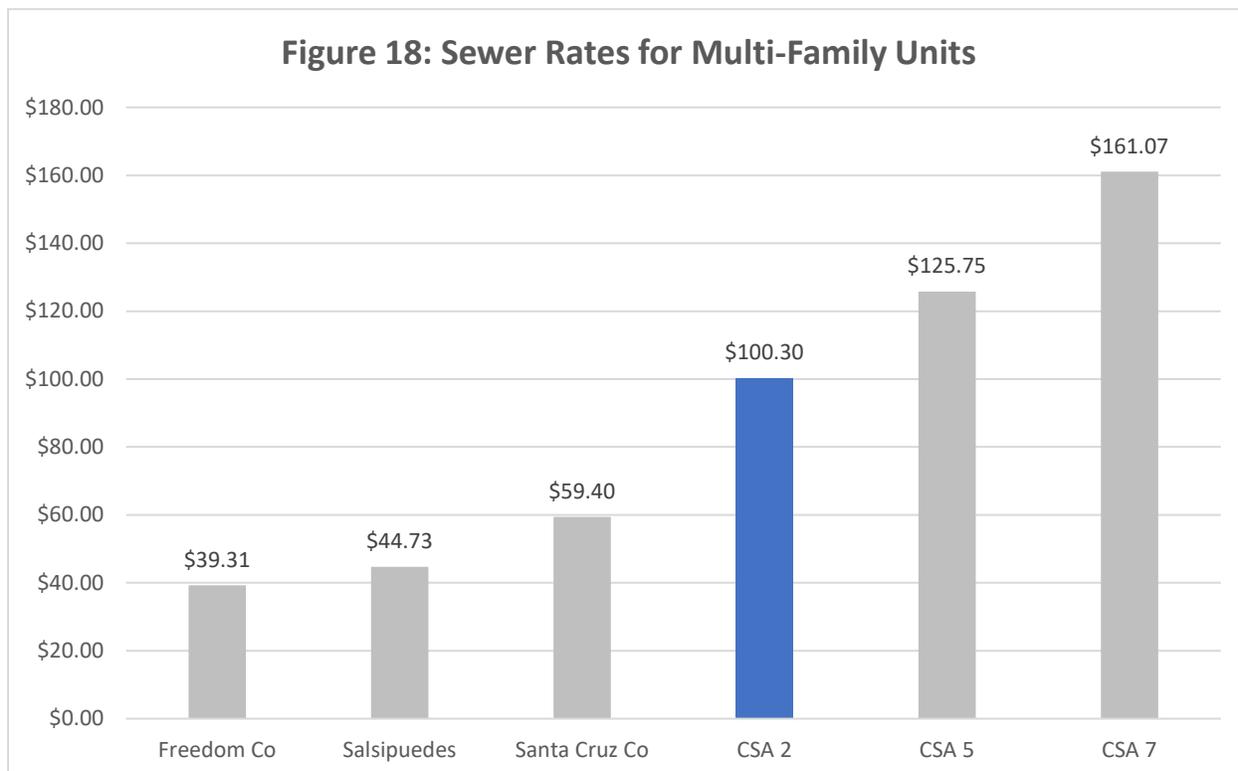


Figure 18: Sewer Rates for Multi-Family Units



Infrastructure Summary

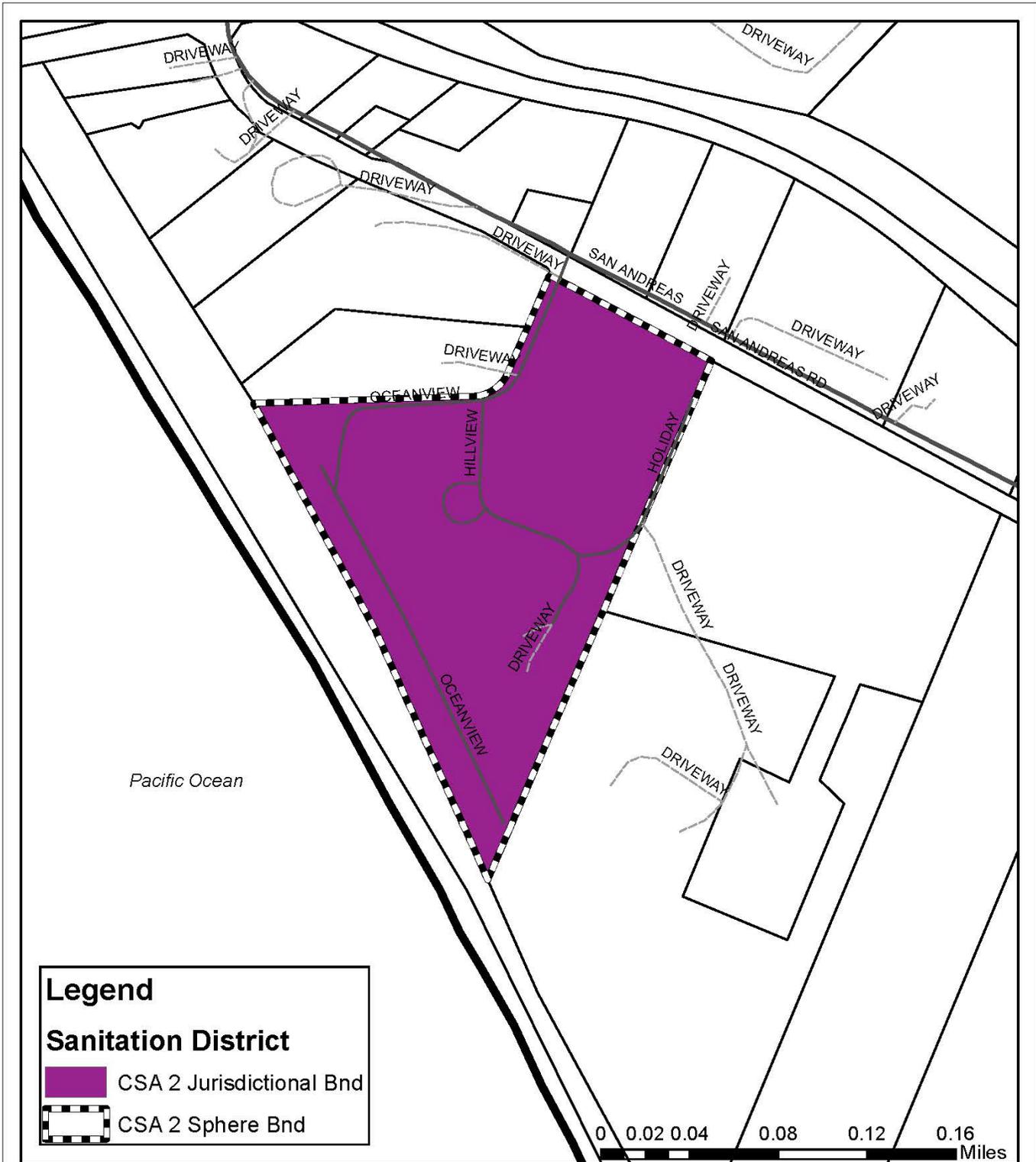
CSA 2 operates a two-pump station community septic tank system. It currently has 97 connections and approximately 0.4 miles of sewer line. **Table 17** provides an overview of the type of service and current infrastructure:

Table 17: Infrastructure Summary

	Type of System	Treatment Level	No. of Connections	No. of Lift Stations	Miles of Sewer Line
CSA 2	Septic	N/A	112	2	0.4

In July 2017, Sanitation Operations staff noticed that the septic tanks were full of wastewater and required to be emptied. Staff further investigated and found the cause of the failure was due to collapsed orangeburg pipe that was installed for the leach pits. Since the leach pits have failed, Sanitation Operations staff have been removing wastewater from the septic tanks up to three times a week to prevent a sanitary sewer overflow. Biosphere Consulting developed a plan to repair and improve the septic system. Based on Biosphere’s analysis, the existing septic tanks are undersized and will require larger tanks and new leach pits to be installed. The County is required to submit the engineered plans to the State Water Board for their approval. Construction costs to install a larger tank and additional leach pits are estimated to be approximately \$1,000,000. The State may require an enhanced treatment system be installed and this will increase costs to over \$2,000,000.

Figure 19: CSA 2's Vicinity Map



Legend

Sanitation District

- CSA 2 Jurisdictional Bnd
- CSA 2 Sphere Bnd

0 0.02 0.04 0.08 0.12 0.16 Miles



**County Service Area 2 (Place de Mer)
Service and Sphere Boundary**

Original Sphere of Influence Adoption (September 7, 1988)

Reaffirmation of Sphere on October 2, 2019 (Proposed)

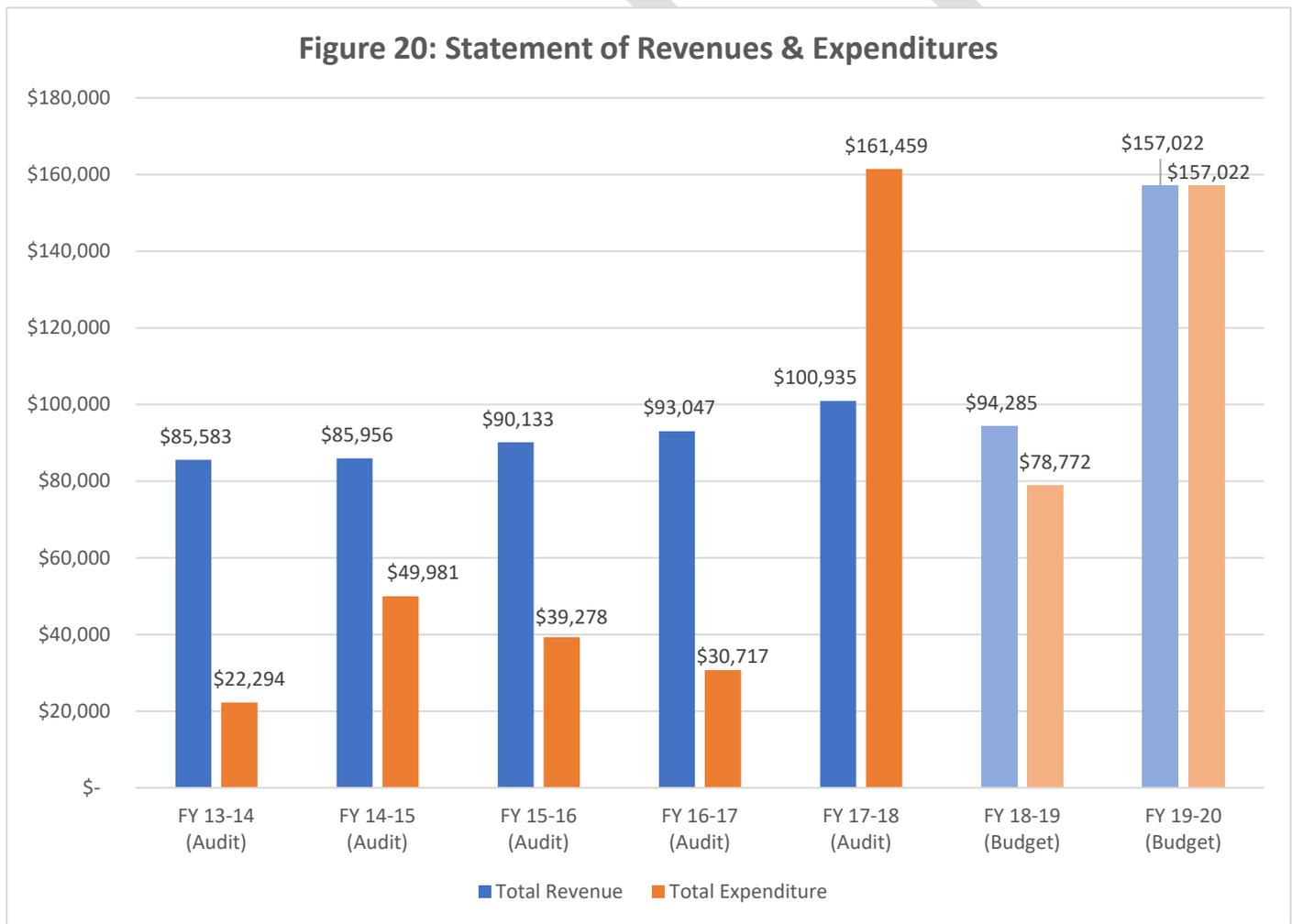
Finances

This section will highlight the District's audited financial performance during the most recent fiscal years. Fiscal Year 2017-18 is the latest audited financial statement available. A comprehensive analysis of the District's financial performance during the past 5 years is shown in **Tables 20** and **21**, on pages 53 and 54.

At the end of Fiscal Year 2017-18, total revenue collected was \$100,935, representing an 8% increase from the previous year (\$93,047 in FY 16-17). Total expenses for FY 17-18 were \$161,459, which increased from the previous year by approximately \$131,000 (\$30,717 in FY 16-17). The significant increase is primary due to recent septic system failures that needed immediate correction.

As shown in the figure below, the District's total revenues have typically been above total expenditures each year since FY 14-15, excluding FY 17-18 (refer to **Figure 20**). Based on the two most recently adopted budgets, CSA 2 may have enough funds to cover projected expenses. However, CSA representatives indicate that additional funds may be needed for operations and maintenance.

Figure 20: Statement of Revenues & Expenditures



District Revenues

CSA 2's primary source of revenue is from Charges for Services. In FY 17-18, the District received revenue from three different sources: Charges for Services (\$91,681), Intergovernmental (\$2,875), and Interest and Investment Income (\$6,379). On average, the District receives approximately \$87,000 each year in service fees. **Table 18** highlights the total revenue received since 2013.

Table 18: Total Revenue (FY 13-14 to FY 17-18)

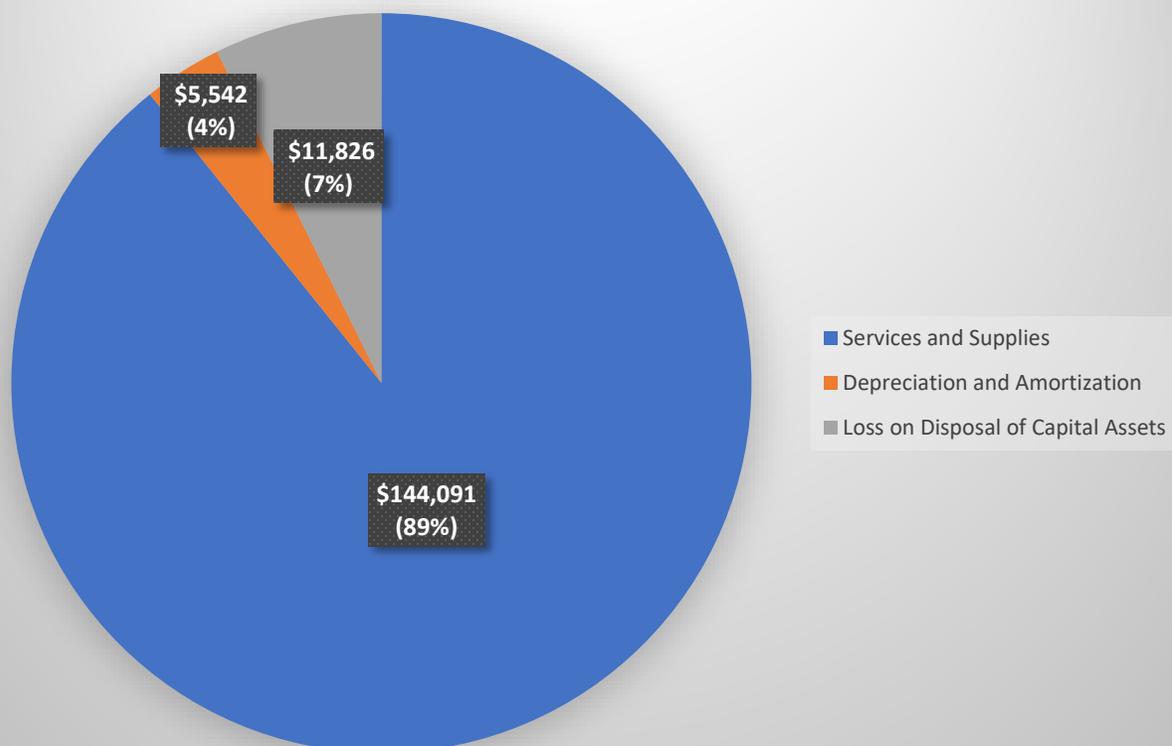
	FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18	Average
Charges for Services	\$82,983	\$84,016	\$87,150	\$88,580	\$91,681	\$86,882
Intergovernmental	-	-	-	-	\$2,875	-
Interest Investment Income	<u>\$2,600</u>	<u>\$1,940</u>	<u>\$2,983</u>	<u>\$4,467</u>	<u>\$6,379</u>	<u>\$3,674</u>
Total Revenue	\$85,583	\$85,956	\$90,133	\$93,047	\$100,935	\$91,131

Footnote: Intergovernmental revenue is derived from FEMA funds to repair failing stairs.

District Expenditures

CSA 2's total expenditures can be categorized into 3 budgetary groups: Services & Supplies, Depreciation & Amortization, and Loss on Disposal of Capital Assets. The figure below depicts the how funding is distributed by category. The District's primary expenditure is associated with operational and management costs, under Services and Supplies.

Figure 21: FY 2017-18 Expenditure Breakdown



Assets & Liabilities

The following is an overview of CSA 2's assets and liabilities:

- District Assets: As of June 30, 2018, the District has \$595,469 in total assets. Cash and Investments represent 83% of total assets.
- District Liabilities: As of June 30, 2018, the District has \$16,398 in total liabilities. Accounts Payable is currently the only liability associated with CSA 2.

Fund Balance/Net Position

As of June 30, 2018, the total fund balance is approximately \$579,071. The fund balance has gradually increased on an annual basis since 2013, as shown in **Table 19**. However, in FY 17-18, CSA 2 experienced a decrease in its net balance. This is primarily due to ongoing repairs towards the failing septic system. A full review of the District's assets, liabilities, and net position is shown in page 55 (refer to **Table 21**).

Table 19: Fund Balance/Net Position

	FY 13-14 (Audited)	FY 14-15 (Audited)	FY 15-16 (Audited)	FY 16-17 (Audited)	FY 17-18 (Audited)
Net Position	\$490,435	\$526,410	\$577,265	\$639,595	\$579,071
Change in (\$) from previous year		\$35,975	\$50,855	\$62,330	-\$60,524
Change in (%) from previous year		7%	10%	11%	-9%

Table 20: Total Revenues & Expenditures

	FY 13-14 (Audit)	FY 14-15 (Audit)	FY 15-16 (Audit)	FY 16-17 (Audit)	FY 17-18 (Audit)	FY 18-19 (Budget)	FY 19-20 (Budget)
REVENUE							
Charges for Services	\$ 82,983	\$ 84,016	\$ 87,150	\$ 88,580	\$ 91,681	\$ 94,285	\$ 157,022
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ 2,875	\$ -	\$ -
Interest and Investment Income	\$ 2,600	\$ 1,940	\$ 2,983	\$ 4,467	\$ 6,379	\$ -	\$ -
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Gain on Disposal of Capital Asset	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Revenue	\$ 85,583	\$ 85,956	\$ 90,133	\$ 93,047	\$ 100,935	\$ 94,285	\$ 157,022
EXPENDITURE							
Services and Supplies	\$ 16,752	\$ 44,439	\$ 33,736	\$ 25,175	\$ 144,091	\$ 72,480	\$ -
Depreciation and Amortization	\$ 5,542	\$ 5,542	\$ 5,542	\$ 5,542	\$ 5,542	\$ 6,292	\$ -
Loss on Disposal of Capital Asset	\$ -	\$ -	\$ -	\$ -	\$ 11,826	\$ -	\$ -
Total Expenditure	\$ 22,294	\$ 49,981	\$ 39,278	\$ 30,717	\$ 161,459	\$ 78,772	\$ 157,022
Surplus/(Deficit)	\$ 63,289	\$ 35,975	\$ 50,855	\$ 62,330	\$ (60,524)	\$ 15,513	\$ -
Net Position - Beginning	\$ 427,146	\$ 490,435	\$ 526,410	\$ 577,265	\$ 639,595	\$ 579,070	\$ 594,583
Net Position - Ending	\$ 490,435	\$ 526,410	\$ 577,265	\$ 639,595	\$ 579,071	\$ 594,583	\$ 594,583

Table 21: Total Assets & Liabilities

	FY 13-14 (Audit)	FY 14-15 (Audit)	FY 15-16 (Audit)	FY 16-17 (Audit)	FY 17-18 (Audit)
ASSETS					
<u>Current Assets</u>					
Cash and Investments	\$ 405,426	\$ 435,117	\$ 492,891	\$ 559,561	\$ 493,604
Restricted Cash	\$ -	\$ -	\$ -	\$ -	\$ -
Receivables	\$ -	\$ -	\$ -	\$ -	\$ -
<u>Non-Current Assets</u>					
Loans Receivable	\$ -	\$ -	\$ -	\$ -	\$ -
<u>Capital Assets:</u>					
Construction in Progress	\$ -	\$ 11,826	\$ 11,826	\$ 11,826	\$ 39,025
Buildings and Structures	\$ 188,209	\$ 188,209	\$ 188,209	\$ 188,209	\$ 188,208
Equipment	\$ -	\$ -	\$ -	\$ -	\$ -
Accumulated Depreciation	<u>\$(103,200)</u>	<u>\$(108,742)</u>	<u>\$(114,284)</u>	<u>\$(119,826)</u>	<u>\$(125,368)</u>
Total Assets	\$ 490,435	\$ 526,410	\$ 578,642	\$ 639,770	\$ 595,469
LIABILITIES					
<u>Current Liabilities</u>					
Payables	\$ -	\$ -	\$ 1,377	\$ 175	\$ 16,398
Current Portion of Long-term Liabilitie	\$ -	\$ -	\$ -	\$ -	\$ -
<u>Non-Current Liabilities</u>					
Long-term Liabilities	<u>\$ -</u>				
Total Liabilities	\$ -	\$ -	\$ 1,377	\$ 175	\$ 16,398
NET POSITION					
Net Investment in Capital Assets	\$ 85,009	\$ 91,293	\$ 85,751	\$ 80,209	\$ 101,865
Restricted for Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	<u>\$ 405,426</u>	<u>\$ 435,117</u>	<u>\$ 491,514</u>	<u>\$ 559,386</u>	<u>\$ 477,206</u>
Total Net Position	\$ 490,435	\$ 526,410	\$ 577,265	\$ 639,595	\$ 579,071

Governance

County Service Area 2 is a dependent special district governed by the County Board of Supervisors and managed by the Public Works Department. The current Board is as follows:

Table 22: Board of Directors

Board Member	Title	Years of Service	Term of Office Expiration
Zach Friend	Director	7 years	1/2/2020
John Leopold	Director	11 years	1/2/2020
Ryan Coonerty	Director	5 years	1/2/2021
Greg Caput	Director	8 years	1/2/2021
Bruce McPherson	Director	3 years	1/2/2020

The Board of Directors meets on most Tuesdays in the Board of Supervisors' Chambers, 701 Ocean Street, Room 525. Meetings generally begin at 9:00am. Public notice is provided through posting. The County contracts for independent audits.

The County of Santa Cruz Public Works Department is responsible for the administration, engineering, maintenance, emergency response and construction of all County sanitation services. The department also manages various Board-governed special districts and CSAs. The Sanitation Operations unit is one of six organizational units within the Special Services Division of Public Works and provides operation and maintenance services to County sanitation districts and CSAs. Sanitation operations employees work in all Districts and CSAs. Each sanitation district is governed according to its specific code of regulations. The Districts' codes are very similar, and some sections are adopted by reference from the Santa Cruz County Sanitation District Code. CSAs are governed according to the Santa Cruz County Code of Regulations. Most of the County Code pertaining to sanitary sewer collection systems is adopted by reference from the SCCSD Code.

Website Requirements

Senate Bill 929 was signed into law in September 2018 and requires all independent special districts to have and maintain a website by January 1, 2020. It outlines minimum website data requirements, including contact information, financial reports, and meeting agendas/minutes. While this new law does not apply to county service areas, the County should consider following the requirements outlined in the new law. The County's water and sewer webpage offers a number of useful resources including formation resolutions, service maps, and current sewer charges for each CSA that delivers sanitary services: <http://dpw.co.santa-cruz.ca.us/Home/SewerWater.aspx>. However, it is difficult to locate certain information and material. For example, there is no reference to staff reports or other supporting documents that provide background information on the CSA's annual sewer rates.

LAFCO Staff Recommendation: *It may be beneficial for the County to include links to staff reports or other supporting documents related to the annual sewer rates. Additionally, the webpage should include all past and future LAFCO service reviews involving CSA 2 as additional resource material.*

Capital Improvement Plan

There is no specific capital improvement plan for CSA 2. The County has a countywide CIP to address the replacement of the aging sewer system, however, CSA 2 lacks funds to make all the improvements. The County of Public Works continually seek grant or loan funding to help finance these improvements.

LAFCO Staff Recommendation: *The County should consider developing a specific capital improvement plan that covers the sanitation districts managed and operated by the Public Works Department – Davenport, Freedom, Santa Cruz County Sanitation Districts, and CSAs 2, 5, 7, 10, and 20.*

Sewer System Management Plan

The State Water Resources Control Board regulates wastewater discharges to surface water (rivers, ocean, etc.) and to groundwater (via land). The State Water Board requires sanitation districts to follow the Statewide General Waste Discharge Requirements for Sanitary Sewer Systems. These requirements include the following:

- Sanitary Sewer Overflows are prohibited, and
- All Sanitary Sewer Overflow (SSOs), with the exception of Private Sewer Lateral Discharge (PLSDs), irrespective of size, must be reported to the State Water Board electronically using the California Integrated Water Quality System, and the Districts/CSAs must prepare and implement a Sewer System Management Plan (SSMP).

In 2017, the County adopted a Sewer System Management Plan to cover the management, operation and maintenance, design, construction and emergency response of the Davenport Sanitation District, Freedom Sanitation District, Santa Cruz County Sanitation District and County Service Areas sanitary sewer systems. However, it is LAFCO staff's understanding that CSA 2 is excluded from the County SSMP because the CSA does not meet the minimum requirements to enroll under the Waste Discharge Requirements.

LAFCO Staff Recommendation: *The County should consider including CSA 2 in the County's Sewer System Management Plan to ensure that the Place de Mer community's sewer infrastructure has proper management and oversight for current and future needs.*

Opportunities & Challenges

County Service Area 2 is significantly affected by aging infrastructure, escalating operational costs, and changes to state laws and regulations that may introduce new requirements without additional funding. These issues are common with other sanitation districts in Santa Cruz County. The following section discusses these challenges and identifies possible opportunities to ensure the delivery of wastewater services in an efficient and effective manner.

Infrastructure Deficiencies

In 2019, Sanitation Operations staff investigated the cause of the failing septic tank system and found that the pipe for the leach pits has collapsed in some areas and caused sewage to flow back to the undersized and corroded precast concrete septic tanks. Biosphere Consulting Incorporated (Biosphere) of Santa Cruz, California was retained to design the improvements of the wastewater treatment system to serve Place De Mer. A design was completed and submitted to the Regional Water Quality Control Board (RWQCB) for approval. The RWQCB is requiring further soils testing and an enhanced wastewater treatment system.

Due to the wet weather causing infiltration into the septic tanks and the ongoing work by Biosphere, it is necessary to transfer funds from the capital reserves to operations and structures and improvements. A total of \$130,000 is required to cover the maintenance and the replacement tanks and leach pit design costs. The CSA does not have the reserves to pay for the required septic system upgrades. Currently, CSA 2 is seeking a loan. If there is a system failure that occurs and must be fixed on an emergency basis, the CSA may require additional funds to fix the issue.

Infrastructure improvements continues to be an ongoing issue for not only CSA 2, but rather, most of the sanitation districts throughout the County. The County may consider adopting a long-term capital improvement plan for CSA 2 to ensure scheduled and unforeseen repairs and replacements are adequately funded.

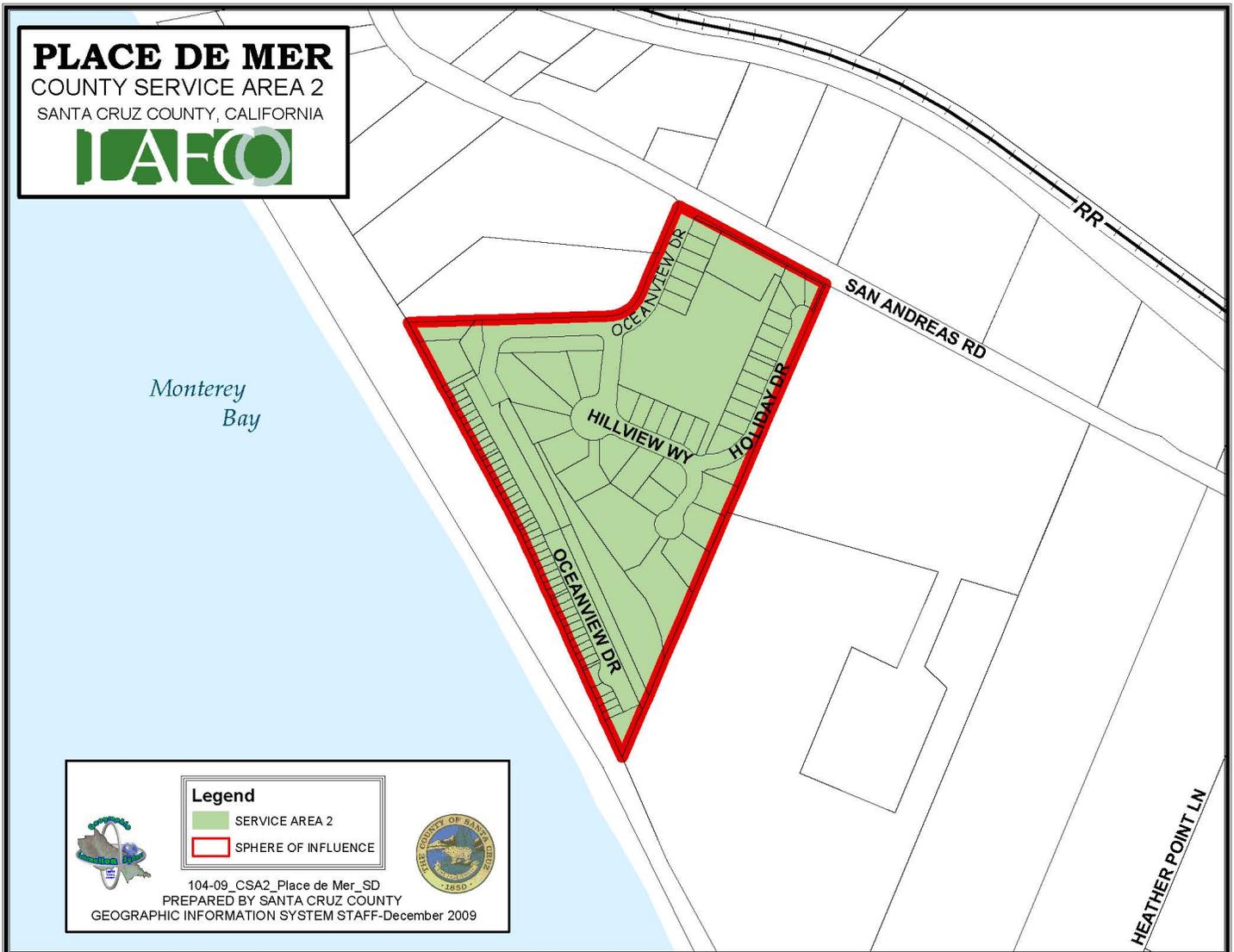
Regional Collaboration

Several sanitation districts, including entities managed and operated by the County, have expressed interest in transferring sewer responsibilities to another agency due to funding issues, limited long-term planning, or lack of economies of scale. Establishment of a countywide memorandum of understanding or a joint powers authority may unify the already-established collaboration set by the sanitation providers in the county. Such agreements may also lay the foundation for future changes of organization, including but not limited to annexations, consolidations, or mergers.

Sphere of Influence

LAFCO originally adopted a coterminous sphere of influence for the District in 1988. A coterminous sphere of influence is identical to the agency's jurisdictional boundary. For the past 30 years, the sphere boundary has remained unchanged. LAFCO staff, along with representatives of CSA 2, do not recommend any changes to the sphere of influence at this time. **Figure 22** shows the current sphere of influence boundary for CSA 2.

Figure 22: CSA 2's Current Sphere Map



District Summary

County Service Area 2 (Place de Mer)	
Formation	California Government Code, section 25210.1 et seq. (County Service Area Law)
Board of Directors	5 members, elected at-large to four-year terms
Contact Person	Beatriz Barranco, Senior Engineer, Sanitation Operations
Employees	1 full-time employee (approximately)
Facilities	Two-pump station community septic tank system; 97 connections
District Area	12.8 acres (0.02 square miles)
Sphere of Influence	Coterminous with District (i.e. no sphere beyond existing jurisdictional boundary)
FY 2019-20 Budget	Total Revenue = \$157,022 Total Expenditure = \$157,022 Projected Net Position (Beginning Balance) = \$594,583
Contact Information	Mailing Address: 701 Ocean Street, Santa Cruz CA 95060 Phone Number: (831) 477-3907 Email Address: Beatriz.Barranco@santacruzcounty.us Website: http://dpw.co.santa-cruz.ca.us/Home/SewerWater.aspx
Public Meetings	The Board regularly meets on most Tuesdays in the Board of Supervisors' Chambers, 701 Ocean St, Rm. 525. Meetings generally begin at 9:00 am.
Mission Statement	The CSA does not have a published mission statement. However, their mission aligns with the published mission statement for the Santa Cruz County Sanitation District.

Service and Sphere Review Determinations

The following service and sphere review determinations fulfill the requirements outlined in the Cortese-Knox-Hertzberg Act. The County was instrumental in addressing the determinations by responding to a survey sent by LAFCO in June 2019. **Appendix B** provides a copy of the District's survey response.

Service Provision Determinations

Government Code Section 56430 requires LAFCO to conduct a municipal service review before, or in conjunction with, an action to establish or update a sphere of influence. Written statements of determination must be prepared with respect to each of the following:

1. Growth and population projections for the affected area.

The Place de Mer subdivision is an ocean-front residential development in La Selva Beach that is substantially built-out. There are no growth projections available for CSA 2. In general, the Santa Cruz County unincorporated area is projected to have slow growth over the next fifteen years. The County Public Works Department estimates that the population within CSA 2 is approximately 168. Based on the growth rate of approximately 1% for the unincorporated areas in the County, LAFCO staff projects that CSA 2's entire population in 2020 will be around 170.

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

In 2017, the California statewide median household income was \$67,169, and 80% of that was \$53,735. LAFCO staff utilized the ArcGIS mapping program to locate potential DUCs in the County. Based on the criteria set forth by SB 244, staff's analysis indicates that there are no areas in CSA 2 designated as a disadvantaged unincorporated community.

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

County Service Area 2 has been collecting and disposing wastewater from the ocean-front townhome development in La Selva Beach, known as Place de Mer, since the construction of the septic system back in 1972. The current two-pump station community septic tank system has 97 connections and serves about 168 residents.

4. Financial ability of agencies to provide services.

County Service Area 2's financial ability to provide services is well-established. The CSA has successfully kept costs below its revenue stream since 2013. Audited financial statements from Fiscal Years 2013 to 2017 indicate that total revenue for CSA 2 exceeded total expenditures. However, the CSA experienced a deficit in FY 2017-18. As of June 30, 2018, CSA 2 is operating with a net position of approximately \$579,000, of which \$493,000 is in cash and investments.

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

Several sanitation districts, including entities managed and operated by the County, have expressed interest in transferring sewer responsibilities to another agency due to funding issues, limited long-term planning, or lack of economies of scale. Establishment of a countywide memorandum of understanding or a joint powers authority may unify the already-established collaboration set by the sanitation providers in the county. Such agreements may also lay the foundation for future changes of organization, including but not limited to annexations, consolidations, or mergers.

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

The County currently has a countywide capital improvement plan and a specific capital improvement plan for the Santa Cruz County Sanitation District. Additionally, the County has adopted a Sewer System Management Plan. However, CSA 2 does not have any current or proposed sewer-related capital improvement projects scheduled at this time.

The County has indicated that the existing community septic tank system is undersized and requires new larger tanks and new leach pits. Estimated costs for these upgrades are expected to be around \$1-2 million. CSA 2 does not have the reserves to pay for the required septic system upgrade. The County should consider developing a long-term maintenance plan to identify adequate funding in order to address current and future maintenance, replacement, and/or upgrades to an aging infrastructure.

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

No additional local LAFCO policies are specifically relevant to this service and sphere review.

Sphere of Influence Determinations

Government Code Section 56425 requires LAFCO to periodically review and update spheres of influence in concert with conducting municipal service reviews. Spheres are used as regional planning tools to discourage urban sprawl and encourage orderly growth. Written statements of determination must be prepared with respect to each of the following:

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

The Place de Mer subdivision is an ocean-front residential development in La Selva Beach that is substantially built-out. There are no agricultural or open-space lands within the service area.

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

The Place de Mer subdivision is an ocean-front residential development in La Selva Beach that is substantially built-out. Based on the growth rate of approximately 1% for the unincorporated areas in the County, LAFCO staff projects that CSA 2's entire population in 2020 will be around 170.

LAFCO originally adopted a coterminous sphere of influence for the District in 1988. A coterminous sphere of influence is identical to the agency's jurisdictional boundary. For the past 30 years, the sphere boundary has remained unchanged. LAFCO staff, along with representatives of CSA 2, do not recommend any changes to the sphere of influence at this time.

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

CSA 2 Place De Mer has an aging septic system that services the privately-owned residential properties. The system is maintained by the County of Santa Cruz. Based on staff's analysis, CSA 2 has 97 connections with 0.4 miles of sewer lines and 2 pump stations. Annual sewer charges are the District's primary source of revenue.

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.

LAFCO staff is not aware of any social or economic communities of interest in the area. The CSA's service area is primarily residential units.

5. For an update of a sphere of influence of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, that occurs pursuant to subdivision (g) on or after July 1, 2012, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.

Neither the County nor LAFCO has identified any sub-area within or contiguous to the District's service or sphere boundaries that meet the definition of a disadvantaged unincorporated community. That said, CSA 2 has adequate transmission and treatment capacity for the present and planned facilities within the sphere of influence. The CSA's principal needs are repair and replacement of aging infrastructure.

COUNTY SERVICE AREA 5 (SAND DOLLAR/CANON DEL SOL)

District Overview

County Service Area 5 serves the Sand Dollar Beach and Canon Del Sol subdivisions totaling 640 acres (1.0 square miles). The wastewater system consists of two on-site interconnected package treatment plants that provide secondary treatment. The Sand Dollar treatment plant was constructed in 1967 and the Canon del Sol treatment plant was constructed in 1982. **Figure 25**, on page 68, is a vicinity map of the service area.

Population & Growth

The Sand Dollar/Canon del Sol subdivisions are considered to be built-out. There are no growth projections available for CSA 5. In general, the Santa Cruz County unincorporated area is projected to have slow growth over the next fifteen years. The County Public Works Department estimates that the population within CSA 5 is approximately 218. Based on the growth rate of approximately 1% for the unincorporated areas in the County, LAFCO staff projects that CSA 5's entire population in 2020 will be around 220. The projected population for CSA 5 are as follows:

Table 23: Projected Population

	2020	2025	2030	2035	Growth Rate
Santa Cruz County (unincorporated)	136,891	137,896	139,105	140,356	1%
CSA 5	220	222	225	227	1%

Source: AMBAG 2018 Regional Growth Forecast

Disadvantaged Unincorporated Communities

State law requires LAFCO to identify and describe all “disadvantaged unincorporated communities” (DUC) located within or contiguous to the existing spheres of influence of cities and special districts that provide fire protection, sewer, and/or water services. DUCs are defined as inhabited unincorporated areas with an annual median household income that is 80% or less than the statewide annual median household income.

In 2017, the California statewide median household income was \$67,169⁹, and 80% of that was \$53,735. LAFCO staff utilized the ArcGIS mapping program to locate potential DUCs in the County. Based on the criteria set forth by SB 244, staff’s analysis indicates that there are no areas in CSA 5 designated as a DUC.

Services & Operations

CSA 5 has an aging package treatment plant that serves single family homes in the Sand Dollar community and condominiums in the Canon del Sol community. The plant is maintained by the County of Santa Cruz. Based on the County’s 2017 Sewer System Management Plan, CSA 5 has 184 connections with 1.15 miles of gravity sewer lines, 0.53 miles of force main lines, and 2 pump stations. Annual sewer charges are the District’s primary source of revenue.

⁹ 2013-2017 American Community Survey 5-year Estimates

Sewer Rates

At present, CSA 5's annual sewer rates derive from the single-family residential units in the Sand Dollar subdivision and the condominiums in the Canon del Sol subdivision. Each community has its own sewer rate. **Table 24** shows the gradual increase in annual rates during the last seven years.

Table 24: Annual Sewer Rates

	FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20
Sand Dollar	\$1,500.00	\$1,533.00	\$1,575.92	\$1,616.88	\$1,673.47	\$1,722.00	\$1,799.49
Canon del Sol	\$1,257.88	\$1,285.54	\$1,321.52	\$1,355.86	\$1,403.32	\$1,444.02	\$1,509.00

Pursuant to Santa Cruz County Code Section 4.26, the Director of Public Works must annually compute the benefit assessment/service charge rates for CSAs and submit a report to the Board of Supervisors describing each parcel of real property receiving the special benefit and the amount of the charge per CSA for each parcel for the upcoming fiscal year.

CSA fees are considered benefit assessments, and any rate increase (except for preapproved annual Consumer Price Index (CPI) increases) must comply with Proposition 218 procedures. These procedures require that an increase is approved by at least half of the votes cast by the property owners, with the votes weighted according to the amount of the proposed assessment of each parcel. Furthermore, a public hearing must be held to consider any protests to the proposed increase. The following tables (**Tables 25 to 26**) depict the change in dollar amount and percentage for each specific zone.

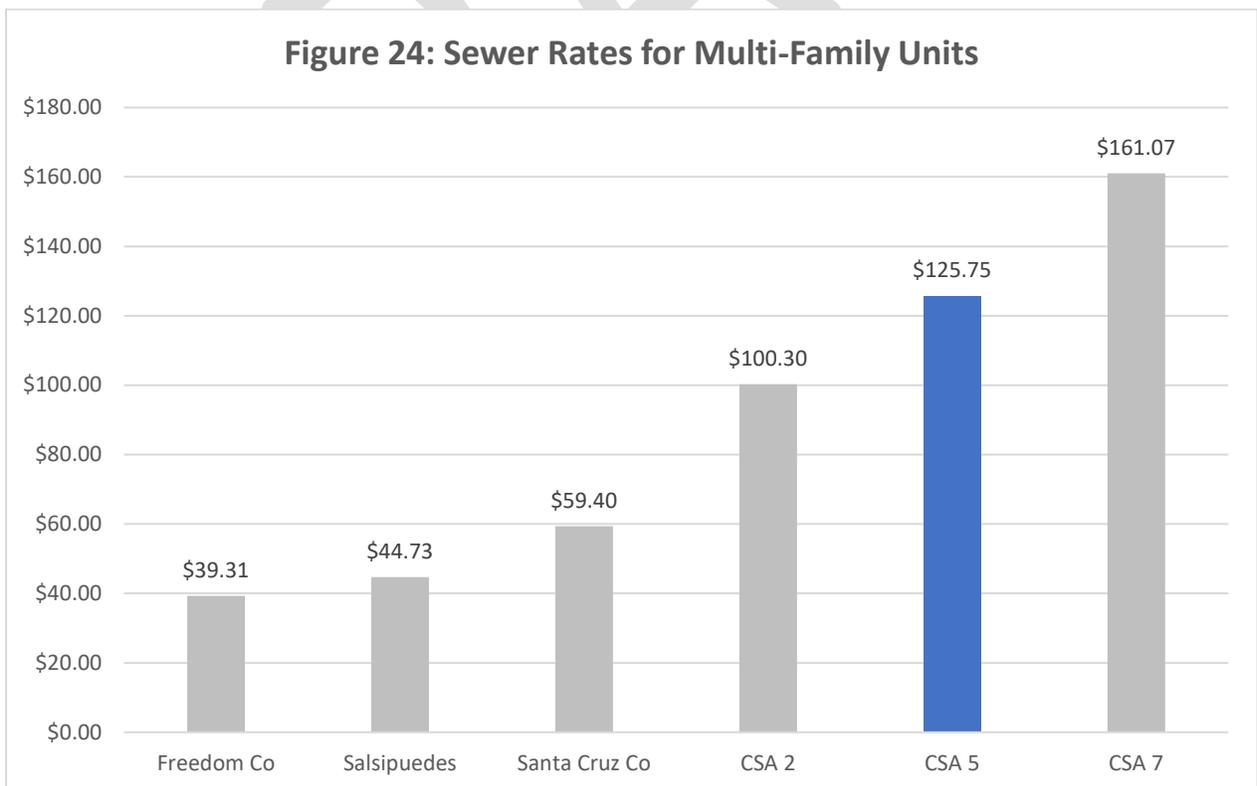
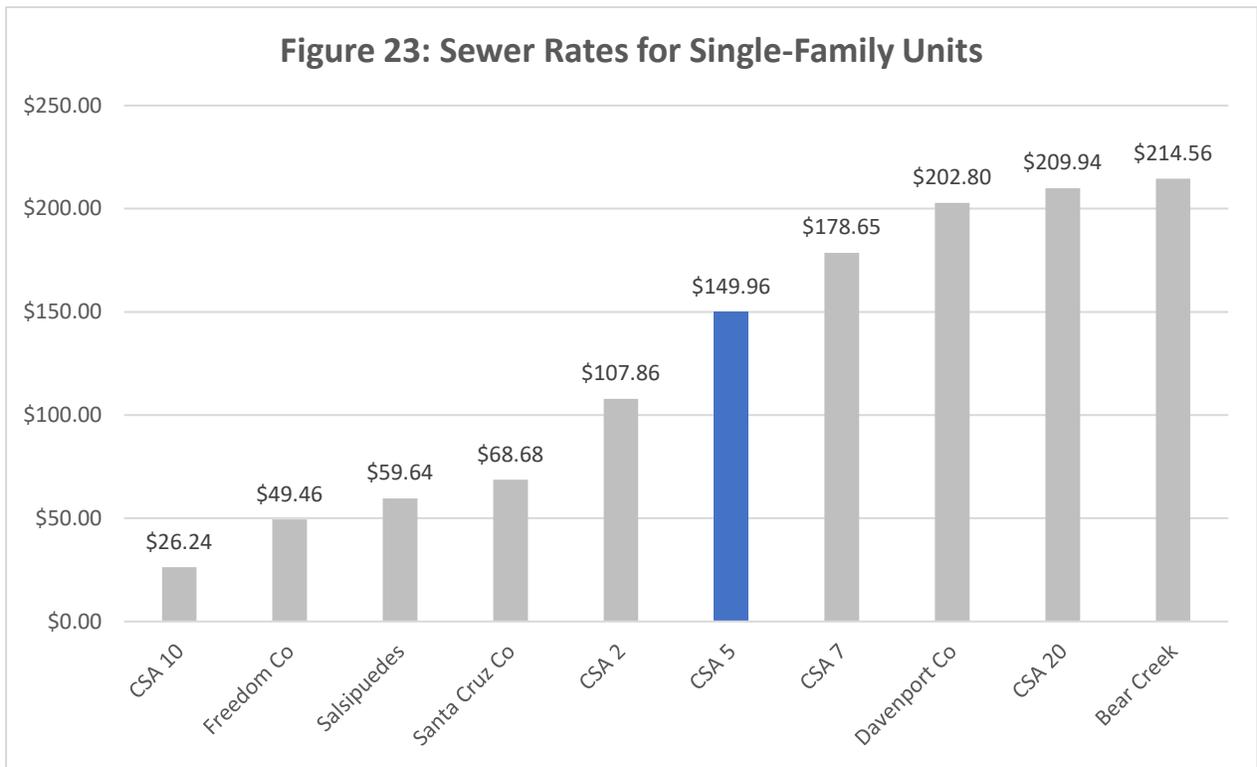
Table 25: Sand Dollar Subdivision's Annual Sewer Rates Review

	FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	Average Change
Sand Dollar	\$1,500.00	\$1,533.00	\$1,575.92	\$1,616.88	\$1,673.47	\$1,722.00	\$1,799.49	
Change (\$)		\$33.00	\$42.92	\$40.96	\$56.59	\$48.53	\$77.49	\$49.92
Change (%)		2%	3%	3%	3%	3%	5%	3%

Table 26: Canon del Sol Subdivision's Annual Sewer Rates Review

	FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	Average Change
Canon del Sol	\$1,257.88	\$1,285.54	\$1,321.52	\$1,355.86	\$1,403.32	\$1,444.02	\$1,509.00	
Change (\$)		\$27.66	\$35.98	\$34.34	\$47.46	\$40.70	\$64.98	\$41.85
Change (%)		2%	3%	3%	4%	3%	4%	3%

When comparing the sewer rates with the other sanitation districts analyzed in this report, CSA 5 is ranked sixth in charges towards single family units (\$149.96/month) and ranked the second highest in charges towards multi-family units (\$125.75/month). Sewer rate comparisons are shown in the following figures (**Figures 23 to 24**).



Infrastructure Summary

CSA 5 operates two separate treatment plants and serves over 200 residents. It currently has 184 connections and approximately 1.2 miles of sewer line. **Table 27** provides an overview of the type of service and current infrastructure:

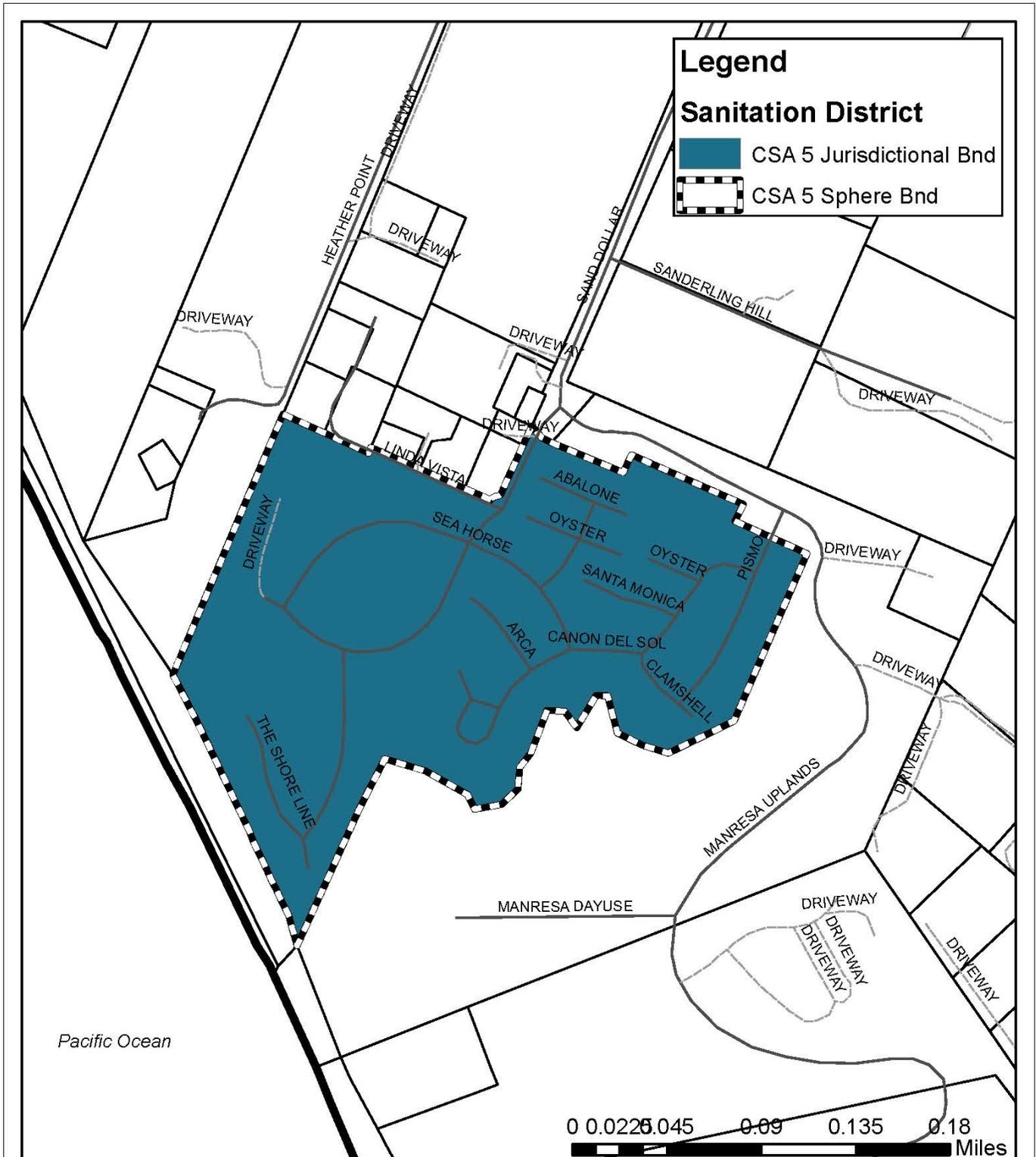
Table 27: Infrastructure Summary

	Type of System	Treatment Level	No. of Connections	No. of Lift Stations	Miles of Sewer Line
CSA 5	Package Treatment	Secondary	184	2	1.15

The Public Works Department has indicated that a grating must be installed over the aeration tank. Such installation is estimated to cost CSA 5 approximately \$110,000. Infrastructure improvements continues to be an ongoing issue for not only CSA 5, but rather, most of the sanitation districts throughout the County.



Figure 25: CSA 5's Vicinity Map



**County Service Area 5 (San Dollar/Canon del Sol)
Service and Sphere Boundary**



Original Sphere of Influence Adoption (September 7, 1988)

Reaffirmation of Sphere on October 2, 2019 (Proposed)

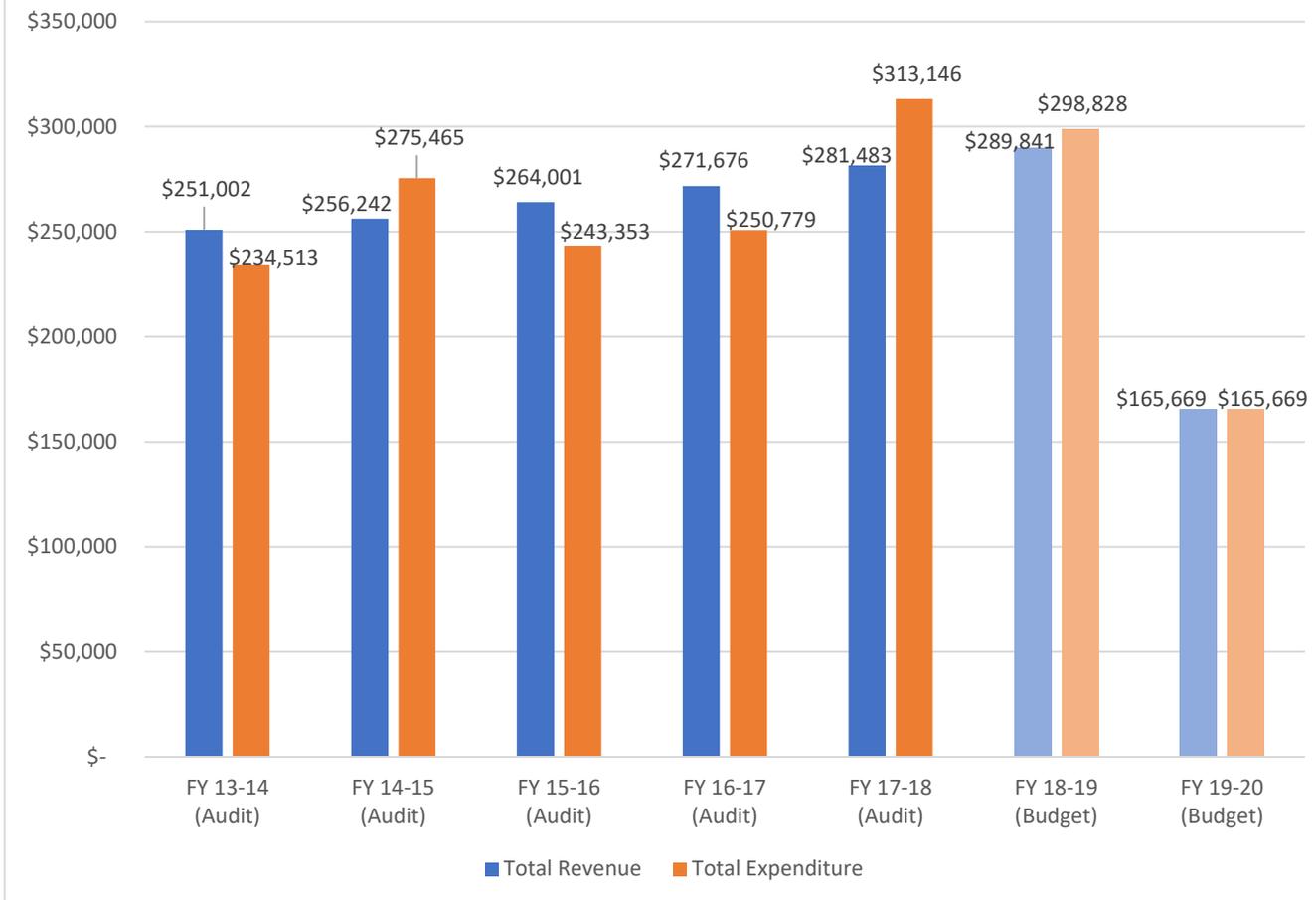
Finances

This section will highlight the District’s audited financial performance during the most recent fiscal years. Fiscal Year 2017-18 is the latest audited financial statement available. A comprehensive analysis of the District’s financial performance during the past 5 years is shown in **Tables 30** and **31**, on pages 72 and 73.

At the end of Fiscal Year 2017-18, total revenue collected was \$281,483, representing a 4% increase from the previous year (\$271,676 in FY 16-17). Total expenses for FY 17-18 were \$313,146, which increased from the previous year by approximately \$62,000 (\$250,779 in FY 16-17).

As shown in the figure below, the District’s total revenues have typically been above total expenditures in 3 of the last 5 fiscal years (refer to **Figure 26**). Based on the two most recently adopted budgets, LAFCO staff believes that CSA 5 may not have enough funds to cover anticipated expenses.

Figure 26: Statement of Revenues & Expenditures



District Revenues

CSA 5's primary source of revenue is from Charges for Services. In FY 17-18, the District received revenue from two different sources: Charges for Services (\$277,507) and Interest and Investment Income (\$3,976). On average, the District receives approximately \$263,000 each year in service fees. **Table 28** highlights the total revenue received since 2013.

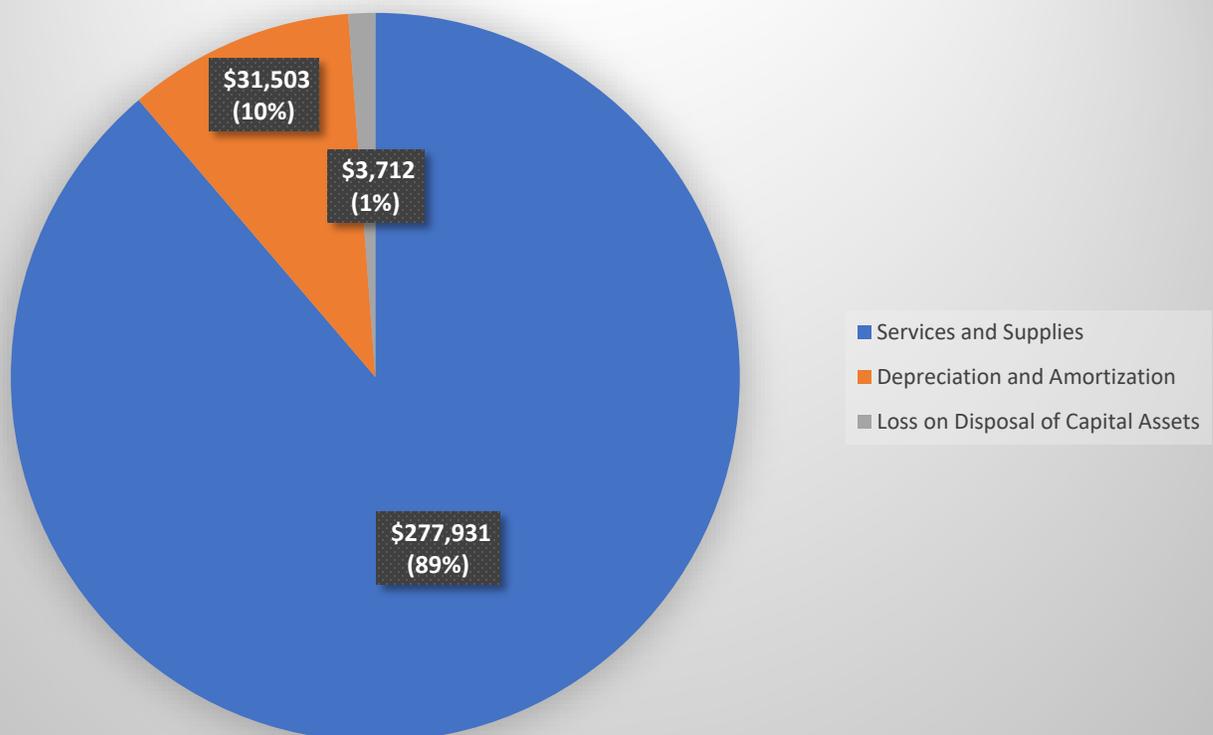
Table 28: Total Revenue (FY 13-14 to FY 17-18)

	FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18	Average
Charges for Services	\$249,989	\$255,488	\$262,640	\$269,464	\$277,507	\$263,018
Interest Investment Income	<u>\$1,013</u>	<u>\$754</u>	<u>\$1,361</u>	<u>\$2,212</u>	<u>\$3,976</u>	<u>\$1,863</u>
Total Revenue	\$251,002	\$256,242	\$264,001	\$271,676	\$281,483	\$264,881

District Expenditures

CSA 5's total expenditures can be categorized into 3 budgetary groups: Services & Supplies, Depreciation & Amortization, and Loss on Disposal of Capital Assets. The figure below depicts the how funding is distributed by category. The District's primary expenditure is associated with operational and management costs, under Services and Supplies.

Figure 27: FY 2017-18 Expenditure Breakdown



Assets & Liabilities

The following is an overview of CSA 5's assets and liabilities:

- District Assets: As of June 30, 2018, the District has \$790,073 in total assets. Cash and Investments represent 39% of total assets.
- District Liabilities: As of June 30, 2018, the District has \$1,671 in total liabilities. Accounts Payable is currently the only liability associated with CSA 5.

Fund Balance/Net Position

As of June 30, 2018, the total fund balance is approximately \$788,402. The fund balance has fluctuated since 2013, as shown in the following table. In FY 17-18, CSA 5 experienced a decrease of over \$30,000. This is primarily due to ongoing repairs towards the failing sewer lines. A full review of the District's assets, liabilities, and net position is shown in page 73 (refer to **Table 29**).

Table 29: Fund Balance/Net Position

	FY 13-14 (Audited)	FY 14-15 (Audited)	FY 15-16 (Audited)	FY 16-17 (Audited)	FY 17-18 (Audited)
Net Position	\$797,743	\$778,520	\$799,168	\$820,065	\$788,402
Change in (\$) from previous year		-\$19,223	\$20,648	\$20,897	-\$31,663
Change in (%) from previous year		-2%	3%	3%	-4%

Table 30: Total Revenues & Expenditures

	FY 13-14 (Audit)	FY 14-15 (Audit)	FY 15-16 (Audit)	FY 16-17 (Audit)	FY 17-18 (Audit)	FY 18-19 (Budget)	FY 19-20 (Budget)
REVENUE							
Charges for Services	\$ 249,989	\$ 255,488	\$ 262,640	\$ 269,464	\$ 277,507	\$ 286,985	\$ -
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest and Investment Income	\$ 1,013	\$ 754	\$ 1,361	\$ 2,212	\$ 3,976	\$ 2,200	\$ -
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
St-Homeowners Prop Tax Relief	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 656	\$ -
Gain on Disposal of Capital Assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Revenue	\$ 251,002	\$ 256,242	\$ 264,001	\$ 271,676	\$ 281,483	\$ 289,841	\$ 165,669
EXPENDITURE							
Services and Supplies	\$ 199,596	\$ 240,547	\$ 208,435	\$ 217,457	\$ 277,931	\$ 265,350	\$ -
Depreciation and Amortization	\$ 34,917	\$ 34,918	\$ 34,918	\$ 33,322	\$ 31,503	\$ 33,478	\$ -
Loss on Disposal of Capital Assets	\$ -	\$ -	\$ -	\$ -	\$ 3,712	\$ -	\$ -
Total Expenditure	\$ 234,513	\$ 275,465	\$ 243,353	\$ 250,779	\$ 313,146	\$ 298,828	\$ 165,669
Surplus/(Deficit)	\$ 16,489	\$ (19,223)	\$ 20,648	\$ 20,897	\$ (31,663)	\$ (8,987)	\$ -
Net Position - Beginning	\$ 781,254	\$ 797,743	\$ 778,520	\$ 799,168	\$ 820,065	\$ 788,401	\$ 779,414
Net Position - Ending	\$ 797,743	\$ 778,520	\$ 799,168	\$ 820,065	\$ 788,402	\$ 779,414	\$ 779,414

Table 31: Total Assets & Liabilities

	FY 13-14 (Audit)	FY 14-15 (Audit)	FY 15-16 (Audit)	FY 16-17 (Audit)	FY 17-18 (Audit)
ASSETS					
<u>Current Assets</u>					
Cash and Investments	\$ 180,438	\$ 196,065	\$ 254,185	\$ 309,911	\$ 311,073
Restricted Cash	\$ -	\$ -	\$ -	\$ -	\$ -
Receivables	\$ -	\$ -	\$ -	\$ -	\$ -
<u>Non-Current Assets</u>					
Loans Receivable	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Assets:					
Construction in Progress	\$ -	\$ -	\$ -	\$ -	\$ -
Buildings and Structures	\$ 917,969	\$ 917,969	\$ 917,969	\$ 917,969	\$ 908,969
Equipment	\$ -	\$ -	\$ -	\$ -	\$ -
Accumulated Depreciation	\$ (300,596)	\$ (335,514)	\$ (370,432)	\$ (403,754)	\$ (429,969)
Total Assets	\$ 797,811	\$ 778,520	\$ 801,722	\$ 824,126	\$ 790,073
LIABILITIES					
<u>Current Liabilities</u>					
Payables	\$ 68	\$ -	\$ 2,554	\$ 4,061	\$ 1,671
Current Portion of Long-term Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
<u>Non-Current Liabilities</u>					
Long-term Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
Total Liabilities	\$ 68	\$ -	\$ 2,554	\$ 4,061	\$ 1,671
NET POSITION					
Net Investment in Capital Assets	\$ 617,373	\$ 582,455	\$ 547,537	\$ 514,214	\$ 479,000
Restricted for Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	\$ 180,370	\$ 196,065	\$ 251,631	\$ 305,851	\$ 309,402
Total Net Position	\$ 797,743	\$ 778,520	\$ 799,168	\$ 820,065	\$ 788,402

Governance

County Service Area 5 is a dependent special district governed by the County Board of Supervisors and managed by the Public Works Department. The current Board is as follows:

Table 32: Board of Directors

Board Member	Title	Years of Service	Term of Office Expiration
Zach Friend	Director	7 years	1/2/2020
John Leopold	Director	11 years	1/2/2020
Ryan Coonerty	Director	5 years	1/2/2021
Greg Caput	Director	8 years	1/2/2021
Bruce McPherson	Director	3 years	1/2/2020

The Board of Directors meets on most Tuesdays in the Board of Supervisors' Chambers, 701 Ocean Street, Room 525. Meetings generally begin at 9:00am. Public notice is provided through posting. The County contracts for independent audits.

The County of Santa Cruz Public Works Department is responsible for the administration, engineering, maintenance, emergency response and construction of all County sanitation services. The department also manages various Board-governed special districts and CSAs. The Sanitation Operations unit is one of six organizational units within the Special Services Division of Public Works and provides operation and maintenance services to County sanitation districts and CSAs. Sanitation operations employees work in all Districts and CSAs. Each sanitation district is governed according to its specific code of regulations. The Districts' codes are very similar, and some sections are adopted by reference from the Santa Cruz County Sanitation District Code. CSAs are governed according to the Santa Cruz County Code of Regulations. Most of the County Code pertaining to sanitary sewer collection systems is adopted by reference from the SCCSD Code.

Website Requirements

Senate Bill 929 was signed into law in September 2018 and requires all independent special districts to have and maintain a website by January 1, 2020. It outlines minimum website data requirements, including contact information, financial reports, and meeting agendas/minutes. While this new law does not apply to county service areas, the County should consider following the requirements outlined in the new law. The County's water and sewer webpage offers a number of useful resources including formation resolutions, service maps, and current sewer charges for each CSA that delivers sanitary services: <http://dpw.co.santa-cruz.ca.us/Home/SewerWater.aspx>. However, it is difficult to locate certain information and material. For example, there is no reference to staff reports or other supporting documents that provide background information on the CSA's annual sewer rates.

LAFCO Staff Recommendation: *It may be beneficial for the County to include links to staff reports or other supporting documents related to the annual sewer rates. Additionally, the webpage should include all past and future LAFCO service reviews involving CSA 5 as additional resource material.*

Capital Improvement Plan

There is no specific capital improvement plan for CSA 5. The County has a countywide CIP to address the replacement of the aging sewer system, however, CSA 5 lacks funds to make all the improvements. The County of Public Works continually seek grant or loan funding to help finance these improvements.

LAFCO Staff Recommendation: *The County should consider developing a specific capital improvement plan that covers the sanitation districts managed and operated by the Public Works Department – Davenport, Freedom, Santa Cruz County Sanitation Districts, and CSAs 2, 5, 7, 10, and 20.*

Sewer System Management Plan

The State Water Resources Control Board regulates wastewater discharges to surface water (rivers, ocean, etc.) and to groundwater (via land). The State Water Board requires sanitation districts to follow the Statewide General Waste Discharge Requirements for Sanitary Sewer Systems. These requirements include the following:

- Sanitary Sewer Overflows are prohibited, and
- All Sanitary Sewer Overflow (SSOs), with the exception of Private Sewer Lateral Discharge (PLSDs), irrespective of size, must be reported to the State Water Board electronically using the California Integrated Water Quality System, and the Districts/CSAs must prepare and implement a Sewer System Management Plan (SSMP).

In 2017, the County adopted a Sewer System Management Plan to cover the management, operation and maintenance, design, construction and emergency response of the Davenport Sanitation District, Freedom Sanitation District, Santa Cruz County Sanitation District and County Service Areas sanitary sewer systems, including CSA 5.

Opportunities & Challenges

County Service Area 5 is significantly affected by aging infrastructure, escalating operational costs, and changes to state laws and regulations that may introduce new requirements without additional funding. These issues are common with other sanitation districts in Santa Cruz County. The following section discusses these challenges and identifies possible opportunities to ensure the delivery of wastewater services in an efficient and effective manner.

Infrastructure Deficiencies

The Sand Dollar and Canon Del Sol subdivisions each have a small onsite wastewater treatment plant system that treat the domestic water from the surrounding residential homes. In 2019, it was determined that the treatment plants each required additional maintenance to address failing equipment. Due to the unanticipated hours to operate the treatment plants, the Board of Supervisors transferred funds from the Capital Reserves to Maintenance and Operations for Sand Dollar and Canon Del Sol. A total of \$25,000 was required from Sand Dollar Capital Reserves and \$25,000 was required from Canon Del Sol Capital Reserves to cover maintenance and operation costs of each treatment plant for the remainder of the fiscal year.

Infrastructure improvements continues to be an ongoing issue for not only CSA 5, but rather, most of the sanitation districts throughout the County. The County may consider adopting a long-term capital improvement plan for CSA 5 to ensure scheduled and unforeseen repairs and replacements are adequately funded.

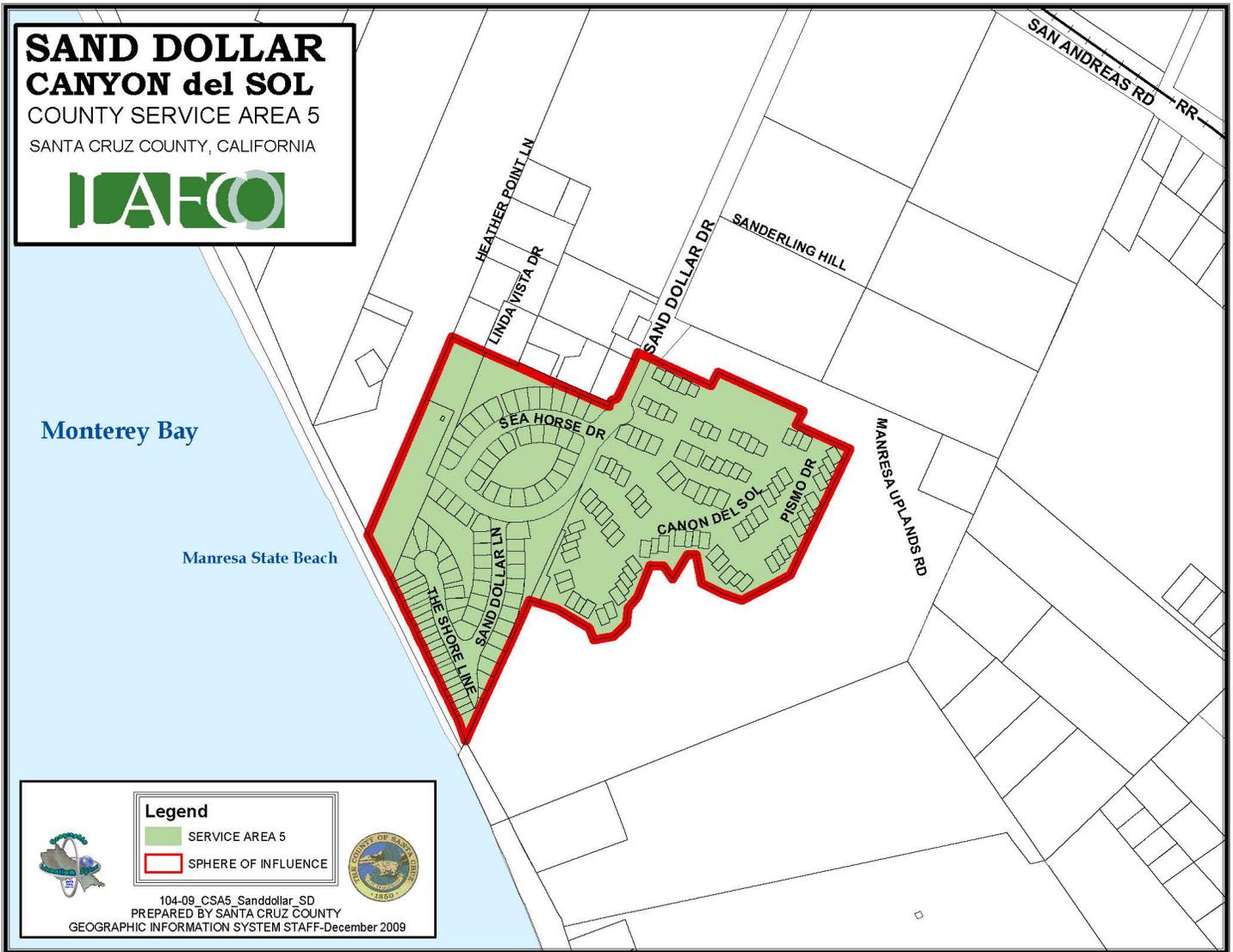
Regional Collaboration

Several sanitation districts, including entities managed and operated by the County, have expressed interest in transferring sewer responsibilities to another agency due to funding issues, limited long-term planning, or lack of economies of scale. Establishment of a countywide memorandum of understanding or a joint powers authority may unify the already-established collaboration set by the sanitation providers in the county. Such agreements may also lay the foundation for future changes of organization, including but not limited to annexations, consolidations, or mergers.

Sphere of Influence

LAFCO originally adopted a coterminous sphere of influence for the District in 1988. A coterminous sphere of influence is identical to the agency's jurisdictional boundary. For the past 30 years, the sphere boundary has remained unchanged. LAFCO staff, along with representatives of CSA 5, do not recommend any changes to the sphere of influence at this time. **Figure 28** shows the current sphere of influence boundary for CSA 5.

Figure 28: CSA 5's Current Sphere Map



District Summary

County Service Area 5 (Sand Dollar/Canyon del Sol)	
Formation	California Government Code, section 25210.1 et seq. (County Service Area Law)
Board of Directors	5 members, elected at-large to four-year terms
Contact Person	Beatriz Barranco, Senior Engineer, Sanitation Operations
Employees	2 full-time employees (approximately)
Facilities	Package Treatment Plant; 2 lift stations; 184 connections
District Area	640 acres (1.0 square miles)
Sphere of Influence	Coterminous with District (i.e. no sphere beyond existing jurisdictional boundary)
FY 2019-20 Budget	Total Revenue = \$165,669 Total Expenditure = \$165,669 Projected Net Position (Beginning Balance) = \$779,414
Contact Information	Mailing Address: 701 Ocean Street, Santa Cruz CA 95060 Phone Number: (831) 477-3907 Email Address: Beatriz.Barranco@santacruzcounty.us Website: http://dpw.co.santa-cruz.ca.us/Home/SewerWater.aspx
Public Meetings	The Board regularly meets on most Tuesdays in the Board of Supervisors' Chambers, 701 Ocean St, Rm. 525. Meetings generally begin at 9:00 am.
Mission Statement	The CSA does not have a published mission statement. However, their mission aligns with the published mission statement for the Santa Cruz County Sanitation District.

Service and Sphere Review Determinations

The following service and sphere review determinations fulfill the requirements outlined in the Cortese-Knox-Hertzberg Act. The County was instrumental in addressing the determinations by responding to a survey sent by LAFCO in June 2019. **Appendix C** provides a copy of the District's survey response.

Service Provision Determinations

Government Code Section 56430 requires LAFCO to conduct a municipal service review before, or in conjunction with, an action to establish or update a sphere of influence. Written statements of determination must be prepared with respect to each of the following:

1. Growth and population projections for the affected area.

The Sand Dollar/Canon del Sol subdivisions are considered to be built-out. There are no growth projections available for CSA 5. In general, the Santa Cruz County unincorporated area is projected to have slow growth over the next fifteen years. The County Public Works Department estimates that the population within CSA 5 is approximately 218. Based on the growth rate of approximately 1% for the unincorporated areas in the County, LAFCO staff projects that CSA 5's entire population in 2020 will be around 220.

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

In 2017, the California statewide median household income was \$67,169, and 80% of that was \$53,735. LAFCO staff utilized the ArcGIS mapping program to locate potential DUCs in the County. Based on the criteria set forth by SB 244, staff's analysis indicates that there are no areas in CSA 5 designated as a disadvantaged unincorporated community.

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

County Service Area 5 operates two separate treatment plants and serves over 200 residents. The Sand Dollar treatment plant was constructed in 1967 and the Canon del Sol treatment plant was constructed in 1982. It currently has 184 connections and approximately 1.2 miles of sewer line.

4. Financial ability of agencies to provide services.

County Service Area 5's annual sewer rates derive from the single-family residential units in the Sand Dollar area and the condominiums in Canon del Sol area. Each community has its own sewer rate. In general, sewer charges increase annually by the Consumer Price Index. Sewer rates for CSA 5, on average, increase by 3%. These annual rates are the primary source of revenue for the CSA. Audited financial statements from Fiscal Years 2013 to 2018 indicate that CSA 5 has experienced a fiscal shortage in two separate years (FY 14-15 and FY 17-18). As of June 30, 2018, CSA 5 is operating with a net position of approximately \$788,000, of which \$311,000 is in cash and investments.

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

Several sanitation districts, including entities managed and operated by the County, have expressed interest in transferring sewer responsibilities to another agency due to funding issues, limited long-term planning, or lack of economies of scale. Establishment of a countywide memorandum of understanding or a joint powers authority may unify the already-established collaboration set by the sanitation providers in the county. Such agreements may also lay the foundation for future changes of organization, including but not limited to annexations, consolidations, or mergers.

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

The County currently has a countywide capital improvement plan and a specific capital improvement plan for the Santa Cruz County Sanitation District. Additionally, the County has adopted a Sewer System Management Plan. However, CSA 5 does not have any current or proposed sewer-related capital improvement projects scheduled at this time.

The County has indicated that a grating must be installed over the existing aeration tank. Estimated costs for this installation are expected to be over \$100,000. CSA 5 currently has enough reserves to pay for the installation at this time. However, if there is a system failure that occurs and must be fixed on an emergency basis, CSA 5 may require additional funds. The County should consider developing a long-term maintenance plan to identify adequate funding in order to address current and future maintenance, replacement, and/or upgrades to an aging infrastructure.

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

No additional local LAFCO policies are specifically relevant to this service and sphere review.

Sphere of Influence Determinations

Government Code Section 56425 requires LAFCO to periodically review and update spheres of influence in concert with conducting municipal service reviews. Spheres are used as regional planning tools to discourage urban sprawl and encourage orderly growth. Written statements of determination must be prepared with respect to each of the following:

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

There are no agricultural or open-space lands within the service area.

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

The Sand Dollar and Canon del Sol subdivisions are substantially built-out. Based on the growth rate of approximately 1% for the unincorporated areas in the County, LAFCO staff projects that CSA 5's entire population in 2020 will be around 220.

LAFCO originally adopted a coterminous sphere of influence for CSA 5 in 1988. A coterminous sphere of influence is identical to the agency's jurisdictional boundary. For the past 30 years, the sphere boundary has remained unchanged. LAFCO staff, along with representatives of CSA 5, do not recommend any changes to the sphere of influence at this time.

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

CSA 5 has an aging package treatment plant that serves single family homes in the Sand Dollar community and condominiums in the Canon del Sol community. The plant is maintained by the County of Santa Cruz. Based on the County's 2017 Sewer System Management Plan, CSA 5 has 184 connections with 1.15 miles of gravity sewer lines, 0.53 miles of force main lines, and 2 pump stations. Annual sewer charges are the District's primary source of revenue.

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.

LAFCO staff is not aware of any social or economic communities of interest in the area. The CSA's service area is primarily residential units.

5. For an update of a sphere of influence of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, that occurs pursuant to subdivision (g) on or after July 1, 2012, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.

Neither the County nor LAFCO has identified any sub-area within or contiguous to the District's service or sphere boundaries that meet the definition of a disadvantaged unincorporated community. That said, CSA 5 has adequate transmission and treatment capacity for the present and planned facilities within the sphere of influence. The CSA's principal needs are repair and replacement of aging infrastructure.

COUNTY SERVICE AREA 7 (BOULDER CREEK)

District Overview

County Service Area 7 serves residential housing and one commercial business within the Boulder Creek Country Club subdivision. The service area includes 192 acres (0.3 square miles) and has an estimated population of 640. The wastewater system is a full treatment plant offering secondary treatment with primary disposal via a community leach field. The wastewater treatment plant was constructed in the 1970s and upgraded to tertiary treatment in the 1990s. **Figure 32**, on page 87, is a vicinity map of the service area.

Population & Growth

The Boulder Creek Country Club subdivision is substantially built-out. There are no growth projections available for CSA 7. In general, the Santa Cruz County unincorporated area is projected to have slow growth over the next fifteen years. The County Public Works Department estimates that the population within the total area is currently 640. Based on the growth rate of approximately 1% for the unincorporated areas in the County, LAFCO staff projects that CSA 7's entire population in 2020 will be around 657. The projected population for CSA 7 are as follows:

Table 33: Projected Population

	2020	2025	2030	2035	Growth Rate
Santa Cruz County (unincorporated)	136,891	137,896	139,105	140,356	1%
CSA 7	657	663	670	676	1%

Source: AMBAG 2018 Regional Growth Forecast

Disadvantaged Unincorporated Communities

State law requires LAFCO to identify and describe all “disadvantaged unincorporated communities” (DUC) located within or contiguous to the existing spheres of influence of cities and special districts that provide fire protection, sewer, and/or water services. DUCs are defined as inhabited unincorporated areas with an annual median household income that is 80% or less than the statewide annual median household income.

In 2017, the California statewide median household income was \$67,169¹⁰, and 80% of that was \$53,735. LAFCO staff utilized the ArcGIS mapping program to locate potential DUCs in the County. Based on the criteria set forth by SB 244, staff's analysis indicates that there are no areas in CSA 7 designated as a disadvantaged unincorporated community.

¹⁰ 2013-2017 American Community Survey 5-year Estimates

Services & Operations

CSA 7 Boulder Creek has a wastewater collection and treatment plant that treats the domestic wastewater from the Boulder Creek Country Club and surrounding houses. The all-in-one wastewater treatment plant consists of an equalization tank, aeration tank, and a clarifier to remove solids, and the treated effluent is discharged to leach fields. Based on the County's 2017 Sewer System Management Plan, CSA 7 has 263 connections with 3.0 miles of gravity sewer lines, 1.27 miles of force main lines, and 5 pump stations. Annual sewer charges are the District's primary source of revenue.

The original treatment plant was constructed in 1978 and has a design capacity of 104,000 gallons per day (gpd). The plant was constructed to accommodate flows from the Boulder Creek Country Club development totaling 260 residences and a commercial establishment. This plant was upgraded to tertiary treatment in 1996 in order to reduce nitrate levels in the effluent that is pumped via force main to the leach field at Fern Rock Way. This is an activated sludge nitrification/denitrification process. The processes include one primary clarifier, one sand filter, a sludge holding tank, effluent discharge line, emergency generator, and one grinder. The facility also contains a small laboratory for performing basic analyses, such as pH and temperatures.

Sewer Rates

At present, CSA 7's annual sewer rates derive from three areas: Single Family Dwelling, Condominiums, and Commercial. Each area has its own sewer rate. **Table 34** shows the gradual increase in annual rates during the last seven years.

Table 34: Annual Sewer Rates

	FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20
Single Family	\$1,787.04	\$1,826.34	\$1,877.46	\$1,926.26	\$1,993.68	\$2,051.50	\$2,143.82
Condos	\$1,611.14	\$1,646.58	\$1,692.68	\$1,736.68	\$1,797.46	\$1,849.59	\$1,932.81
Commercial	\$1,232.98	\$1,260.10	\$1,295.38	\$1,329.04	\$1,375.56	\$1,415.45	\$1,479.15
<i>Additional Charge</i>	\$5.94	\$5.94	\$5.94	\$6.08	\$6.29	\$6.47	\$6.76

Note: Additional Charge is for Commercial usage only; based on Hundred Cubic Feet of Water (HCF)

Pursuant to Santa Cruz County Code Section 4.26, the Director of Public Works must annually compute the benefit assessment/service charge rates for CSAs and submit a report to the Board of Supervisors describing each parcel of real property receiving the special benefit and the amount of the charge per CSA for each parcel for the upcoming fiscal year.

CSA fees are considered benefit assessments, and any rate increase (except for preapproved annual Consumer Price Index (CPI) increases) must comply with Proposition 218 procedures. These procedures require that an increase is approved by at least half of the votes cast by the property owners, with the votes weighted according to the amount of the proposed assessment of each parcel. Furthermore, a public hearing must be held to consider any protests to the proposed increase.

The following tables (**Tables 35 to 37**) depict the change in dollar amount and percentage for each specific zone.

Table 35: Single Family Dwelling's Annual Sewer Rates Review

	FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	Average Change
Single Family	\$1,787.04	\$1,826.34	\$1,877.46	\$1,926.26	\$1,993.68	\$2,051.50	\$2,143.82	
Change (\$)		\$39.30	\$51.12	\$48.80	\$67.42	\$57.82	\$92.32	\$59.46
Change (%)		2%	3%	3%	4%	3%	5%	3%

Table 36: Condominium's Annual Sewer Rates Review

	FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	Average Change
Condos	\$1,611.14	\$1,646.58	\$1,692.68	\$1,736.68	\$1,797.46	\$1,849.59	\$1,932.81	
Change (\$)		\$35.44	\$46.10	\$44.00	\$60.78	\$52.13	\$83.22	%53.61
Change (%)		2%	3%	3%	3%	3%	4%	3%

Table 37: Commercial's Annual Sewer Rates Review

	FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	Average Change
Commercial	\$1,232.98	\$1,260.10	\$1,295.38	\$1,329.04	\$1,375.56	\$1,415.45	\$1,479.15	
Change (\$)		\$27.12	\$35.28	\$33.66	\$46.52	\$39.89	\$63.70	\$41.03
Change (%)		2%	3%	3%	4%	3%	5%	3%

When comparing the sewer rates with the other sanitation districts analyzed in this report, CSA 7 is ranked seventh in charges towards single family units (\$178.65/month), ranked highest in charges towards multi-family units (\$161.07/month), and ranked second highest in charges towards commercial units. Sewer rate comparisons are shown in the following figures (**Figures 29 to 31**).

Figure 29: Sewer Rates for Single-Family Units

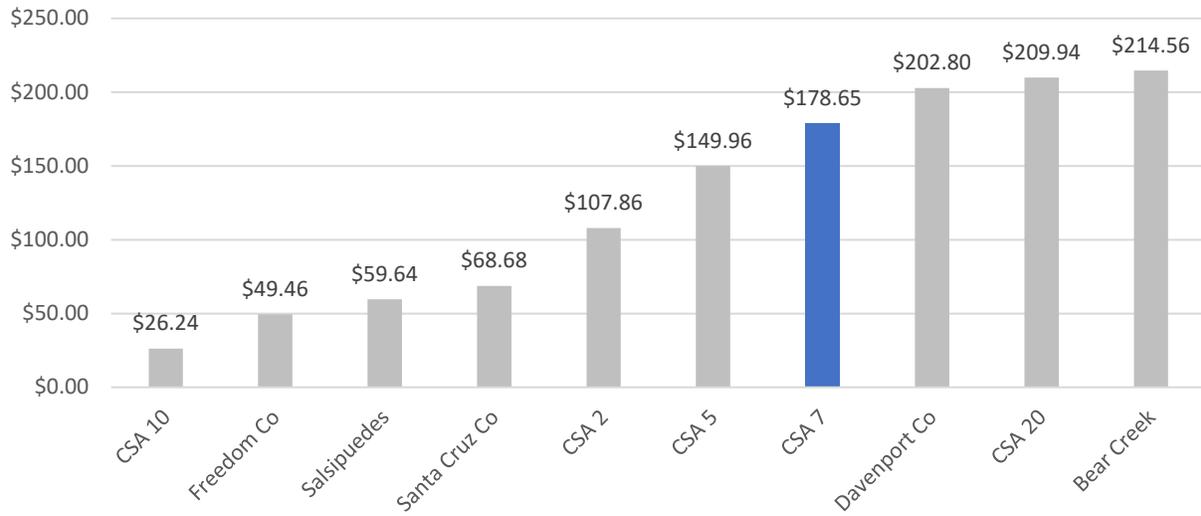


Figure 30: Sewer Rates for Multi-Family Units

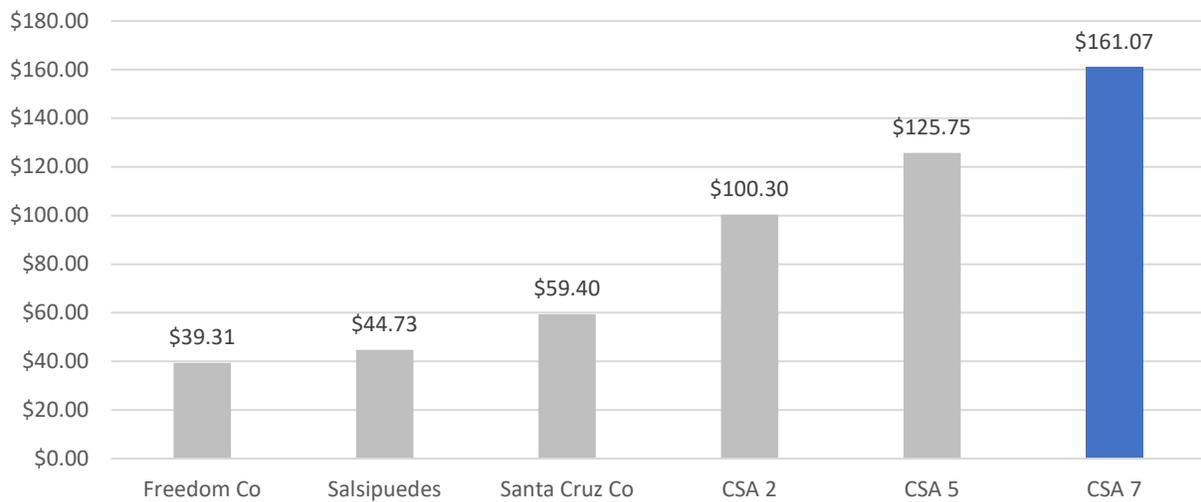


Figure 31: Sewer Rates for Commercial Sites



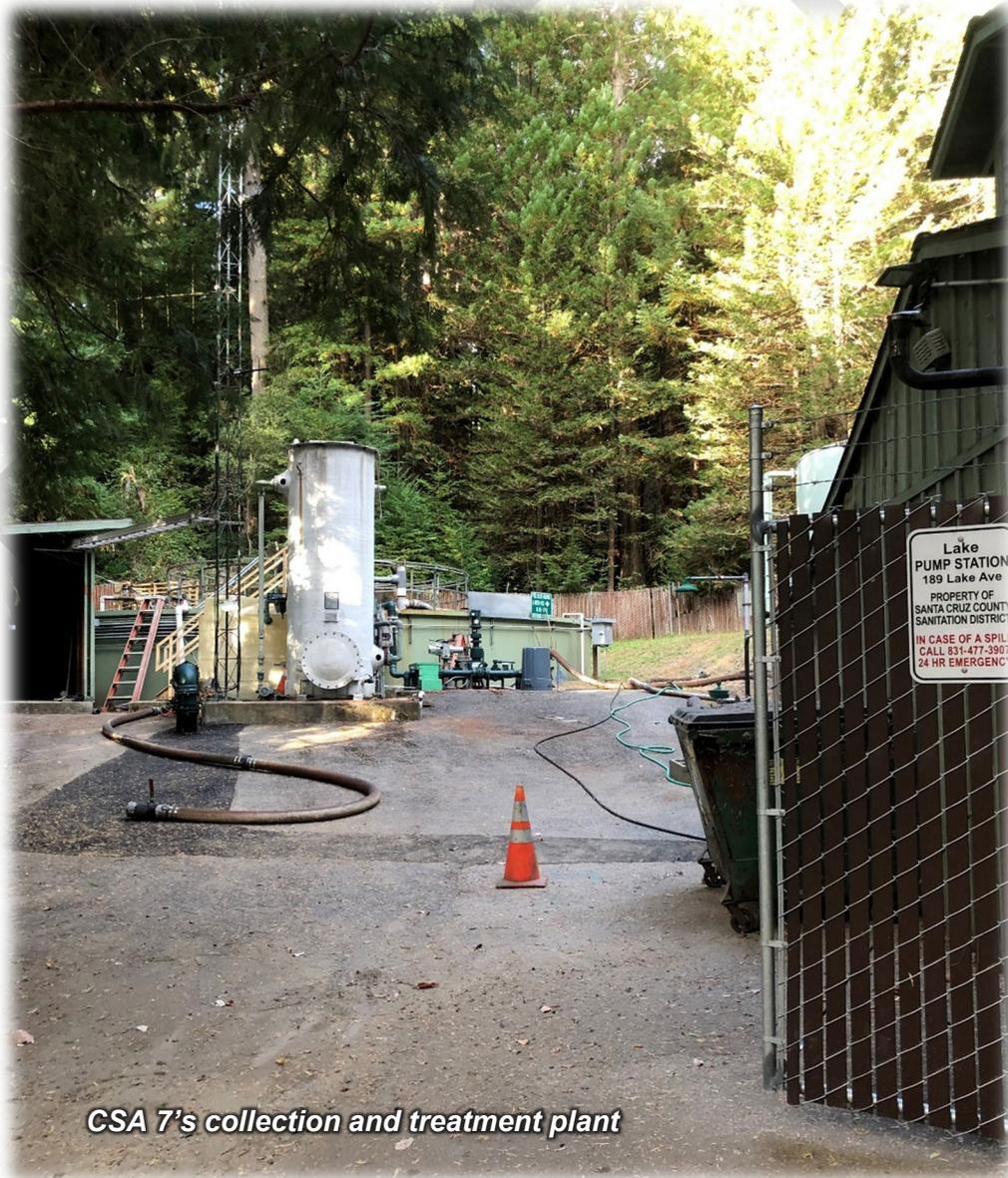
Infrastructure Summary

CSA 7 operates a collection and treatment plant and serves over 600 residents. It currently has 263 connections and approximately 4 miles of sewer line. **Table 38** provides an overview of the type of service and current infrastructure:

Table 38: Infrastructure Summary

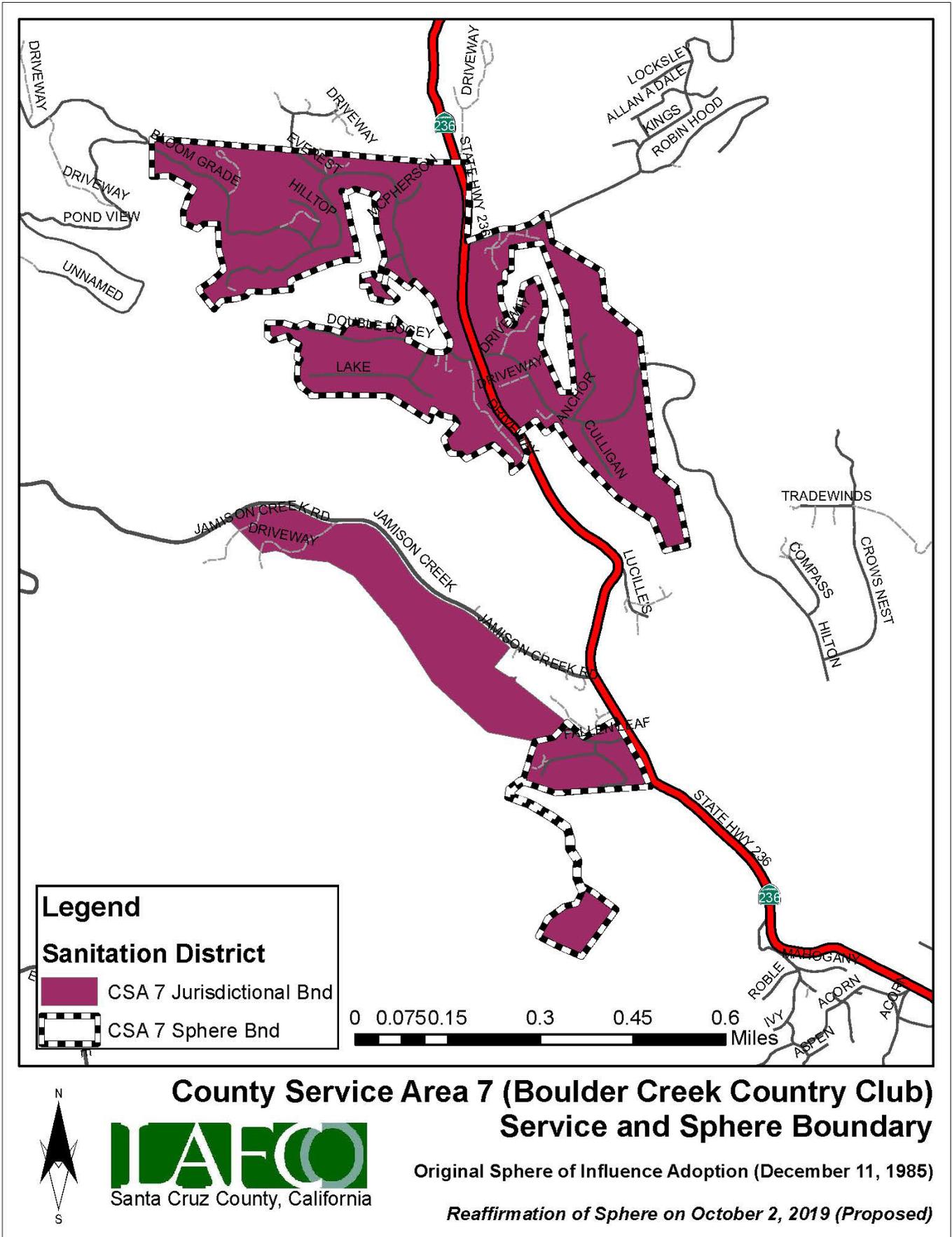
	Type of System	Treatment Level	No. of Connections	No. of Lift Stations	Miles of Sewer Line
CSA 7	Collection, Treatment	Secondary	263	5	3.0

The Public Works Department has indicated that the current infrastructure is aging, deteriorating, and in need of repair. The wastewater treatment plant currently requires approximately \$500,000 in repairs. Replacement/rehabilitation is also needed at some of the CSA's sewer pump stations and sewer mains.



CSA 7's collection and treatment plant

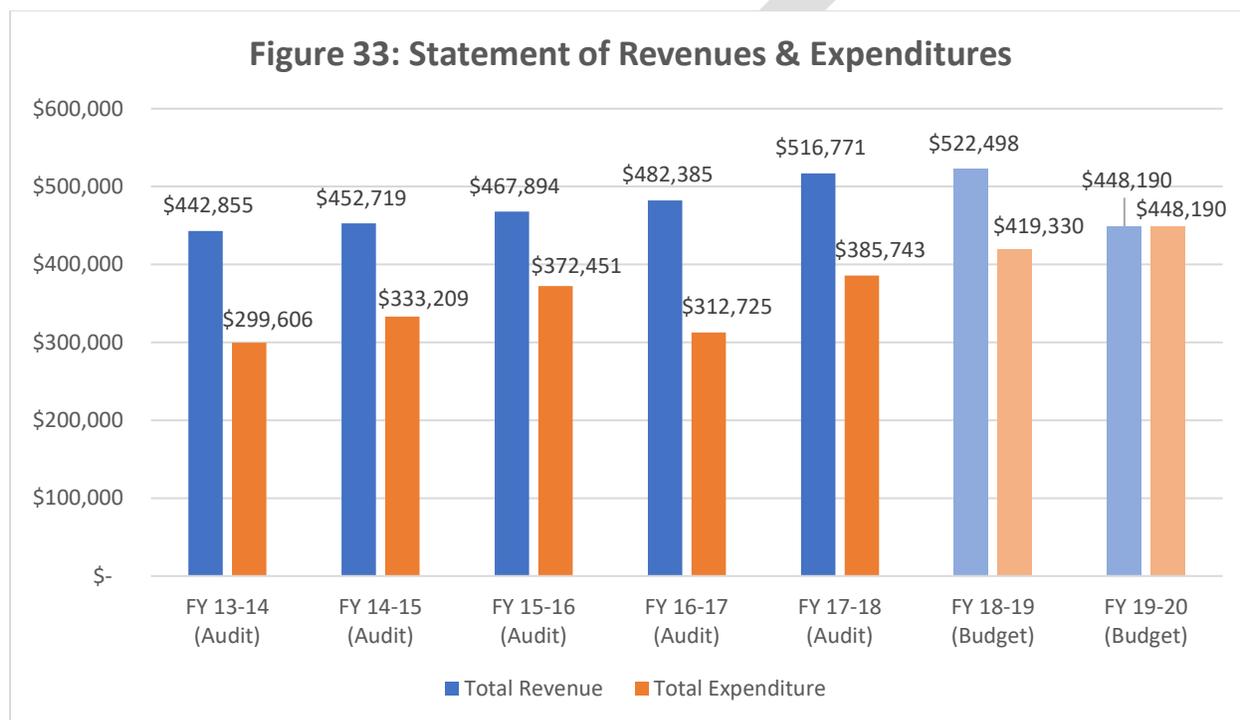
Figure 32: CSA 7's Vicinity Map



Finances

This section will highlight the District's audited financial performance during the most recent fiscal years. Fiscal Year 2017-18 is the latest audited financial statement available. A comprehensive analysis of the District's financial performance during the past 5 years is shown in **Tables 41** and **42**, on pages 91 and 92.

At the end of Fiscal Year 2017-18, total revenue collected was \$516,771, representing a 7% increase from the previous year (\$482,385 in FY 16-17). Total expenses for FY 17-18 were \$385,743, which increased from the previous year by approximately \$73,000 (\$312,725 in FY 16-17). As shown in the figure below, the District's total revenues have exceeded total expenditures since 2013 (refer to **Figure 33**). Based on the two most recently adopted budgets, LAFCO staff believes this positive trend will continue.



District Revenues

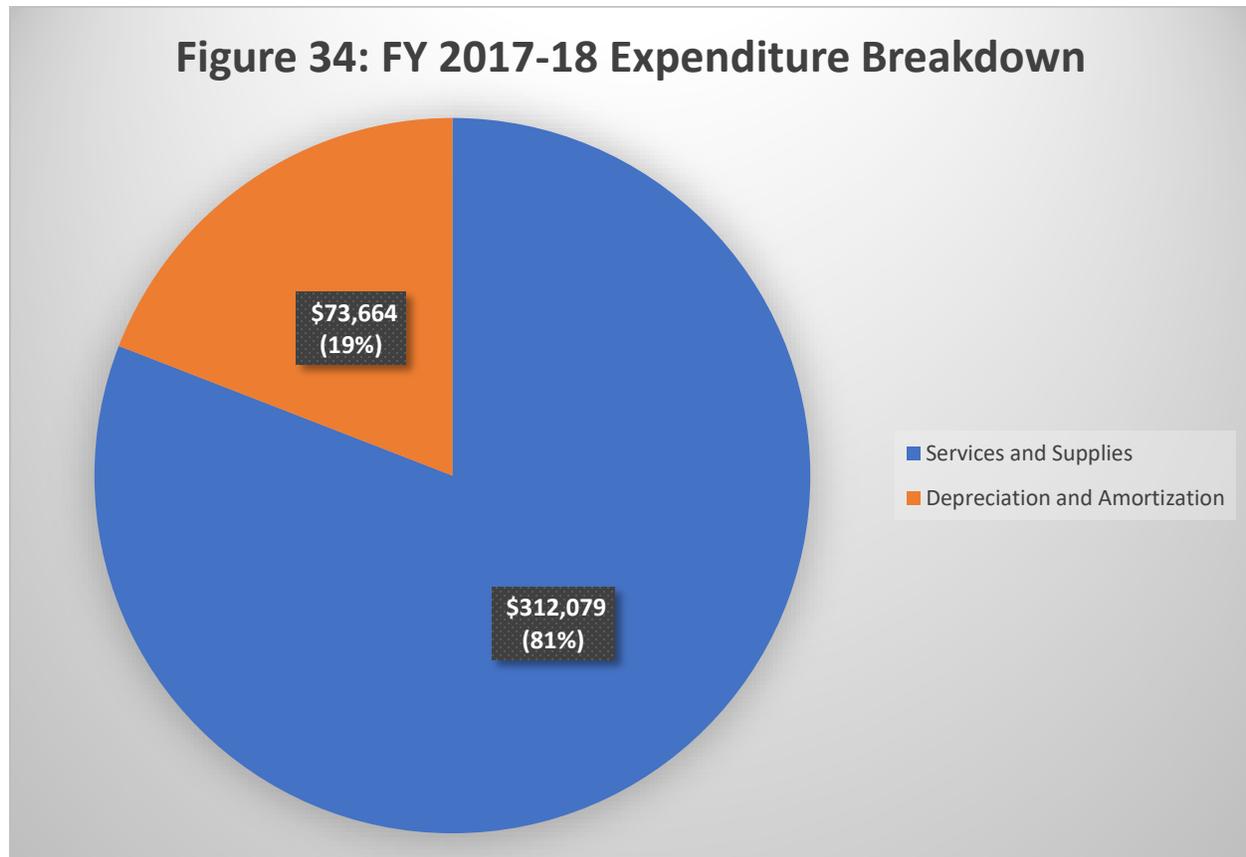
CSA 7's primary source of revenue is from Charges for Services. In FY 17-18, the District received revenue from three different sources: Charges for Services (\$491,016), Intergovernmental (\$11,258) and Interest and Investment Income (\$12,238). On average, the District receives approximately \$463,000 each year in service fees. **Table 39** highlights the total revenue received since 2013.

Table 39: Total Revenue (FY 13-14 to FY 17-18)

	FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18	Average
Charges for Services	\$439,060	\$449,290	\$461,736	\$474,870	\$491,016	\$463,194
Intergovernmental	-	-	-	-	\$11,258	
Interest Investment Income	<u>\$3,795</u>	<u>\$3,429</u>	<u>\$6,158</u>	<u>\$7,515</u>	<u>\$12,238</u>	<u>\$6,627</u>
Total Revenue	\$442,855	\$452,719	\$467,894	\$482,385	\$516,771	\$472,525

District Expenditures

CSA 7's total expenditures can be categorized into 2 budgetary groups: Services & Supplies and Depreciation & Amortization. The figure below depicts the how funding is distributed by category. The District's primary expenditure is associated with operational and management costs, under Services and Supplies.



Assets & Liabilities

The following is an overview of CSA 7's assets and liabilities:

- District Assets: As of June 30, 2018, the District has \$1,766,084 in total assets. Cash and Investments represent 61% of total assets.
- District Liabilities: As of June 30, 2018, the District has \$2,520 in total liabilities. Accounts Payable is currently the only liability associated with CSA 7.

Fund Balance/Net Position

As of June 30, 2018, the total fund balance is approximately \$1,763,564. The fund balance has increased each year since 2013, as shown in the following table. Unlike other CSAs that provide sanitation services, CSA 7 has adequate capital assets including funds under Construction in Progress, Buildings and Structures, and Equipment. A full review of the District's assets, liabilities, and net position is shown in page 92 (refer to **Table 42**).

Table 40: Fund Balance/Net Position

	FY 13-14 (Audited)	FY 14-15 (Audited)	FY 15-16 (Audited)	FY 16-17 (Audited)	FY 17-18 (Audited)
Net Position	\$1,247,923	\$1,367,433	\$1,462,876	\$1,632,536	\$1,763,564
Change in (\$) from previous year		\$119,510	\$95,443	\$169,660	\$131,028
Change in (%) from previous year		10%	7%	12%	8%

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Table 41: Total Revenues & Expenditures

	FY 13-14 (Audit)	FY 14-15 (Audit)	FY 15-16 (Audit)	FY 16-17 (Audit)	FY 17-18 (Audit)	FY 18-19 (Budget)	FY 19-20 (Budget)
REVENUE							
Charges for Services	\$ 439,060	\$ 449,290	\$ 461,736	\$ 474,870	\$ 491,016	\$ 514,998	\$ -
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ 11,258	\$ -	\$ -
Interest and Investment Income	\$ 3,795	\$ 3,429	\$ 6,158	\$ 7,515	\$ 12,238	\$ 7,500	\$ -
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Gain on Disposal of Capital Assets	\$ -	\$ -	\$ -	\$ -	\$ 2,259	\$ -	\$ -
Total Revenue	\$ 442,855	\$ 452,719	\$ 467,894	\$ 482,385	\$ 516,771	\$ 522,498	\$ 448,190
EXPENDITURE							
Services and Supplies	\$ 231,660	\$ 270,700	\$ 309,942	\$ 245,782	\$ 312,079	\$ 357,531	\$ -
Depreciation and Amortization	\$ 67,946	\$ 62,509	\$ 62,509	\$ 66,943	\$ 73,664	\$ 61,799	\$ -
Loss on Disposal of Capital Assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenditure	\$ 299,606	\$ 333,209	\$ 372,451	\$ 312,725	\$ 385,743	\$ 419,330	\$ 448,190
Surplus/(Deficit)	\$ 143,249	\$ 119,510	\$ 95,443	\$ 169,660	\$ 131,028	\$ 103,168	\$ -
Net Position - Beginning	\$ 1,104,674	\$ 1,247,923	\$ 1,367,433	\$ 1,462,876	\$ 1,632,536	\$ 1,763,472	\$ 1,866,640
Net Position - Ending	\$ 1,247,923	\$ 1,367,433	\$ 1,462,876	\$ 1,632,536	\$ 1,763,564	\$ 1,866,640	\$ 1,866,640

Table 42: Total Assets & Liabilities

	FY 13-14 (Audit)	FY 14-15 (Audit)	FY 15-16 (Audit)	FY 16-17 (Audit)	FY 17-18 (Audit)
ASSETS					
<u>Current Assets</u>					
Cash and Investments	\$ 697,258	\$ 879,356	\$ 913,307	\$ 997,265	\$ 1,089,520
Restricted Cash	\$ -	\$ -	\$ -	\$ -	\$ -
Receivables	\$ -	\$ -	\$ -	\$ -	\$ -
<u>Non-Current Assets</u>					
Loans Receivable	\$ -	\$ -	\$ -	\$ -	\$ -
<u>Capital Assets:</u>					
Construction in Progress	\$ -	\$ -	\$ 127,407	\$ 192,122	\$ 207,141
Buildings and Structures	\$ 1,903,676	\$ 1,903,676	\$ 1,903,676	\$ 1,903,676	\$ 1,947,300
Equipment	\$ 83,080	\$ 83,080	\$ 83,080	\$ 171,770	\$ 46,448
Accumulated Depreciation	\$ (1,436,091)	\$ (1,498,599)	\$ (1,561,108)	\$ (1,628,051)	\$ (1,524,325)
Total Assets	\$ 1,247,923	\$ 1,367,513	\$ 1,466,362	\$ 1,636,782	\$ 1,766,084
LIABILITIES					
<u>Current Liabilities</u>					
Payables	\$ -	\$ 80	\$ 3,486	\$ 4,246	\$ 2,520
Current Portion of Long-term Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
<u>Non-Current Liabilities</u>					
Long-term Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
Total Liabilities	\$ -	\$ 80	\$ 3,486	\$ 4,246	\$ 2,520
NET POSITION					
Net Investment in Capital Assets	\$ 550,665	\$ 488,156	\$ 553,055	\$ 639,517	\$ 676,563
Restricted for Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	\$ 697,258	\$ 879,277	\$ 909,821	\$ 993,019	\$ 1,087,001
Total Net Position	\$ 1,247,923	\$ 1,367,433	\$ 1,462,876	\$ 1,632,536	\$ 1,763,564

Governance

County Service Area 7 is a dependent special district governed by the County Board of Supervisors and managed by the Public Works Department. The current Board is as follows:

Table 43: Board of Directors

Board Member	Title	Years of Service	Term of Office Expiration
Zach Friend	Director	7 years	1/2/2020
John Leopold	Director	11 years	1/2/2020
Ryan Coonerty	Director	5 years	1/2/2021
Greg Caput	Director	8 years	1/2/2021
Bruce McPherson	Director	3 years	1/2/2020

The Board of Directors meets on most Tuesdays in the Board of Supervisors’ Chambers, 701 Ocean Street, Room 525. Meetings generally begin at 9:00am. Public notice is provided through posting. The County contracts for independent audits.

The County of Santa Cruz Public Works Department is responsible for the administration, engineering, maintenance, emergency response and construction of all County sanitation services. The department also manages various Board-governed special districts and CSAs. The Sanitation Operations unit is one of six organizational units within the Special Services Division of Public Works and provides operation and maintenance services to County sanitation districts and CSAs. Sanitation operations employees work in all Districts and CSAs. Each sanitation district is governed according to its specific code of regulations. The Districts’ codes are very similar, and some sections are adopted by reference from the Santa Cruz County Sanitation District Code. CSAs are governed according to the Santa Cruz County Code of Regulations. Most of the County Code pertaining to sanitary sewer collection systems is adopted by reference from the SCCSD Code.

Website Requirements

Senate Bill 929 was signed into law in September 2018 and requires all independent special districts to have and maintain a website by January 1, 2020. It outlines minimum website data requirements, including contact information, financial reports, and meeting agendas/minutes. While this new law does not apply to county service areas, the County should consider following the requirements outlined in the new law. The County’s water and sewer webpage offers a number of useful resources including formation resolutions, service maps, and current sewer charges for each CSA that delivers sanitary services: <http://dpw.co.santa-cruz.ca.us/Home/SewerWater.aspx>. However, it is difficult to locate certain information and material. For example, there is no reference to staff reports or other supporting documents that provide background information on the CSA’s annual sewer rates.

LAFCO Staff Recommendation: *It may be beneficial for the County to include links to staff reports or other supporting documents related to the annual sewer rates. Additionally, the webpage should include all past and future LAFCO service reviews involving CSA 7 as additional resource material.*

Capital Improvement Plan

There is no specific capital improvement plan for CSA 7. The County has a countywide CIP to address the replacement of the aging sewer system, however, CSA 7 lacks funds to make all the improvements. The County of Public Works continually seek grant or loan funding to help finance these improvements.

LAFCO Staff Recommendation: *The County should consider developing a specific capital improvement plan that covers the sanitation districts managed and operated by the Public Works Department – Davenport, Freedom, Santa Cruz County Sanitation Districts, and CSAs 2, 5, 7, 10, and 20.*

Sewer System Management Plan

The State Water Resources Control Board regulates wastewater discharges to surface water (rivers, ocean, etc.) and to groundwater (via land). The State Water Board requires sanitation districts to follow the Statewide General Waste Discharge Requirements for Sanitary Sewer Systems. These requirements include the following:

- Sanitary Sewer Overflows are prohibited, and
- All Sanitary Sewer Overflow (SSOs), with the exception of Private Sewer Lateral Discharge (PLSDs), irrespective of size, must be reported to the State Water Board electronically using the California Integrated Water Quality System, and the Districts/CSAs must prepare and implement a Sewer System Management Plan (SSMP).

In 2017, the County adopted a Sewer System Management Plan to cover the management, operation and maintenance, design, construction and emergency response of the Davenport Sanitation District, Freedom Sanitation District, Santa Cruz County Sanitation District and County Service Areas sanitary sewer systems, including CSA 7.

Opportunities & Challenges

County Service Area 7 is significantly affected by aging infrastructure, escalating operational costs, and changes to state laws and regulations that may introduce new requirements without additional funding. These issues are common with other sanitation districts in Santa Cruz County. The following section discusses these challenges and identifies possible opportunities to ensure the delivery of wastewater services in an efficient and effective manner.

Infrastructure Deficiencies

During the wet winter, CSA 7 experienced high influent flows due to infiltration in the aging sewer system and the treatment plant could not treat the high volume of wastewater therefore it required Sanitation Operations to remove wastewater from the equalization tank. As a result of the unforeseen costs to haul wastewater from the equalization tank by Sanitation Operations staff, the Board of Supervisors recently transferred funds from the Structure Upgrades to operations in the Boulder Creek Treatment Plant. A total of \$30,000 was required to cover the maintenance and operation of the wastewater

treatment plant for the remainder of the fiscal year. The Public Works Department has acknowledged that CSA 7 lacks funds to make all the necessary improvements.

Infrastructure improvements continues to be an ongoing issue for not only CSA 7, but rather, most of the sanitation districts throughout the County. The County may consider adopting a long-term capital improvement plan for CSA 7 to ensure scheduled and unforeseen repairs and replacements are adequately funded.

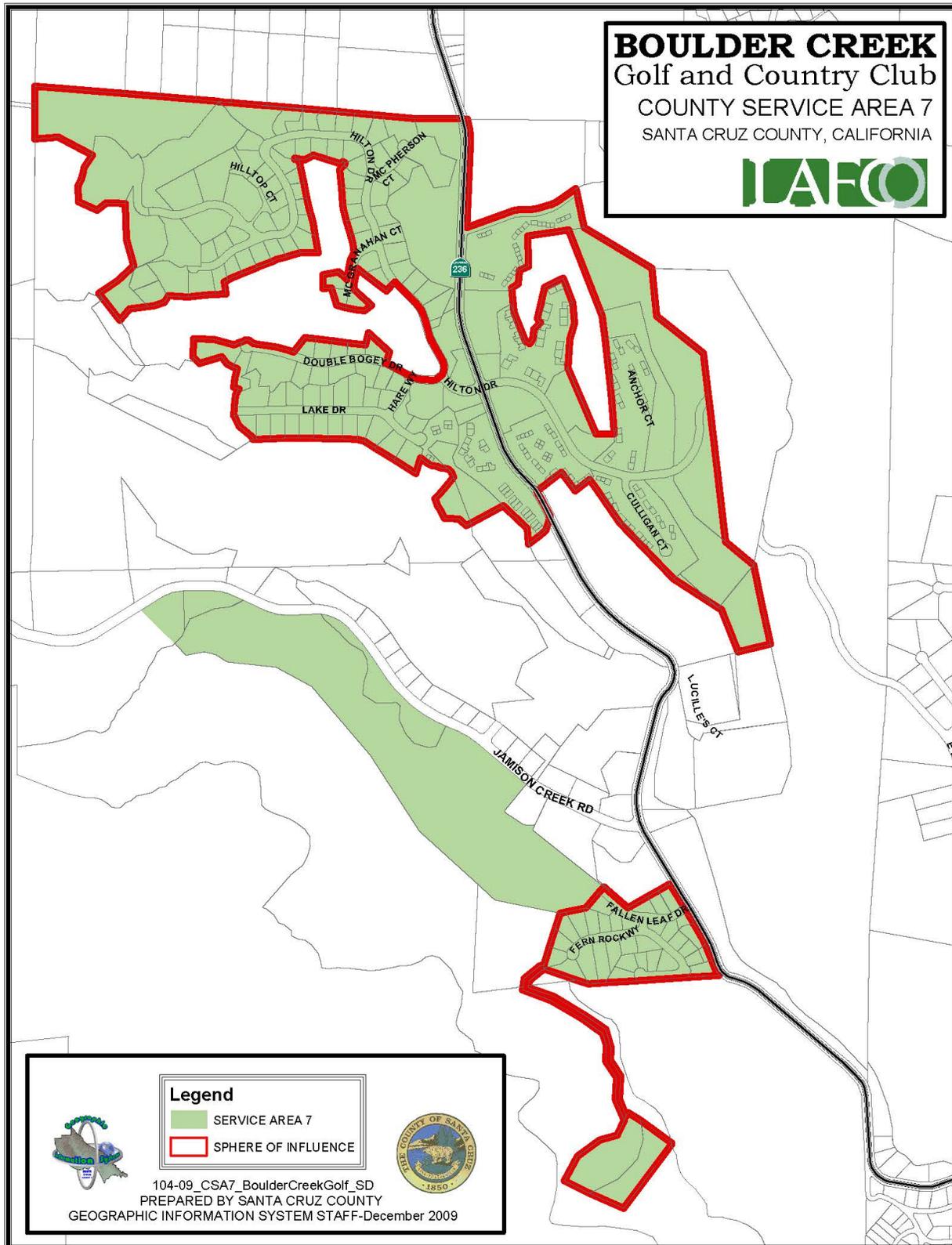
Regional Collaboration

Several sanitation districts, including entities managed and operated by the County, have expressed interest in transferring sewer responsibilities to another agency due to funding issues, limited long-term planning, or lack of economies of scale. Establishment of a countywide memorandum of understanding or a joint powers authority may unify the already-established collaboration set by the sanitation providers in the county. Such agreements may also lay the foundation for future changes of organization, including but not limited to annexations, consolidations, or mergers.

Sphere of Influence

LAFCO originally adopted a sphere of influence for CSA 7 back in 1987. The Commission, at that time, adopted a sphere boundary that excluded 3 parcels (APNs 083-273-04, -05, and -06). This area outside the sphere of influence but within CSA 7 is approximately 32 acres, undeveloped, and mostly open terrain. The exclusion of this area from the adopted sphere of influence indicates that this area should be detached from CSA 7. The County General Plan designates this area as “R-1” Single Family Residential. It is unknown whether future developments are scheduled in this area. Therefore, LAFCO staff does not recommend changing the sphere of influence boundary at this time. **Figure 35** shows the current sphere of influence boundary for CSA 7.

Figure 35: CSA 7's Current Sphere Map



District Summary

County Service Area 7 (Boulder Creek Country Club)	
Formation	California Government Code, section 25210.1 et seq. (County Service Area Law)
Board of Directors	5 members, elected at-large to four-year terms
Contact Person	Beatriz Barranco, Senior Engineer, Sanitation Operations
Employees	1 full-time employee (approximately)
Facilities	Collection and Treatment Plant; 5 pump stations; 263 connections
District Area	153.6 acres (0.24 square miles)
Sphere of Influence	Smaller than the District (i.e. sphere excludes a portion of the existing jurisdictional boundary)
FY 2019-20 Budget	Total Revenue = \$448,190 Total Expenditure = \$448,190 Projected Net Position (Beginning Balance) = \$1,866,640
Contact Information	Mailing Address: 701 Ocean Street, Santa Cruz CA 95060 Phone Number: (831) 477-3907 Email Address: Beatriz.Barranco@santacruzcounty.us Website: http://dpw.co.santa-cruz.ca.us/Home/SewerWater.aspx
Public Meetings	The Board regularly meets on most Tuesdays in the Board of Supervisors' Chambers, 701 Ocean St, Rm. 525. Meetings generally begin at 9:00 am.
Mission Statement	The CSA does not have a published mission statement. However, their mission aligns with the published mission statement for the Santa Cruz County Sanitation District.

Service and Sphere Review Determinations

The following service and sphere review determinations fulfill the requirements outlined in the Cortese-Knox-Hertzberg Act. The County was instrumental in addressing the determinations by responding to a survey sent by LAFCO in June 2019. **Appendix D** provides a copy of the District's survey response.

Service Provision Determinations

Government Code Section 56430 requires LAFCO to conduct a municipal service review before, or in conjunction with, an action to establish or update a sphere of influence. Written statements of determination must be prepared with respect to each of the following:

1. Growth and population projections for the affected area.

The Boulder Creek Country Club is substantially built-out. There are no growth projections available for CSA 7. In general, the Santa Cruz County unincorporated area is projected to have slow growth over the next fifteen years. The County Public Works Department estimates that the population within the total area is currently 640. Based on the growth rate of approximately 1% for the unincorporated areas in the County, LAFCO staff projects that CSA 7's entire population in 2020 will be around 657.

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

In 2017, the California statewide median household income was \$67,169, and 80% of that was \$53,735. LAFCO staff utilized the ArcGIS mapping program to locate potential DUCs in the County. Based on the criteria set forth by SB 244, staff's analysis indicates that there are no areas in CSA 7 designated as a disadvantaged unincorporated community.

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

CSA 7 Boulder Creek has a wastewater collection and treatment plant that treats the domestic wastewater from the Boulder Creek Country Club and surrounding houses. The all-in-one wastewater treatment plant consists of an equalization tank, aeration tank, and a clarifier to remove solids, and the treated effluent is discharged to leach fields. Based on the County's 2017 Sewer System Management Plan, CSA 7 has 263 connections with 3.0 miles of gravity sewer lines, 1.27 miles of force main lines, and 5 pump stations. Annual sewer charges are the District's primary source of revenue.

4. Financial ability of agencies to provide services.

County Service Area 7's financial ability to provide services is well-established. The CSA has successfully kept costs below its revenue stream since 2013. Audited financial statements from Fiscal Years 2013 to 2018 indicate that the increase in net position has ranged from \$95,000 to \$143,000. As of June 30, 2018, CSA 7 is operating with a net position of approximately \$1.8 million, of which \$1 million is in cash and investments.

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

Several sanitation districts, including entities managed and operated by the County, have expressed interest in transferring sewer responsibilities to another agency due to funding issues, limited long-term planning, or lack of economies of scale. Establishment of a countywide memorandum of understanding or a joint powers authority may unify the already-established collaboration set by the sanitation providers in the county. Such agreements may also lay the foundation for future changes of organization, including but not limited to annexations, consolidations, or mergers.

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

The County currently has a countywide capital improvement plan and a specific capital improvement plan for the Santa Cruz County Sanitation District. Additionally, the County has adopted a Sewer System Management Plan. However, CSA 7 does not have any current or proposed sewer-related capital improvement projects scheduled at this time.

The County has indicated that the wastewater treatment plant is deteriorating and in need of repair. Estimated costs for the necessary repairs are expected to be approximately \$500,000. Replacement and rehabilitation are also needed at some of the CSA's sewer pump stations and sewer mains, which will require additional funding. CSA 7 currently has enough reserves to pay for the repairs at this time. However, if there is a system failure that occurs and must be fixed on an emergency basis, CSA 7 may require additional funds. The County should consider developing a long-term maintenance plan to identify adequate funding in order to address current and future maintenance, replacement, and/or upgrades to an aging infrastructure.

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

No additional local LAFCO policies are specifically relevant to this service and sphere review.

Sphere of Influence Determinations

Government Code Section 56425 requires LAFCO to periodically review and update spheres of influence in concert with conducting municipal service reviews. Spheres are used as regional planning tools to discourage urban sprawl and encourage orderly growth. Written statements of determination must be prepared with respect to each of the following:

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

There are no agricultural or open-space lands within the service area.

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

CSA 7 Boulder Creek has a wastewater collection and treatment plant that treats the domestic wastewater from the Boulder Creek Country Club and surrounding houses. The all-in-one wastewater treatment plant consists of an equalization tank, aeration tank, and a clarifier to remove solids, and the treated effluent is discharged to leach fields. CSA 7 has 263 connections and serves over 600 residents. LAFCO originally adopted a sphere of influence for CSA 7 back in 1987. The Commission, at that time, adopted a sphere boundary that excluded 3 parcels. This area outside the sphere of influence but within CSA 7 is approximately 32 acres, undeveloped, and mostly open terrain. The exclusion of this area from the adopted sphere of influence indicates that this area should be detached from CSA 7.

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

County Service Area 7 serves residential housing and one commercial business within the Boulder Creek Country Club subdivision. The service area includes 192 acres (0.3 square miles) and has an estimated population of 640. The wastewater system is a full treatment plant offering secondary and tertiary treatment with primary disposal via a community leach field. The wastewater treatment plant was constructed in the 1970s and upgraded to tertiary treatment in the 1990s.

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.

LAFCO staff is not aware of any social or economic communities of interest in the area. The CSA's service area is primarily residential units.

5. For an update of a sphere of influence of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, that occurs pursuant to subdivision (g) on or after July 1, 2012, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.

Neither the County nor LAFCO has identified any sub-area within or contiguous to the District's service or sphere boundaries that meet the definition of a disadvantaged unincorporated community. That said, CSA 7 has adequate transmission and treatment capacity for the present and planned facilities within the sphere of influence. The CSA's principal needs are repair and replacement of aging infrastructure.

COUNTY SERVICE AREA 10 (ROLLING WOODS/GRAHAM HILL)

District Overview

County Service Area 10 operates a sanitary sewer collection system in the southern part of Rolling Woods centering around Treetop Drive and covers approximately 269 acres (0.42 square mile). There are currently 104 connections. CSA 10's sewage is transported through a gravity sewer main to the corner of Graham Hill Road and Henry Cowell Drive, where it connects to the Graham Hill sewer main, and then transfers to the City of Santa Cruz system. The City treats the sewage at its Neary Lagoon Wastewater Treatment Facility and disposes the treated wastewater into the Pacific Ocean off West Cliff Drive. **Figure 39**, on page 106, is a vicinity map of the service area.

District History

Most of the Graham Hill corridor area has been developed with low-density homes on individual septic systems. The sewer mains were built in parts of the corridor in three phases. During the period of 1964-74, the County approved subdivisions in Rolling Woods. The southern portion of Rolling Woods, centered along Treetop Drive, was approved with quarter-acre lots. Sewage disposal was provided by a sanitary sewage collection system and a treatment plant located on the east side of Graham Hill Road, north of Nepenthe Drive. Disposal occurred in seepage pits near Brook Knoll School.

In 1996, after an extensive project review process involving several on-site and off-site sewage disposal options, the County approved what is now known as the Woods Cove Subdivision on the west side of Graham Road along Henry Cowell Drive. That approval included keeping the Graham Hill Showgrounds for equestrian use. The County's 1998 revised approval required that the residential developer construct a collection system in the new subdivision and a new sewer main along Graham Hill Road, from Henry Cowell Drive to the sewer system operated by the City of Santa Cruz. The main includes a siphon under the San Lorenzo River. The County sewer main connects to the city system near the bus maintenance yard on River Street.

In 2001, after LAFCO's approval, County Service Area 57 was formed to provide two types of services in the Woods Cove and showgrounds area. These services included storm water management for the drainage system that is directed downhill toward the San Lorenzo River and sewer services to the Woods Cove subdivision and showgrounds. In 2013, the County submitted an application to establish a single sewer provider in the Graham Hill corridor. In consultation with LAFCO, the County evaluated several alternatives for reorganizing sewer services. Based on staff's analysis at that time, CSA 10 was the most logical successor to be the single sanitation agency in this area. In 2014, the Commission approved a reorganization that transferred sewer services from CSA 57 to CSA 10. In total, 299 parcels were annexed into CSA 10 under this reorganization.

Population & Growth

The Graham Hill corridor area is substantially built-out with low-density single-family homes. There are no growth projections available for CSA 10. In general, the Santa Cruz County unincorporated area is projected to have slow growth over the next fifteen years. The 2013 service review involving CSA 10 and 57 indicated that the estimated population

within the total area was approximately 881. Based on the growth rate of approximately 1% for the unincorporated areas in the County, LAFCO staff projects that CSA 10's entire population in 2020 will be around 888. The projected population for CSA 10 are as follows:

Table 44: Projected Population

	2020	2025	2030	2035	Growth Rate
Santa Cruz County (unincorporated)	136,891	137,896	139,105	140,356	1%
CSA 10	888	896	903	911	1%

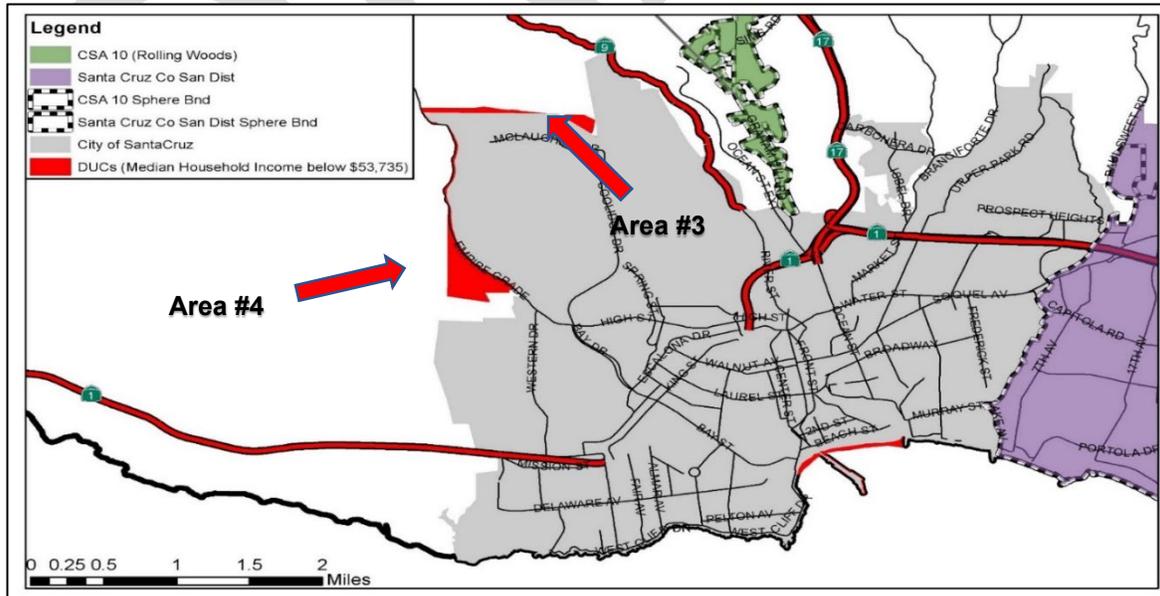
Source: AMBAG 2018 Regional Growth Forecast

Disadvantaged Unincorporated Communities

State law requires LAFCO to identify and describe all “disadvantaged unincorporated communities” (DUC) located within or contiguous to the existing spheres of influence of cities and special districts that provide fire protection, sewer, and/or water services. DUCs are defined as inhabited unincorporated areas with an annual median household income that is 80% or less than the statewide annual median household income.

LAFCO staff utilized the ArcGIS mapping program to locate potential DUCs in the County. Based on the criteria set forth by SB 244, staff's initial analysis located two DUCs near CSA 10 and the Santa Cruz County Sanitation District (Areas #3 and #4). However, these two areas are not within or adjacent to a sanitation districts' service or sphere boundary, as shown in the figure below. Additionally, these two areas are in vacant parcels outside the University of California, Santa Cruz. The County's General Plan designates Area #3, located north of McLaughlin Drive, as Special Use¹¹. Area #4, located south of Empire Grade, is designated as Commercial Agriculture. Based on the two identified sites being undeveloped and uninhabited, the Commission should not consider these areas as a disadvantaged unincorporated community in future boundary changes.

Figure 36: Areas #3 and #4 (near CSA 10 and Santa Cruz Co Sanitation District)



¹¹ Special Use - All uses allowed in the “RA” or “R-1” zone district provided the use is consistent with the General Plan. All other permitted or conditionally permitted uses provided they are consistent with the General Plan and a Level 5 use approval is obtained.

Services & Operations

CSA 10 has an aging collection and treatment plant that serves the residential areas of Rolling Woods and Woods Cove, as well as the Pasatiempo Golf Club. The plant is maintained by the County of Santa Cruz. Based on the County's 2017 Sewer System Management Plan, CSA 10 has 104 connections with 3.18 miles of gravity sewer lines, 0.35 miles of force main lines, and zero pump stations. Annual sewer charges are the District's primary source of revenue.

Sewer Rates

At present, CSA 10's annual sewer rates derive from three areas: Rolling Woods, Woods Cove, and the Pasatiempo Golf Club. Each area has its own sewer rate. **Table 45** shows the gradual increase in annual rates during the last seven years.

Table 45: Annual Sewer Rates

	FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20
Golf Club	-	-	-	-	\$5,368.97	\$5,834.14	\$6,096.68
Rolling Woods	\$387.14	\$395.64	\$406.70	\$417.26	\$431.86	\$301.36	\$314.92
Woods Cove	-	-	\$751.00	\$770.52	\$797.49	\$301.36	\$314.92

Pursuant to Santa Cruz County Code Section 4.26, the Director of Public Works must annually compute the benefit assessment/service charge rates for CSAs and submit a report to the Board of Supervisors describing each parcel of real property receiving the special benefit and the amount of the charge per CSA for each parcel for the upcoming fiscal year.

CSA fees are considered benefit assessments, and any rate increase (except for preapproved annual Consumer Price Index (CPI) increases) must comply with Proposition 218 procedures. These procedures require that an increase is approved by at least half of the votes cast by the property owners, with the votes weighted according to the amount of the proposed assessment of each parcel. Furthermore, a public hearing must be held to consider any protests to the proposed increase. The following tables (**Tables 46 to 48**) depict the change in dollar amount and percentage for each specific zone.

Table 46: Pasatiempo Golf Club's Annual Sewer Rates Review

	FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	Average Change
Golf Club	-	-	-	-	\$5,368.97	\$5,834.14	\$6,096.68	
<i>Change (\$)</i>	-	-	-	-	-	\$465.17	\$262.54	\$363.86
<i>Change (%)</i>	-	-	-	-	-	9%	5%	7%

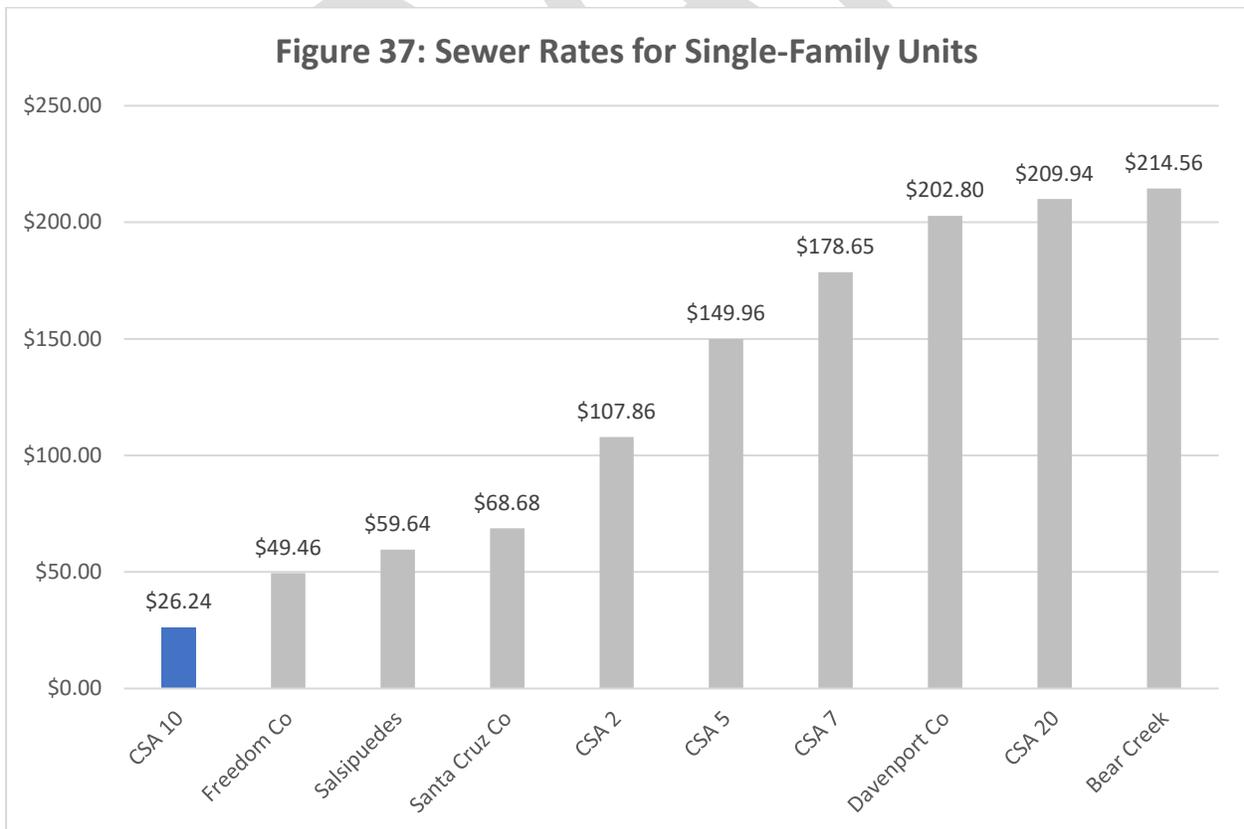
Table 47: Rolling Wood's Annual Sewer Rates Review

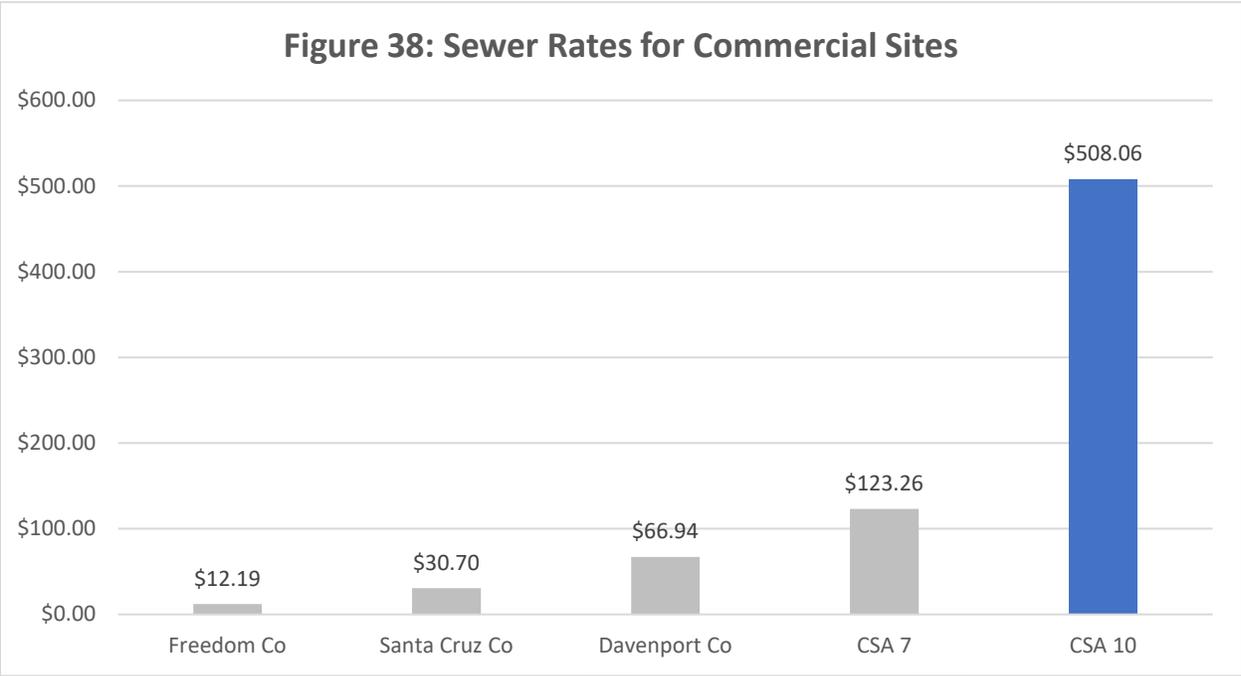
	FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	Average Change
Rolling Woods	\$387.14	\$395.64	\$406.70	\$417.26	\$431.86	\$301.36	\$314.92	
<i>Change (\$)</i>	-	\$8.50	\$11.06	\$10.56	\$14.60	-\$130.50	\$13.56	-\$12.04
<i>Change (%)</i>	-	2%	3%	3%	3%	-30%	4%	-13%

Table 48: Woods Cove's Annual Sewer Rates Review

	FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	Average Change
Woods Cove	-	-	\$751.00	\$770.52	\$797.49	\$301.36	\$314.92	
<i>Change (\$)</i>	-	-	-	\$19.52	\$26.97	-\$496.13	13.56	-\$109.02
<i>Change (%)</i>	-	-	-	3%	4%	-62%	4%	-29%

When comparing the sewer rates with the other sanitation districts analyzed in this report, CSA 10 is ranked the lowest in charges towards single family units (\$26.24/month) and ranked highest in charges towards commercial units (\$508.06/month). Sewer rate comparisons are shown in the following figures (**Figures 37 and 38**).





Infrastructure Summary

CSA 10 maintains and operates one lift station, a collection system, and serves almost 900 residents. It currently has 104 connections and approximately 3.5 miles of sewer line.

Table 49 provides an overview of the type of service and current infrastructure:

Table 49: Infrastructure Summary

	Type of System	Treatment Level	No. of Connections	No. of Lift Stations	Miles of Sewer Line
CSA 10	Collection	N/A	104	1	3.5

The Public Works Department has indicated that if there is a system failure that occurs and must be fixed on an emergency basis, depending on the size of the required repair, the CSA may require additional funds.

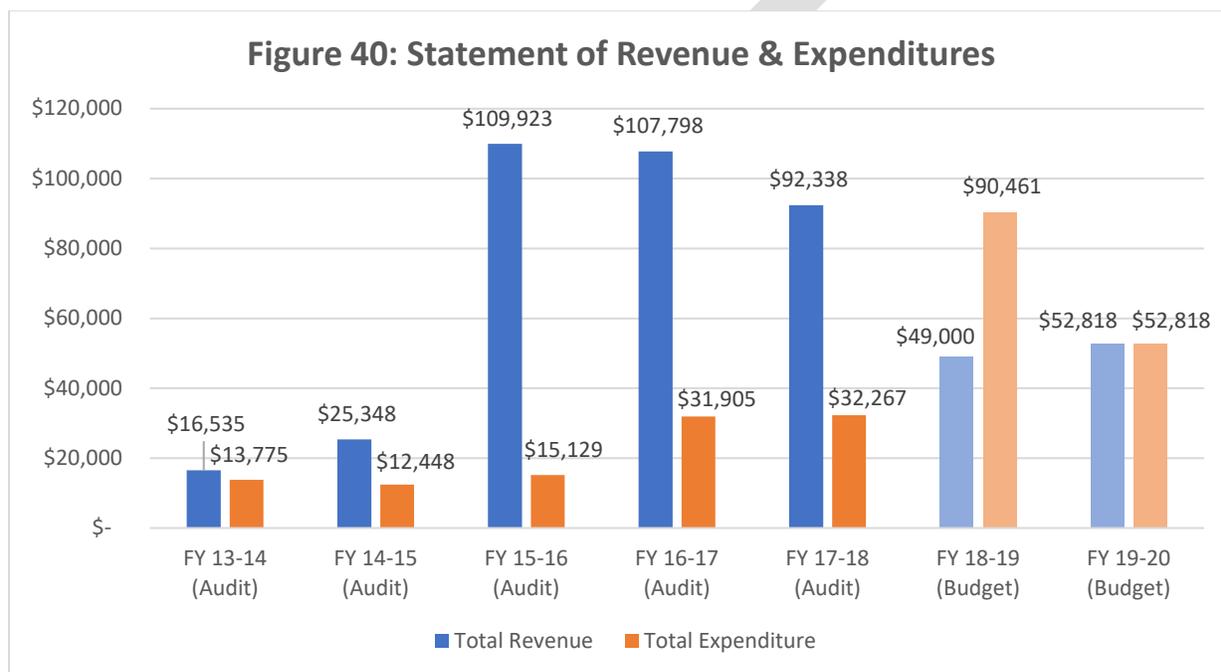
Septic Systems within CSA 10

The operation and repair of septic systems are regulated by the Santa Cruz County Health Department, Environmental Health Services Division. Properties currently using individual septic systems may continue to use individual systems or may choose to connect to CSA 10’s sewer main. A property owner may defer the decision to connect, unless the property is less than 200 feet away from a sewer main and three of the following situations occur: (1) If a septic system fails, the property must connect to the sewer main; (2) If the property owner desires to do a major remodel but the septic system does not meet current standards, upgrade of the septic system is not an option and the property must connect to the sewer main; and (3) If a septic system repair has been completed in the last five years using an interim conventional system where enhanced treatment would have been required, the property must connect to the sewer main within 6 months of sewer availability.

Finances

This section will highlight the District's audited financial performance during the most recent fiscal years. Fiscal Year 2017-18 is the latest audited financial statement available. A comprehensive analysis of the District's financial performance during the past 5 years is shown in **Tables 52** and **53**, on pages 110 and 111.

At the end of Fiscal Year 2017-18, total revenue collected was \$92,338, representing a 14% decrease from the previous year (\$107,798 in FY 16-17). Total expenses for FY 17-18 were \$32,267, which increased slightly from the previous year by \$362 (\$31,905 in FY 16-17). As shown in the figure below, the District's total revenues have exceeded total expenditures each year since 2013 (refer to **Figure 40**). Based on the two most recently adopted budgets, however, the positive trend may end in FY 18-19.



District Revenues

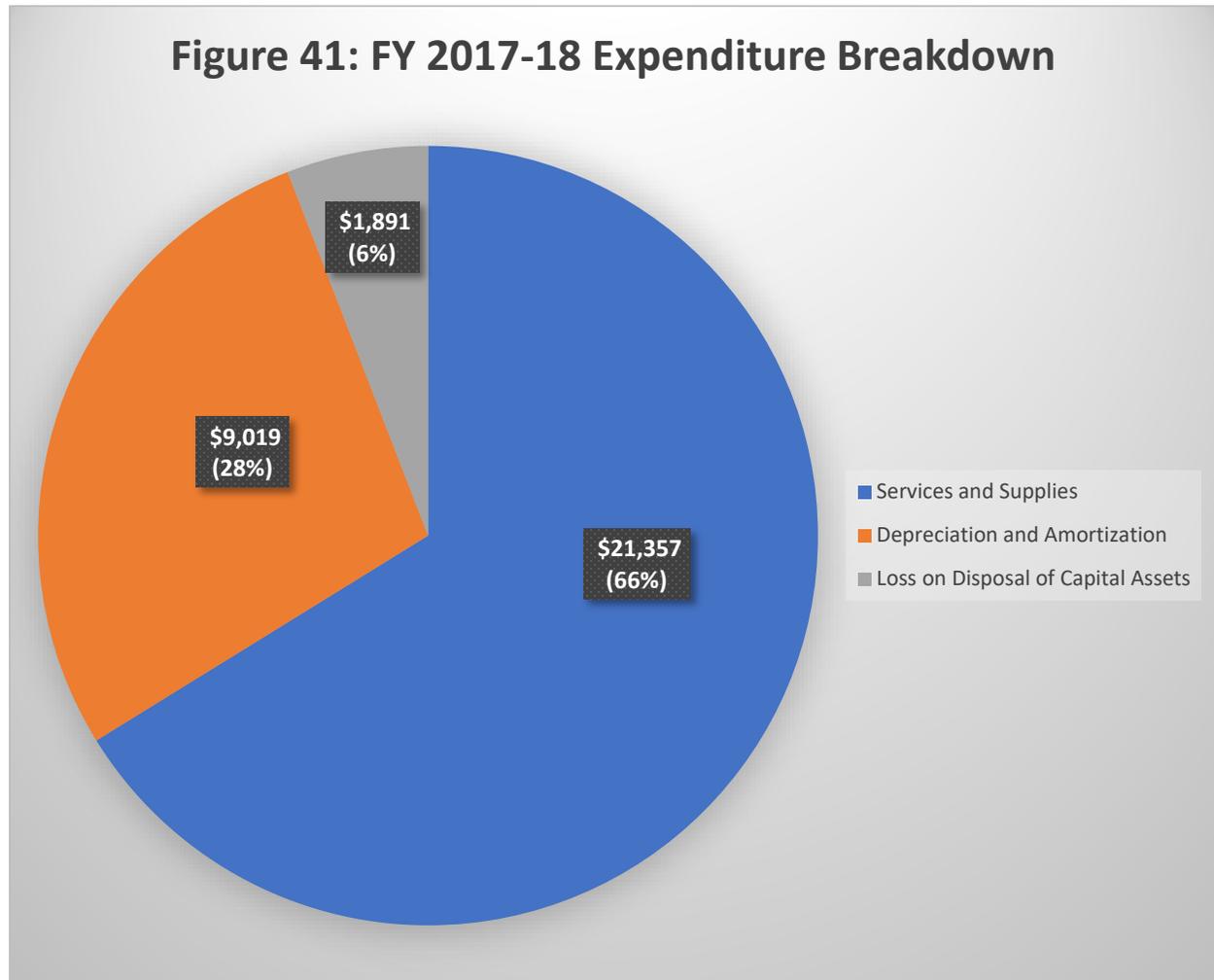
CSA 10's primary source of revenue is from Charges for Services. In FY 17-18, the District received revenue from two different sources: Charges for Services (\$83,423) and Interest and Investment Income (\$8,915). On average, the District receives approximately \$67,000 each year in service fees. **Table 50** highlights the total revenue received since 2013.

Table 50: Total Revenue (FY 13-14 to FY 17-18)

	FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18	Average
Charges for Services	\$16,518	\$25,234	\$107,867	\$102,909	\$83,423	\$67,190
Interest Investment Income	<u>\$17</u>	<u>\$114</u>	<u>\$2,056</u>	<u>\$4889</u>	<u>\$8,915</u>	<u>\$3,198</u>
Total Revenue	\$16,535	\$25,348	\$109,923	\$107,798	\$92,338	\$70,388

District Expenditures

CSA 10's total expenditures can be categorized into 3 budgetary groups: Services & Supplies, Depreciation & Amortization, and Loss on Disposal of Capital Assets. The figure below depicts the how funding is distributed by category. The District's primary expenditure is associated with operational and management costs, under Services and Supplies.



Assets & Liabilities

The following is an overview of CSA 10's assets and liabilities:

- District Assets: As of June 30, 2018, the District has \$797,496 in total assets. Cash and Investments represent 86% of total assets.
- District Liabilities: As of June 30, 2018, the District has \$0 in total liabilities.

Fund Balance/Net Position

As of June 30, 2018, the total fund balance is approximately \$797,496. The fund balance has increased each year since 2013, as shown in the following table. Unlike other sanitation districts, CSA 10 has no short or long-term liabilities. A full review of the District's assets, liabilities, and net position is shown in page 111 (refer to **Table 53**).

Table 51: Fund Balance/Net Position

	FY 13-14 (Audited)	FY 14-15 (Audited)	FY 15-16 (Audited)	FY 16-17 (Audited)	FY 17-18 (Audited)
Net Position	\$162,279	\$175,179	\$661,532	\$737,425	\$797,496
Change in (\$) from previous year		\$12,900	\$486,353	\$75,893	\$60,071
Change in (%) from previous year		8%	278%	11%	8%

Note: In 2014, the Commission approved a reorganization that transferred sewer services from CSA 57 to CSA 10. Assets and liabilities were also transferred under this reorganization.

Table 52: Total Revenues & Expenditures

	FY 13-14 (Audit)	FY 14-15 (Audit)	FY 15-16 (Audit)	FY 16-17 (Audit)	FY 17-18 (Audit)	FY 18-19 (Budget)	FY 19-20 (Budget)
REVENUE							
Charges for Services	\$ 16,518	\$ 25,234	\$ 107,867	\$ 102,909	\$ 83,423	\$ 42,600	\$ -
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest and Investment Income	\$ 17	\$ 114	\$ 2,056	\$ 4,889	\$ 8,915	\$ 6,400	\$ -
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Gain on Disposal of Capital Assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Revenue	\$ 16,535	\$ 25,348	\$ 109,923	\$ 107,798	\$ 92,338	\$ 49,000	\$ 52,818
EXPENDITURE							
Services and Supplies	\$ 4,455	\$ 3,129	\$ 5,904	\$ 22,697	\$ 21,357	\$ 42,600	\$ -
Depreciation and Amortization	\$ 9,320	\$ 9,319	\$ 9,225	\$ 9,208	\$ 9,019	\$ 9,209	\$ -
Approp for Contingencies	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 38,652	\$ -
Loss on Disposal of Capital Assets	\$ -	\$ -	\$ -	\$ -	\$ 1,891	\$ -	\$ -
Total Expenditure	\$ 13,775	\$ 12,448	\$ 15,129	\$ 31,905	\$ 32,267	\$ 90,461	\$ 52,818
Surplus/(Deficit)	\$ 2,760	\$ 12,900	\$ 94,794	\$ 75,893	\$ 60,071	\$ (41,461)	\$ -
Capital Contributions	\$ -	\$ -	\$ 391,559	\$ -	\$ -	\$ -	\$ -
Net Position - Beginning	\$ 159,519	\$ 162,279	\$ 175,179	\$ 661,532	\$ 737,425	\$ 797,495	\$ 756,034
Net Position - Ending	\$ 162,279	\$ 175,179	\$ 661,532	\$ 737,425	\$ 797,496	\$ 756,034	\$ 756,034

Table 53: Total Assets & Liabilities

	FY 13-14 (Audit)	FY 14-15 (Audit)	FY 15-16 (Audit)	FY 16-17 (Audit)	FY 17-18 (Audit)
ASSETS					
<u>Current Assets</u>					
Cash and Investments	\$ 13,595	\$ 35,814	\$ 531,392	\$ 616,493	\$ 687,474
Restricted Cash	\$ -	\$ -	\$ -	\$ -	\$ -
Receivables	\$ -	\$ -	\$ -	\$ -	\$ -
<u>Non-Current Assets</u>					
Loans Receivable	\$ -	\$ -	\$ -	\$ -	\$ -
<u>Capital Assets:</u>					
Construction in Progress	\$ -	\$ -	\$ -	\$ -	\$ -
Buildings and Structures	\$ 375,398	\$ 375,398	\$ 375,398	\$ 375,398	\$ 360,778
Equipment	\$ -	\$ -	\$ -	\$ -	\$ -
Accumulated Depreciation	\$ (226,714)	\$ (236,033)	\$ (245,258)	\$ (254,466)	\$ (250,756)
Total Assets	\$ 162,279	\$ 175,179	\$ 661,532	\$ 737,425	\$ 797,496
LIABILITIES					
<u>Current Liabilities</u>					
Payables	\$ -	\$ -	\$ -	\$ -	\$ -
Current Portion of Long-term Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
<u>Non-Current Liabilities</u>					
Long-term Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
Total Liabilities	\$ -				
NET POSITION					
Net Investment in Capital Assets	\$ 148,684	\$ 139,365	\$ 130,140	\$ 120,932	\$ 110,022
Restricted for Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	\$ 13,595	\$ 35,814	\$ 531,392	\$ 616,493	\$ 687,474
Total Net Position	\$ 162,279	\$ 175,179	\$ 661,532	\$ 737,425	\$ 797,496

Governance

County Service Area 10 is a dependent special district governed by the County Board of Supervisors and managed by the Public Works Department. The current Board is as follows:

Table 54: Board of Directors

Board Member	Title	Years of Service	Term of Office Expiration
Zach Friend	Director	7 years	1/2/2020
John Leopold	Director	11 years	1/2/2020
Ryan Coonerty	Director	5 years	1/2/2021
Greg Caput	Director	8 years	1/2/2021
Bruce McPherson	Director	3 years	1/2/2020

The Board of Directors meets on most Tuesdays in the Board of Supervisors' Chambers, 701 Ocean Street, Room 525. Meetings generally begin at 9:00am. Public notice is provided through posting. The County contracts for independent audits.

The County of Santa Cruz Public Works Department is responsible for the administration, engineering, maintenance, emergency response and construction of all County sanitation services. The department also manages various Board-governed special districts and CSAs. The Sanitation Operations unit is one of six organizational units within the Special Services Division of Public Works and provides operation and maintenance services to County sanitation districts and CSAs. Sanitation operations employees work in all Districts and CSAs. Each sanitation district is governed according to its specific code of regulations. The Districts' codes are very similar, and some sections are adopted by reference from the Santa Cruz County Sanitation District Code. CSAs are governed according to the Santa Cruz County Code of Regulations. Most of the County Code pertaining to sanitary sewer collection systems is adopted by reference from the SCCSD Code.

Website Requirements

Senate Bill 929 was signed into law in September 2018 and requires all independent special districts to have and maintain a website by January 1, 2020. It outlines minimum website data requirements, including contact information, financial reports, and meeting agendas/minutes. While this new law does not apply to county service areas, the County should consider following the requirements outlined in the new law. The County's water and sewer webpage offers a number of useful resources including formation resolutions, service maps, and current sewer charges for each CSA that delivers sanitary services: <http://dpw.co.santa-cruz.ca.us/Home/SewerWater.aspx>. However, it is difficult to locate certain information and material. For example, there is no reference to staff reports or other supporting documents that provide background information on the CSA's annual sewer rates.

LAFCO Staff Recommendation: *It may be beneficial for the County to include links to staff reports or other supporting documents related to the annual sewer rates. Additionally, the webpage should include all past and future LAFCO service reviews involving CSA 10 as additional resource material.*

Capital Improvement Plan

There is no specific capital improvement plan for CSA 10. The County has a countywide CIP to address the replacement of the aging sewer system, however, CSA 10 lacks funds to make all the improvements. The County of Public Works continually seek grant or loan funding to help finance these improvements.

LAFCO Staff Recommendation: *The County should consider developing a specific capital improvement plan that covers the sanitation districts managed and operated by the Public Works Department – Davenport, Freedom, Santa Cruz County Sanitation Districts, and CSAs 2, 5, 7, 10, and 20.*

Sewer System Management Plan

The State Water Resources Control Board regulates wastewater discharges to surface water (rivers, ocean, etc.) and to groundwater (via land). The State Water Board requires sanitation districts to follow the Statewide General Waste Discharge Requirements for Sanitary Sewer Systems. These requirements include the following:

- Sanitary Sewer Overflows are prohibited, and
- All Sanitary Sewer Overflow (SSOs), with the exception of Private Sewer Lateral Discharge (PLSDs), irrespective of size, must be reported to the State Water Board electronically using the California Integrated Water Quality System, and the Districts/CSAs must prepare and implement a Sewer System Management Plan (SSMP).

In 2017, the County adopted a Sewer System Management Plan to cover the management, operation and maintenance, design, construction and emergency response of the Davenport Sanitation District, Freedom Sanitation District, Santa Cruz County Sanitation District and County Service Areas sanitary sewer systems, including CSA 10.

Opportunities & Challenges

County Service Area 10 is significantly affected by aging infrastructure, escalating operational costs, and changes to state laws and regulations that may introduce new requirements without additional funding. These issues are common with other sanitation districts in Santa Cruz County. The following section discusses these challenges and identifies possible opportunities to ensure the delivery of wastewater services in an efficient and effective manner.

Governance Structure Options

CSA 10 is just north of the boundary for the City of Santa Cruz's wastewater collection system. The wastewater from the CSA is transported to the City's treatment plant where it is processed. Due to the proximity of the two systems, the shared transmission line to the treatment plant, and the shared treatment plant, the County has requested that LAFCO consider expanding the boundary of the City of Santa Cruz's service area to include the limits of this CSA.

LAFCO staff sees value in local agencies collaborating and exploring opportunities to improve delivery of municipal services. It is still unknown whether it is feasible for the City or another local service provider to assume responsibilities within this area. Therefore, LAFCO staff recommends that the County continue to discuss possible partnerships with the City and other neighboring agencies. If an agreement is made, in which all affected parties agree in the transfer of responsibilities, a change of organization may be considered at that point.

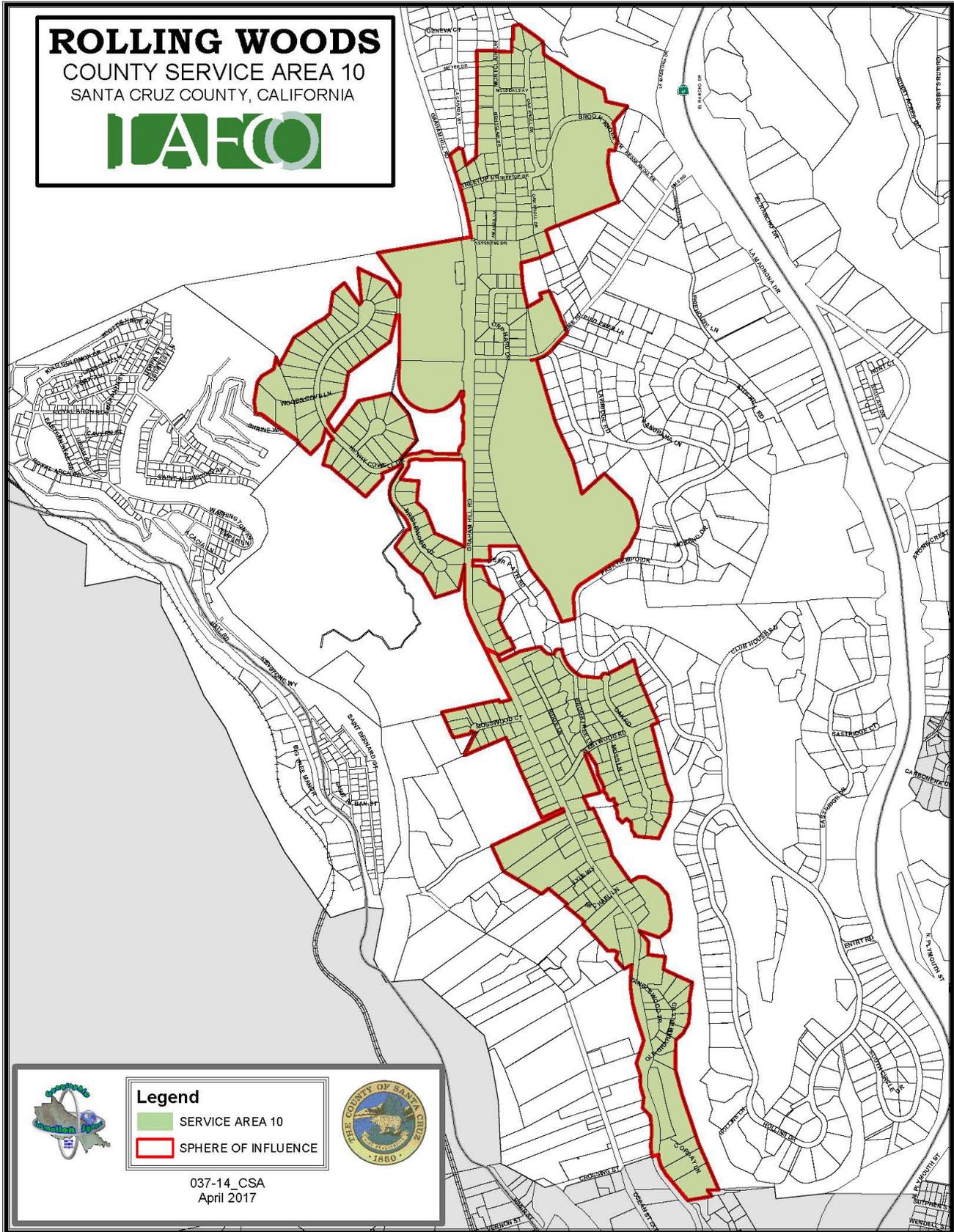
Regional Collaboration

Several sanitation districts, including entities managed and operated by the County, have expressed interest in transferring sewer responsibilities to another agency due to funding issues, limited long-term planning, or lack of economies of scale. Establishment of a countywide memorandum of understanding or a joint powers authority may unify the already-established collaboration set by the sanitation providers in the county. Such agreements may also lay the foundation for future changes of organization, including but not limited to annexations, consolidations, or mergers.

Sphere of Influence

LAFCO originally adopted a sphere of influence for the District in 1984. In 2014, the Commission approved a reorganization that transferred sewer services from CSA 57 to CSA 10. In total, 299 parcels were annexed into CSA 10 under this reorganization. As part of the reorganization, CSA 10's sphere of influence was amended to reflect the annexation. Today, the sphere of influence for CSA 10 is coterminous with its service area. **Figure 42** shows the current sphere of influence boundary for CSA 10.

Figure 42: CSA 10's Current Sphere Map



District Summary

County Service Area 10 (Rolling Woods/Graham Hill)	
Formation	California Government Code, section 25210.1 et seq. (County Service Area Law)
Board of Directors	5 members, elected at-large to four-year terms
Contact Person	Beatriz Barranco, Senior Engineer, Sanitation Operations
Employees	1 full-time employee (approximately)
Facilities	Collection Plant; 1 lift station; 104 connections
District Area	269 acres (0.42 square mile)
Sphere of Influence	Coterminous with District (i.e. no sphere beyond existing jurisdictional boundary)
FY 2019-20 Budget	Total Revenue = \$52,818 Total Expenditure = \$52,818 Projected Net Position (Beginning Balance) = \$756,034
Contact Information	Mailing Address: 701 Ocean Street, Santa Cruz CA 95060 Phone Number: (831) 477-3907 Email Address: Beatriz.Barranco@santacruzcounty.us Website: http://dpw.co.santa-cruz.ca.us/Home/SewerWater.aspx
Public Meetings	The Board regularly meets on most Tuesdays in the Board of Supervisors' Chambers, 701 Ocean St, Rm. 525. Meetings generally begin at 9:00 am.
Mission Statement	The CSA does not have a published mission statement. However, their mission aligns with the published mission statement for the Santa Cruz County Sanitation District.

Service and Sphere Review Determinations

The following service and sphere review determinations fulfill the requirements outlined in the Cortese-Knox-Hertzberg Act. The County was instrumental in addressing the determinations by responding to a survey sent by LAFCO in June 2019. **Appendix E** provides a copy of the District's survey response.

Service Provision Determinations

Government Code Section 56430 requires LAFCO to conduct a municipal service review before, or in conjunction with, an action to establish or update a sphere of influence. Written statements of determination must be prepared with respect to each of the following:

1. Growth and population projections for the affected area.

The Graham Hill corridor area is substantially built-out with low-density single-family homes. There are no growth projections available for CSA 10. In general, the Santa Cruz County unincorporated area is projected to have slow growth over the next fifteen years. The 2013 service review involving CSA 10 and 57 indicated that the estimated population within the total area was approximately 881. Based on the growth rate of approximately 1% for the unincorporated areas in the County, LAFCO staff projects that CSA 10's entire population in 2020 will be around 888.

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

LAFCO staff utilized the ArcGIS mapping program to locate potential DUCs in the County. Based on the criteria set forth by SB 244, staff's initial analysis located two DUCs near CSA 10 and the Santa Cruz County Sanitation District (DUC #3 and #4). However, these two areas are not within or adjacent to a sanitation districts' service or sphere boundary. Additionally, these two areas are in vacant parcels outside the University of California, Santa Cruz. The County's General Plan designates Area #3, located north of McLaughlin Drive, as Special Use. Area #4, located south of Empire Grade, is designated as Commercial Agriculture. Based on the two identified sites being undeveloped and uninhabited, the Commission should not consider these areas as a disadvantaged unincorporated community in future boundary changes.

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

CSA 10 has a collection system and one lift station that serves the residential areas of Rolling Woods and Woods Cove, as well as the Pasatiempo Golf Club. The plant is maintained by the County of Santa Cruz. Based on the County's 2017 Sewer System Management Plan, CSA 10 has 104 connections with 3.18 miles of gravity sewer lines, 0.35 miles of force main lines, and zero pump stations. Annual sewer charges are the District's primary source of revenue.

4. Financial ability of agencies to provide services.

County Service Area 10's financial ability to provide services is well-established. The CSA has successfully kept costs below its revenue stream since 2013. Audited financial statements from Fiscal Years 2013 to 2018 indicate that the increase in net position has ranged from \$2,700 to \$95,000. As of June 30, 2018, CSA 10 is operating with a net position of approximately \$797,000, of which \$687,000 is in cash and investments.

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

Several sanitation districts, including entities managed and operated by the County, have expressed interest in transferring sewer responsibilities to another agency due to funding issues, limited long-term planning, or lack of economies of scale. Establishment of a countywide memorandum of understanding or a joint powers authority may unify the already-established collaboration set by the sanitation providers in the county. Such agreements may also lay the foundation for future changes of organization, including but not limited to annexations, consolidations, or mergers.

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

The County currently has a countywide capital improvement plan and a specific capital improvement plan for the Santa Cruz County Sanitation District. Additionally, the County has adopted a Sewer System Management Plan. However, CSA 10 does not have any current or proposed sewer-related capital improvement projects scheduled at this time.

The County has not identified any infrastructure needs at this time. However, repairs, installations, and other infrastructure issues are being faced by other CSAs. CSA 10 currently has approximately \$680,000 in cash on hand. If there is a major infrastructure repair or a system failure that requires immediate restoration, CSA 10 may require additional funds. The County should consider developing a long-term maintenance plan to identify adequate funding in order to address current and future maintenance, replacement, and/or upgrades to an aging infrastructure.

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

No additional local LAFCO policies are specifically relevant to this service and sphere review.

Sphere of Influence Determinations

Government Code Section 56425 requires LAFCO to periodically review and update spheres of influence in concert with conducting municipal service reviews. Spheres are used as regional planning tools to discourage urban sprawl and encourage orderly growth. Written statements of determination must be prepared with respect to each of the following:

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

There are no agricultural or open-space lands within the service area.

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

CSA 10 has an aging collection and treatment plant that serves the residential areas of Rolling Woods and Woods Cove, as well as the Pasatiempo Golf Club. The plant is maintained by the County of Santa Cruz. Based on the County's 2017 Sewer System Management Plan, CSA 10 has 104 connections with 3.18 miles of gravity sewer lines, 0.35 miles of force main lines, and zero pump stations. Annual sewer charges are the District's primary source of revenue.

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

County Service Area 10 operates a sanitary sewer collection system and serves the residential areas of Rolling Woods and Woods Cove, as well as the Pasatiempo Golf Club. The County currently has a contractual agreement with the City of Santa Cruz to transfer collected wastewater to the City of Santa Cruz's treatment system. The City treats the sewage at its Neary Lagoon Wastewater Treatment Facility and disposes the treated wastewater into the Pacific Ocean off West Cliff Drive. CSA 10 has 104 connections and serves almost 900 residents.

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.

LAFCO staff is not aware of any social or economic communities of interest in the area. The CSA's service area is primarily residential units.

5. For an update of a sphere of influence of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, that occurs pursuant to subdivision (g) on or after July 1, 2012, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.

Neither the County nor LAFCO has identified any sub-area within or contiguous to the District's service or sphere boundaries that meet the definition of a disadvantaged unincorporated community. That said, CSA 10 has adequate transmission and treatment capacity for the present and planned facilities within the sphere of influence. The CSA's principal needs are repair and replacement of aging infrastructure.

COUNTY SERVICE AREA 20 (TRESTLE BEACH)

District Overview

County Service Area 20 serves the Trestle Beach subdivision near La Selva Beach, which encompasses 12.8 acres (0.02 square miles) and has a population of 42. The County formed CSA 20 in June 1980. Today, the wastewater system provides on-site treatment to a secondary level. **Figure 44**, on page 123, is a vicinity map of the service area.

Population & Growth

The Trestle Beach subdivision is built-out with low-density single-family homes. There are no growth projections available for CSA 20. In general, the Santa Cruz County unincorporated area is projected to have slow growth over the next fifteen years. The County Public Works Department estimates that the population within the total area is currently 42. Based on the growth rate of approximately 1% for the unincorporated areas in the County, LAFCO staff projects that CSA 20's entire population in 2020 will be remain at 42. The projected population for CSA 20 are as follows:

Table 55: Projected Population

	2020	2025	2030	2035	Growth Rate
Santa Cruz County (unincorporated)	136,891	137,896	139,105	140,356	1%
CSA 20	42	43	43	44	1%

Source: AMBAG 2018 Regional Growth Forecast

Disadvantaged Unincorporated Communities

State law requires LAFCO to identify and describe all “disadvantaged unincorporated communities” (DUC) located within or contiguous to the existing spheres of influence of cities and special districts that provide fire protection, sewer, and/or water services. DUCs are defined as inhabited unincorporated areas with an annual median household income that is 80% or less than the statewide annual median household income.

In 2017, the California statewide median household income was \$67,169¹², and 80% of that was \$53,735. LAFCO staff utilized the ArcGIS mapping program to locate potential DUCs in the County. Based on the criteria set forth by SB 244, staff’s analysis indicates that there are no areas in CSA 20 designated as a disadvantaged unincorporated community.

Services & Operations

CSA 20 has a wastewater collection and treatment plant that treats the domestic wastewater from the Trestle Beach community. Based on staff’s analysis, CSA 20 has 21 connections with 0.3 miles of sewer lines and 1 pump station. Annual sewer charges are the District’s primary source of revenue.

¹² 2013-2017 American Community Survey 5-year Estimates

Sewer Rates

At present, CSA 20's annual sewer rates derive from single family units in the Trestle Beach community. **Table 56** shows the gradual increase in annual rates during the last seven years.

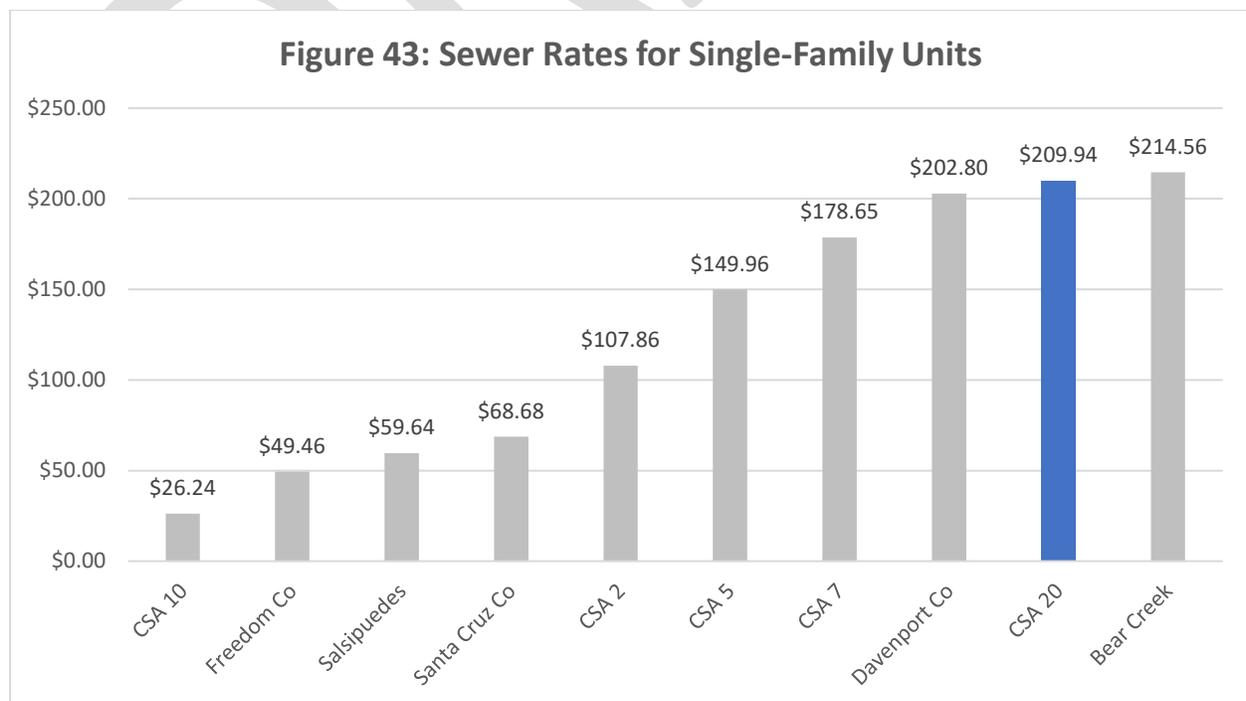
Table 56: Annual Sewer Rates

	FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	Average Change
Single Family	\$2,100.00	\$2,146.20	\$2,206.28	\$2,263.64	\$2,342.87	\$2,410.81	\$2,519.29	\$2,284.16
Change (\$)		\$46.20	\$60.08	\$57.36	\$79.23	\$67.94	\$108.48	\$69.88
Change (%)		2%	3%	3%	4%	3%	4%	3%

Pursuant to Santa Cruz County Code Section 4.26, the Director of Public Works must annually compute the benefit assessment/service charge rates for CSAs and submit a report to the Board of Supervisors describing each parcel of real property receiving the special benefit and the amount of the charge per CSA for each parcel for the upcoming fiscal year.

CSA fees are considered benefit assessments, and any rate increase (except for preapproved annual Consumer Price Index (CPI) increases) must comply with Proposition 218 procedures. These procedures require that an increase is approved by at least half of the votes cast by the property owners, with the votes weighted according to the amount of the proposed assessment of each parcel. Furthermore, a public hearing must be held to consider any protests to the proposed increase.

When comparing the sewer rates with the other sanitation districts analyzed in this report, CSA 20 is ranked the second highest in charges towards single family units (\$209.94/month), as shown in the figure below.



Infrastructure Summary

CSA 20 operates a collection and treatment plant and serves about 40 residents. It currently has 21 connections and approximately 0.3 miles of sewer line. **Table 57** provides an overview of the type of service and current infrastructure:

Table 57: Infrastructure Summary

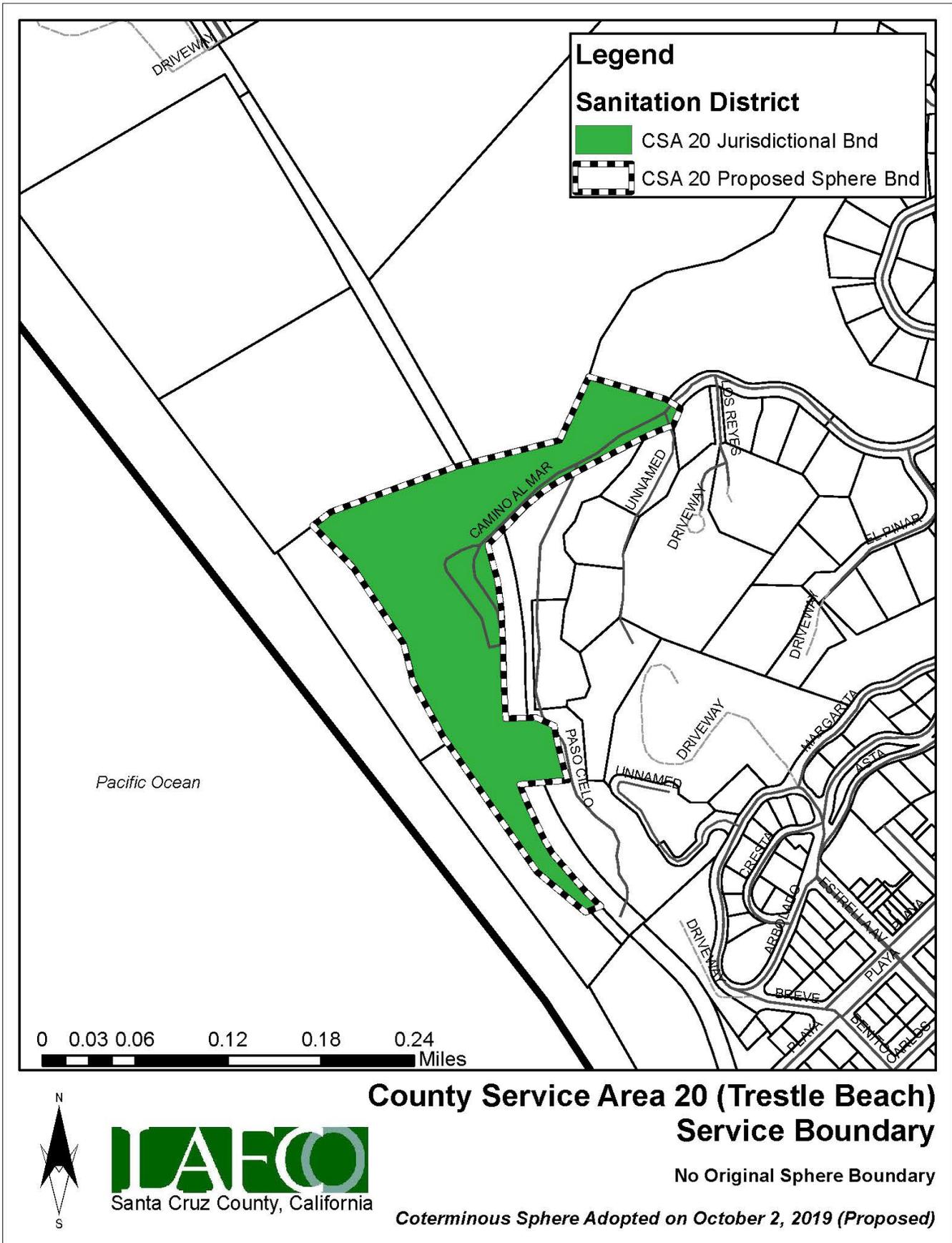
	Type of System	Treatment Level	No. of Connections	No. of Lift Stations	Miles of Sewer Line
CSA 20	Collection and Treatment	Secondary	21	1	0.3

The Public Works Department has indicated that the current infrastructure is aging, deteriorating, and in need of repair. The wastewater treatment plant currently requires approximately \$95,000 in repairs. If there is a system failure that occurs and must be fixed on an emergency basis, depending on the size of the required repair, the CSA may require additional funds.



CSA 20's collection and treatment

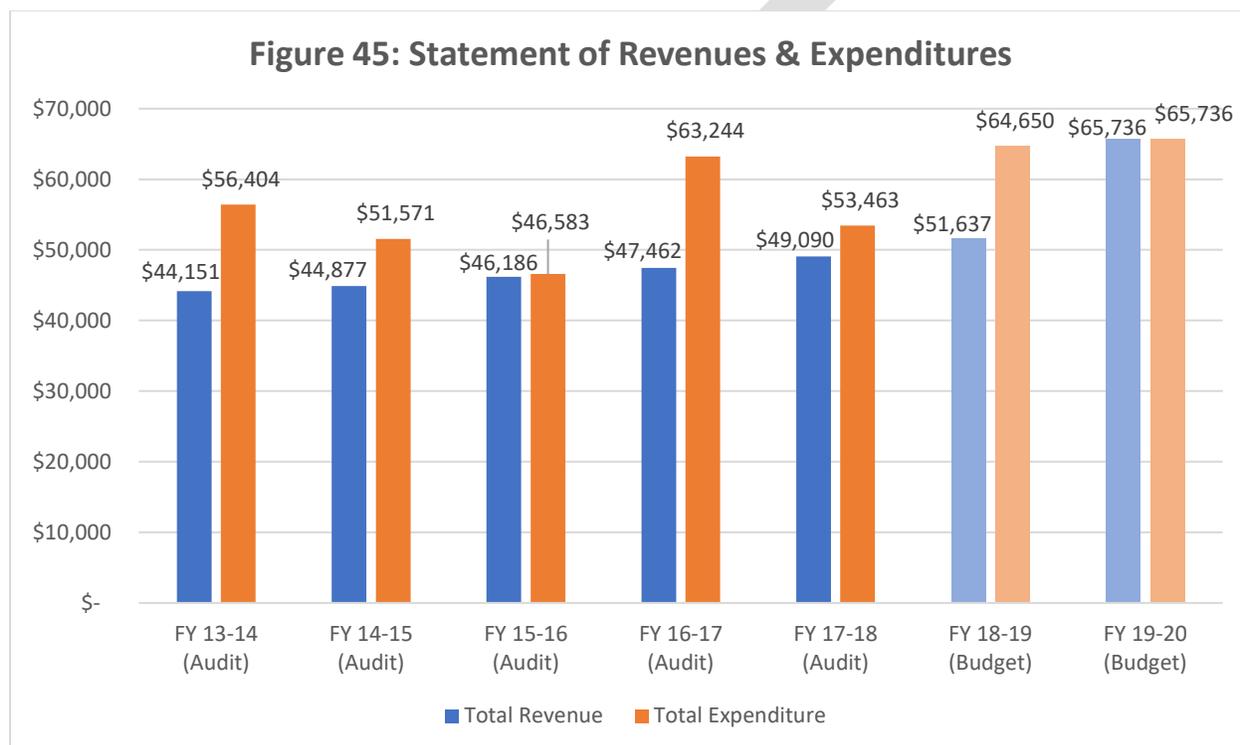
Figure 44: CSA 20's Vicinity Map



Finances

This section will highlight the District's audited financial performance during the most recent fiscal years. Fiscal Year 2017-18 is the latest audited financial statement available. A comprehensive analysis of the District's financial performance during the past 5 years is shown in **Tables 60** and **61**, on pages 126 and 127.

At the end of Fiscal Year 2017-18, total revenue collected was \$49,090, representing a 3% increase from the previous year (\$47,462 in FY 16-17). Total expenses for FY 17-18 were \$53,463, which decreased from the previous year by approximately \$9,700 (\$63,244 in FY 16-17). As shown in the figure below, the District's total revenues were not enough to cover total expenditures for the past five years (refer to **Figure 45**). Based on the two most recently adopted budgets, LAFCO staff believes this negative trend will continue.



District Revenues

CSA 20's primary source of revenue is from Charges for Services. In FY 17-18, the District received revenue from two different sources: Charges for Services (\$48,708) and Interest and Investment Income (\$382). On average, the District receives approximately \$46,000 each year in service fees. **Table 58** highlights the total revenue received since 2013.

Table 58: Total Revenue (FY 13-14 to FY 17-18)

	FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18	Average
Charges for Services	\$43,659	\$44,620	\$45,859	\$47,061	\$48,708	\$45,983
Interest Investment Income	<u>\$492</u>	<u>\$257</u>	<u>\$317</u>	<u>\$401</u>	<u>\$382</u>	<u>\$370</u>
Total Revenue	\$44,151	\$44,877	\$46,186	\$47,462	\$49,090	\$47,850

District Expenditures

CSA 20's only budgetary expense is associated with operational and management costs, under Services and Supplies. Based on staff's analysis of the County's audited financial statements, no other expenses have been reported for the past four years.

Assets & Liabilities

The following is an overview of CSA 20's assets and liabilities:

- District Assets: As of June 30, 2018, the District has \$34,078 in total assets. Cash and Investments represent 100% of total assets.
- District Liabilities: As of June 30, 2018, the District has \$651 in total liabilities. Accounts Payable is currently the only liability associated with CSA 20.

Fund Balance/Net Position

As of June 30, 2018, the total fund balance is approximately \$33,427. The fund balance has decreased each year since 2013, as shown in the following table. A full review of the District's assets, liabilities, and net position is shown in page 127 (refer to **Table 61**).

Table 59: Fund Balance/Net Position

	FY 13-14 (Audited)	FY 14-15 (Audited)	FY 15-16 (Audited)	FY 16-17 (Audited)	FY 17-18 (Audited)
Net Position	\$60,673	\$53,979	\$53,582	\$37,800	\$33,427
Change in (\$) from previous year		\$(6,694)	\$(397)	\$(15,782)	\$(4,373)
Change in (%) from previous year		-11%	-1%	-29%	-12%

Table 60: Total Revenues & Expenditures

	FY 13-14 (Audit)	FY 14-15 (Audit)	FY 15-16 (Audit)	FY 16-17 (Audit)	FY 17-18 (Audit)	FY 18-19 (Budget)	FY 19-20 (Budget)
REVENUE							
Charges for Services	\$ 43,659	\$ 44,620	\$ 45,869	\$ 47,061	\$ 48,708	\$ 51,387	\$ -
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest and Investment Income	\$ 492	\$ 257	\$ 317	\$ 401	\$ 382	\$ 250	\$ -
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Gain on Disposal of Capital Assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Revenue	\$ 44,151	\$ 44,877	\$ 46,186	\$ 47,462	\$ 49,090	\$ 51,637	\$ 65,736
EXPENDITURE							
Services and Supplies	\$ 55,738	\$ 50,893	\$ 46,583	\$ 63,244	\$ 53,463	\$ 64,650	\$ -
Depreciation and Amortization	\$ 666	\$ 678	\$ -	\$ -	\$ -	\$ -	\$ -
Loss on Disposal of Capital Assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenditure	\$ 56,404	\$ 51,571	\$ 46,583	\$ 63,244	\$ 53,463	\$ 64,650	\$ 65,736
Surplus/(Deficit)	\$ (12,253)	\$ (6,694)	\$ (397)	\$ (15,782)	\$ (4,373)	\$ (13,013)	\$ -
Net Position - Beginning	\$ 72,926	\$ 60,673	\$ 53,979	\$ 53,582	\$ 37,800	\$ 33,427	\$ 20,414
Net Position - Ending	\$ 60,673	\$ 53,979	\$ 53,582	\$ 37,800	\$ 33,427	\$ 20,414	\$ 20,414

Table 61: Total Assets & Liabilities

	FY 13-14 (Audit)	FY 14-15 (Audit)	FY 15-16 (Audit)	FY 16-17 (Audit)	FY 17-18 (Audit)
ASSETS					
<u>Current Assets</u>					
Cash and Investments	\$ 59,995	\$ 54,013	\$ 53,765	\$ 38,623	\$ 34,078
Restricted Cash	\$ -	\$ -	\$ -	\$ -	\$ -
Receivables	\$ -	\$ -	\$ -	\$ -	\$ -
<u>Non-Current Assets</u>					
Loans Receivable	\$ -	\$ -	\$ -	\$ -	\$ -
<u>Capital Assets:</u>					
Construction in Progress	\$ -	\$ -	\$ -	\$ -	\$ -
Buildings and Structures	\$ -	\$ -	\$ -	\$ -	\$ -
Equipment	\$ 13,569	\$ 13,569	\$ -	\$ -	\$ -
Accumulated Depreciation	\$ (12,891)	\$ (13,569)	\$ -	\$ -	\$ -
Total Assets	\$ 60,673	\$ 54,013	\$ 53,765	\$ 38,623	\$ 34,078
LIABILITIES					
<u>Current Liabilities</u>					
Payables	\$ -	\$ 34	\$ 183	\$ 823	\$ 651
Current Portion of Long-term Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
<u>Non-Current Liabilities</u>					
Long-term Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
Total Liabilities	\$ -	\$ 34	\$ 183	\$ 823	\$ 651
NET POSITION					
Net Investment in Capital Assets	\$ 678	\$ -	\$ -	\$ -	\$ -
Restricted for Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	\$ 59,995	\$ 53,979	\$ 53,582	\$ 37,800	\$ 33,427
Total Net Position	\$ 60,673	\$ 53,979	\$ 53,582	\$ 37,800	\$ 33,427

Governance

County Service Area 20 is a dependent special district governed by the County Board of Supervisors and managed by the Public Works Department. The current Board is as follows:

Table 62: Board of Directors

Board Member	Title	Years of Service	Term of Office Expiration
Zach Friend	Director	7 years	1/2/2020
John Leopold	Director	11 years	1/2/2020
Ryan Coonerty	Director	5 years	1/2/2021
Greg Caput	Director	8 years	1/2/2021
Bruce McPherson	Director	3 years	1/2/2020

The Board of Directors meets on most Tuesdays in the Board of Supervisors' Chambers, 701 Ocean Street, Room 525. Meetings generally begin at 9:00am. Public notice is provided through posting. The County contracts for independent audits.

The County of Santa Cruz Public Works Department is responsible for the administration, engineering, maintenance, emergency response and construction of all County sanitation services. The department also manages various Board-governed special districts and CSAs. The Sanitation Operations unit is one of six organizational units within the Special Services Division of Public Works and provides operation and maintenance services to County sanitation districts and CSAs. Sanitation operations employees work in all Districts and CSAs. Each sanitation district is governed according to its specific code of regulations. The Districts' codes are very similar, and some sections are adopted by reference from the Santa Cruz County Sanitation District Code. CSAs are governed according to the Santa Cruz County Code of Regulations. Most of the County Code pertaining to sanitary sewer collection systems is adopted by reference from the SCCSD Code.

Website Requirements

Senate Bill 929 was signed into law in September 2018 and requires all independent special districts to have and maintain a website by January 1, 2020. It outlines minimum website data requirements, including contact information, financial reports, and meeting agendas/minutes. While this new law does not apply to county service areas, the County should consider following the requirements outlined in the new law. The County's water and sewer webpage offers a number of useful resources including formation resolutions, service maps, and current sewer charges for each CSA that delivers sanitary services: <http://dpw.co.santa-cruz.ca.us/Home/SewerWater.aspx>. However, it is difficult to locate certain information and material. For example, there is no reference to staff reports or other supporting documents that provide background information on the CSA's annual sewer rates.

LAFCO Staff Recommendation: *It may be beneficial for the County to include links to staff reports or other supporting documents related to the annual sewer rates. Additionally, the webpage should include all past and future LAFCO service reviews involving CSA 20 as additional resource material.*

Capital Improvement Plan

There is no specific capital improvement plan for CSA 20. The County has a countywide CIP to address the replacement of the aging sewer system, however, CSA 20 lacks funds to make all the improvements. The County of Public Works continually seek grant or loan funding to help finance these improvements.

LAFCO Staff Recommendation: *The County should consider developing a specific capital improvement plan that covers the sanitation districts managed and operated by the Public Works Department – Davenport, Freedom, Santa Cruz County Sanitation Districts, and CSAs 2, 5, 7, 10, and 20.*

Sewer System Management Plan

The State Water Resources Control Board regulates wastewater discharges to surface water (rivers, ocean, etc.) and to groundwater (via land). The State Water Board requires sanitation districts to follow the Statewide General Waste Discharge Requirements for Sanitary Sewer Systems. These requirements include the following:

- Sanitary Sewer Overflows are prohibited, and
- All Sanitary Sewer Overflow (SSOs), with the exception of Private Sewer Lateral Discharge (PLSDs), irrespective of size, must be reported to the State Water Board electronically using the California Integrated Water Quality System, and the Districts/CSAs must prepare and implement a Sewer System Management Plan (SSMP).

In 2017, the County adopted a Sewer System Management Plan to cover the management, operation and maintenance, design, construction and emergency response of the Davenport Sanitation District, Freedom Sanitation District, Santa Cruz County Sanitation District and County Service Areas sanitary sewer systems. However, it is LAFCO staff's understanding that CSA 20 is excluded from the County SSMP due to the fact that CSA 20 does not meet the minimum requirements to enroll under the Waste Discharge Requirements.

LAFCO Staff Recommendation: *The County should consider including CSA 20 in the County's Sewer System Management Plan to ensure that the Trestle Beach community's sewer infrastructure has proper management and oversight for current and future needs.*

Opportunities & Challenges

County Service Area 20 is significantly affected by aging infrastructure, escalating operational costs, and changes to state laws and regulations that may introduce new requirements without additional funding. These issues are common with other sanitation districts in Santa Cruz County. The following section discusses these challenges and identifies possible opportunities to ensure the delivery of wastewater services in an efficient and effective manner.

Revenue Deficiencies

Between 2013 to 2018, CSA 20 has ended each fiscal year with a deficit. During this time period, the sewer rate increased, on average, by 3% or \$60/year. As shown in **Table 63**, LAFCO staff determined that sewer rates for the District should have been raised by 17% or \$380/year to cover total expenses. Under this scenario, CSA 20 would have had enough funds to cover total expenses each year. Additionally, if the County continues to increase sewer rates based on historical expenses rather than the Consumer Price Index going forward, CSA 20 should have enough funds to cover future expenses.

Table 63: Review of Annual Sewer Rates (Hypothetical Scenario)

	FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18	Average
Charges for Services	\$43,659	\$44,620	\$45,869	\$47,061	\$48,708	-
Annual Deficit	-\$12,253	-\$6,694	-\$397	-\$15,782	-\$4,373	-
Required Revenue to Cover Total Expenses	\$55,912	\$51,314	\$46,266	\$62,843	\$53,081	-
Proposed Annual Sewer Rate	\$2,689	\$2,468	\$2,225	\$3,023	\$2,553	-
Annual Sewer Rates (Actual)						
Annual Sewer Rates (Actual)	\$2,100	\$2,146	\$2,206	\$2,264	\$2,343	\$2,212
Annual Sewer Rates (Proposed)	\$2,689	\$2,468	\$2,225	\$3,023	\$2,553	\$2,592
<i>Proposed Increase (\$)</i>	\$589	\$322	\$19	\$759	\$210	\$380
<i>Proposed Increase (%)</i>	28%	15%	1%	34%	9%	17%

It is important to reiterate that CSA fees are considered benefit assessments, and any rate increase (except for preapproved annual Consumer Price Index increases) must comply with Proposition 218 procedures. These procedures require that an increase is approved by at least half of the votes cast by the property owners, with the votes weighted according to the amount of the proposed assessment of each parcel. Furthermore, a public hearing must be held to consider any protests to the proposed increase.

LAFCO Staff Recommendation: *The County should consider increasing future sewer rates based on historical costs and estimated projections, rather than the standard preapproved annual Consumer Price Index. This approach will ensure that CSA 20 has enough funds to cover future expenses and potential increase its net position for imminent capital improvement needs.*

Regional Collaboration

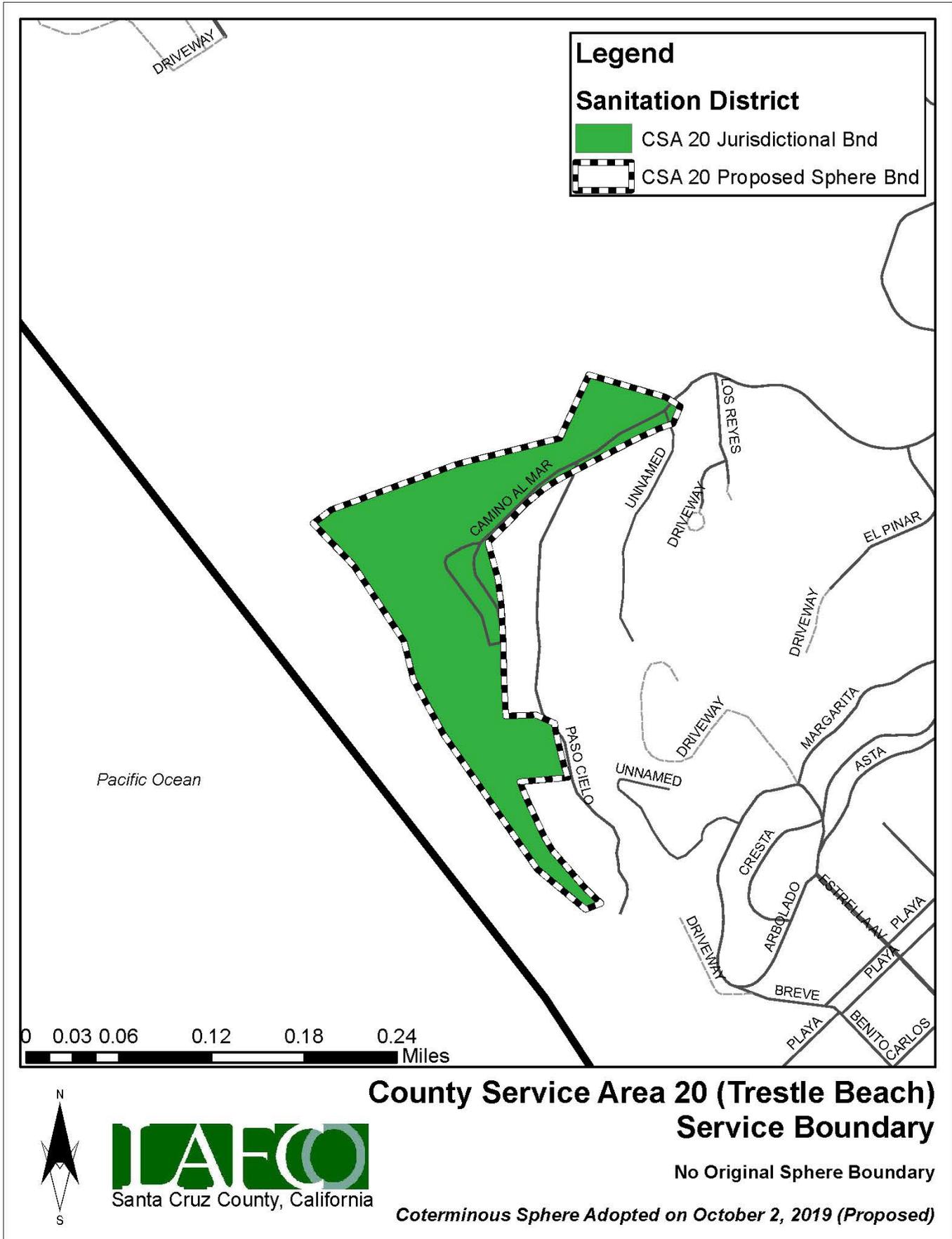
Several sanitation districts, including entities managed and operated by the County, have expressed interest in transferring sewer responsibilities to another agency due to funding issues, limited long-term planning, or lack of economies of scale. Establishment of a countywide memorandum of understanding or a joint powers authority may unify the already-established collaboration set by the sanitation providers in the county. Such agreements may also lay the foundation for future changes of organization, including but not limited to annexations, consolidations, or mergers.

Sphere of Influence

LAFCO originally adopted spheres of influence for a number of CSAs back in the 1980s. Based on staff's analysis and research, it was determined that there is no sphere of influence for CSA 20. In accordance to Government Code Section 56425, the Commission shall adopt a sphere of influence for cities, special districts, and county service areas.

During the months of August and September, LAFCO staff met with representatives of CSA 20 to discuss the sphere designation. While the CSA is currently experiencing a financial shortage, the County will be working to make CSA 20 economically sustainable. As a result of our ongoing discussions, LAFCO staff and CSA 20 representatives recommend that the Commission adopt a coterminous sphere of influence. If the financial shortage continues, the Commission should consider a zero sphere during the next service review cycle.

Figure 46: CSA 20 (Proposed “Coterminous” Sphere of Influence)



District Summary

County Service Area 20 (Trestle Beach)	
Formation	California Government Code, section 25210.1 et seq. (County Service Area Law)
Board of Directors	5 members, elected at-large to four-year terms
Contact Person	Beatriz Barranco, Senior Engineer, Sanitation Operations
Employees	1 full-time employee (approximately)
Facilities	Collection and Treatment Plant; 1 pump station; 21 connections
District Area	12.8 acres (0.02 square mile)
Sphere of Influence	Proposed Designation: Coterminous with District (i.e. no sphere beyond existing jurisdictional boundary)
FY 2019-20 Budget	Total Revenue = \$65,736 Total Expenditure = \$65,736 Projected Net Position (Beginning Balance) = \$20,414
Contact Information	Mailing Address: 701 Ocean Street, Santa Cruz CA 95060 Phone Number: (831) 477-3907 Email Address: Beatriz.Barranco@santacruzcounty.us Website: http://dpw.co.santa-cruz.ca.us/Home/SewerWater.aspx
Public Meetings	The Board regularly meets on most Tuesdays in the Board of Supervisors' Chambers, 701 Ocean St, Rm. 525. Meetings generally begin at 9:00 am.
Mission Statement	The CSA does not have a published mission statement. However, their mission aligns with the published mission statement for the Santa Cruz County Sanitation District.

Service and Sphere Review Determinations

The following service and sphere review determinations fulfill the requirements outlined in the Cortese-Knox-Hertzberg Act. The County was instrumental in addressing the determinations by responding to a survey sent by LAFCO in June 2019. **Appendix F** provides a copy of the District's survey response.

Service Provision Determinations

Government Code Section 56430 requires LAFCO to conduct a municipal service review before, or in conjunction with, an action to establish or update a sphere of influence. Written statements of determination must be prepared with respect to each of the following:

1. Growth and population projections for the affected area.

The Trestle Beach subdivision is built-out with low-density single-family homes. There are no growth projections available for CSA 20. In general, the Santa Cruz County unincorporated area is projected to have slow growth over the next fifteen years. The County Public Works Department estimates that the population within the total area is currently 42. Based on the growth rate of approximately 1% for the unincorporated areas in the County, LAFCO staff projects that CSA 20's entire population in 2020 will be remain at 42.

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

In 2017, the California statewide median household income was \$67,169, and 80% of that was \$53,735. LAFCO staff utilized the ArcGIS mapping program to locate potential DUCs in the County. Based on the criteria set forth by SB 244, staff's analysis indicates that there are no areas in CSA 20 designated as a disadvantaged unincorporated community.

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

CSA 20 has a wastewater collection and treatment plant that treats the domestic wastewater from the Trestle Beach community. Based on staff's analysis, CSA 20 has 21 connections with 0.3 miles of sewer lines and 1 pump station. Annual sewer charges are the District's primary source of revenue.

4. Financial ability of agencies to provide services.

County Service Area 20 has experienced an annual deficit over the past six years. Audited financial statements from Fiscal Years 2013 to 2018 indicate that the annual shortage has ranged from \$400 to \$16,000. As of June 30, 2018, CSA 20 is operating with a net position of approximately \$33,000. LAFCO staff projects that this negative trend will continue unless the CSA increases its overall revenue stream or decreases annual expenses.

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

Several sanitation districts, including entities managed and operated by the County, have expressed interest in transferring sewer responsibilities to another agency due to funding issues, limited long-term planning, or lack of economies of scale. Establishment of a countywide memorandum of understanding or a joint powers authority may unify the already-established collaboration set by the sanitation providers in the county. Such agreements may also lay the foundation for future changes of organization, including but not limited to annexations, consolidations, or mergers.

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

The County currently has a countywide capital improvement plan and a specific capital improvement plan for the Santa Cruz County Sanitation District. Additionally, the County has adopted a Sewer System Management Plan. However, CSA 20 does not have any current or proposed sewer-related capital improvement projects scheduled at this time.

The County has indicated that the existing treatment plant requires approximately \$95,000 in repairs. CSA 20 does not have the reserves to pay for the required repairs. The County should consider developing a long-term maintenance plan to identify adequate funding in order to address current and future maintenance, replacement, and/or upgrades to an aging infrastructure.

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

No additional local LAFCO policies are specifically relevant to this service and sphere review.

Sphere of Influence Determinations

Government Code Section 56425 requires LAFCO to periodically review and update spheres of influence in concert with conducting municipal service reviews. Spheres are used as regional planning tools to discourage urban sprawl and encourage orderly growth. Written statements of determination must be prepared with respect to each of the following:

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

There are no agricultural or open-space lands within the service area.

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

CSA 20 operates a collection and treatment plant located in the Trestle Beach subdivision near La Selva Beach. The wastewater system provides on-site treatment to a secondary level and serves a small community of around 40 residents. The Public Works Department has indicated that the current infrastructure is aging, deteriorating, and in need of repair.

Based on staff's analysis and research, it was determined that there is no sphere of influence for CSA 20. While the CSA is currently experiencing a financial shortage, the County will be working to make CSA 20 economically sustainable. LAFCO staff, in conjunction with CSA 20 representatives, recommend that the Commission adopt a coterminous sphere of influence. If the financial shortage continues, the Commission should consider a zero sphere during the next service review cycle.

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

County Service Area 20 operates a collection and treatment plant located in the Trestle Beach subdivision near La Selva Beach. The wastewater system provides on-site treatment to a secondary level and serves a small community of around 40 residents. The Public Works Department has indicated that the current infrastructure is aging, deteriorating, and in need of repair. The wastewater treatment plant currently requires approximately \$95,000 in repairs.

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.

LAFCO staff is not aware of any social or economic communities of interest in the area. The CSA's service area is primarily residential units.

5. For an update of a sphere of influence of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, that occurs pursuant to subdivision (g) on or after July 1, 2012, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.

Neither the County nor LAFCO has identified any sub-area within or contiguous to the District's service or sphere boundaries that meet the definition of a disadvantaged unincorporated community. That said, CSA 20 has adequate transmission and treatment capacity for the present and planned facilities within the sphere of influence. The CSA's principal needs are repair and replacement of aging infrastructure.

DAVENPORT COUNTY SANITATION DISTRICT

District Overview

The Davenport County Sanitation District (District) owns and operates a wastewater treatment facility serving the community of Davenport, which includes a domestic wastewater collection system, influent headworks, aerated lagoon, sand filter, and a chlorine contact tank. The District provides service to approximately 108 sewer connections. More recently, the District now operates a recycled water treatment plant, with a recycled water fill station and a recycled water storage pond. **Figure 50**, on page 142, is a vicinity map of the service area.

The Davenport County Sanitation District serves 114 water connections in the Old Town, New Town, and San Vicente areas of Davenport. The District relies on surface water diverted from Mill Creek and San Vicente Creek for supply. The District is managed by the County Department of Public Works and infrastructure needs are funded by water and sewer rates and grants. For purposes of this report, staff's analysis will focus on the sanitation services provided by the District.

Population & Growth

The Davenport community is generally built-out with residential and commercial use. There are no growth projections available for the District. In general, the Santa Cruz County unincorporated area is projected to have slow growth over the next fifteen years. The County Public Works Department estimates that the population within the total area is currently 215. Based on the growth rate of approximately 1% for the unincorporated areas in the County, LAFCO staff projects that the District's entire population in 2020 will be 217. The projected population for the Davenport County Sanitation District are as follows:

Table 64: Projected Population

	2020	2025	2030	2035	Growth Rate
Santa Cruz County (unincorporated)	136,891	137,896	139,105	140,356	1%
Davenport County Sanitation District	217	219	222	224	1%

Source: AMBAG 2018 Regional Growth Forecast

Disadvantaged Unincorporated Communities

State law requires LAFCO to identify and describe all "disadvantaged unincorporated communities" (DUC) located within or contiguous to the existing spheres of influence of cities and special districts that provide fire protection, sewer, and/or water services. DUCs are defined as inhabited unincorporated areas with an annual median household income that is 80% or less than the statewide annual median household income.

In 2017, the California statewide median household income was \$67,169¹³, and 80% of that was \$53,735. LAFCO staff utilized the ArcGIS mapping program to locate potential DUCs in the County. Based on the criteria set forth by SB 244, staff's analysis indicates that there are no areas in the Davenport County Sanitation District designated as a DUC.

¹³ 2013-2017 American Community Survey 5-year Estimates

Services & Operations

The Davenport County Sanitation District has an aging collection and treatment plant that serves residential units in the Davenport Community. The District also operates a recycled water system. The infrastructure is maintained by the County of Santa Cruz. Based on the County's 2017 Sewer System Management Plan, Davenport County Sanitation District has 108 connections with 3.0 miles of gravity sewer lines, 1.30 miles of force main lines, and 3 pump stations. Revenues to operate the District are collected yearly from residents and businesses that are connected to either the waterworks or the sanitary sewer system.

The volume of wastewater is determined from records of water usage as metered by the Davenport Water Facility. Due to the lead time involved in getting the yearly sewer charges placed on the County property tax statements, the current fiscal year's charges are based on water use and strength factors from the previous calendar year.

Prior to its closure in 2008, CEMEX Cement Plant was the primary user of effluent from the wastewater treatment facility. The existing facility treats about 28 acre-feet of water annually to Title 22 disinfected tertiary level and the treated water is spray irrigated onto un-mowed turf adjacent to the treatment plant. The wastewater is treated in a 4-million-gallon capacity aerated lagoon where it undergoes primary and secondary treatment. Coagulant and hypochlorite are added to lagoon effluent prior to tertiary treatment in an up-flow sand filter. The filter has an area of 19 square feet; this equates to a maximum capacity of 95 gpm (136,800 gpd) at the maximum allowable loading rate under Title 22 requirements.

The treated wastewater then passes through a 3,000-gallon chlorine contact chamber for disinfection. For disinfected tertiary quality water Title 22 requires 90 minutes of contact time and a CT of not less than 450 mg-min/L; to meet this requirement the flow rate would need to be no more than 48,000 gpd with a chlorine residual of 5 mg/L. Sodium bisulfite is injected after the chlorine contact chamber for de-chlorination and the treated effluent is pumped to a spray field adjacent to the plant for application to un-mowed grass.

Sewer Rates

At present, the District's annual sewer rates derive from three areas: Single Family Dwelling, Commercial, and Schools. Each area has its own sewer rate. **Table 65** shows the gradual increase in annual rates during the last seven years.

Table 65: Annual Sewer Rates

	FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20
Residential	\$2,140.04	\$2,175.60	\$2,234.96	\$2,293.22	\$2,293.22	\$2,333.00	\$2,433.56
Commercial	\$714.60	\$727.86	\$748.46	\$766.86	\$766.86	\$759.76	\$803.26
Additional Charge*	\$17.47	\$17.47	\$18.22	\$18.71	\$18.71	\$19.28	\$19.98
School*	\$714.60	\$727.86	\$748.46	\$766.86	\$766.86	\$759.76	\$803.26
Additional Charge*	\$46.64	\$47.37	\$48.64	\$49.84	\$49.84	\$51.48	\$53.34

Note: Additional Charge is for "Commercial" is based on Hundred Cubic Feet of Water (HCF); Additional Charge is for "School" is based on Average Daily Attendance (ADA)

Revenues to operate the Davenport County Sanitation District are collected annual from residents, businesses and schools that are connected to the sanitary sewer system through property taxes and manual bills. Sewer service rates are established through hearings held with the Santa Cruz County Board of Supervisors.

Using information supplied by District staff, the rates are reviewed each year by an independent engineering firm which specializes in revenue studies for utility districts and are subject to final approval by the Board. Before the rates are set, a notice of public hearing is mailed to all owners of property within the Sanitation District boundaries, another notice is published in the Santa Cruz Sentinel, and the public hearing is held. The public hearing is normally scheduled in April or May of each year, with the rates becoming effective on the first of July. The following tables (**Tables 66 to 68**) show the gradual increase in annual rates for each area.

Table 66: Residential's Annual Sewer Rates Review

	FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	Average Change
Residential	\$2,140.04	\$2,175.60	\$2,234.96	\$2,293.22	\$2,293.22	\$2,333.00	\$2,433.56	
<i>Change (\$)</i>		\$35.56	\$59.36	\$58.26	\$0	\$39.78	\$100.56	\$48.92
<i>Change (%)</i>		2%	3%	3%	0%	2%	4%	2%

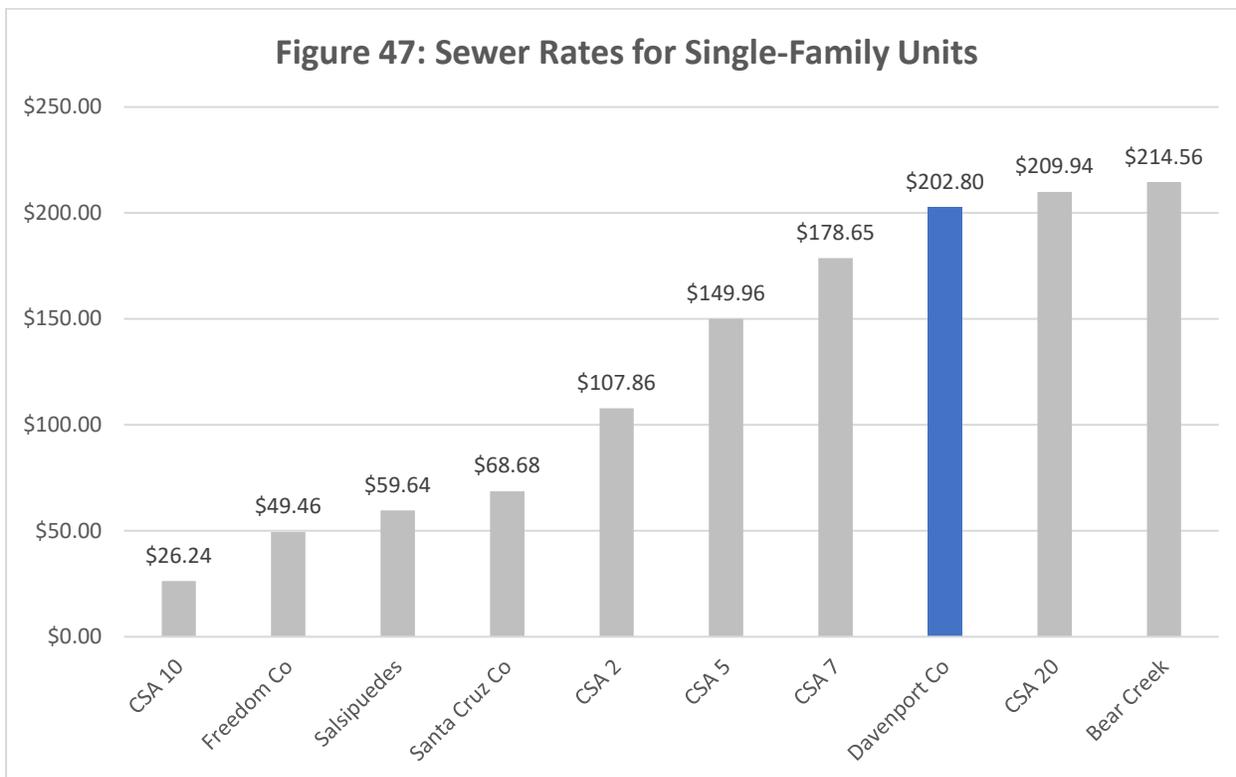
Table 67: Commercial's Annual Sewer Rates Review

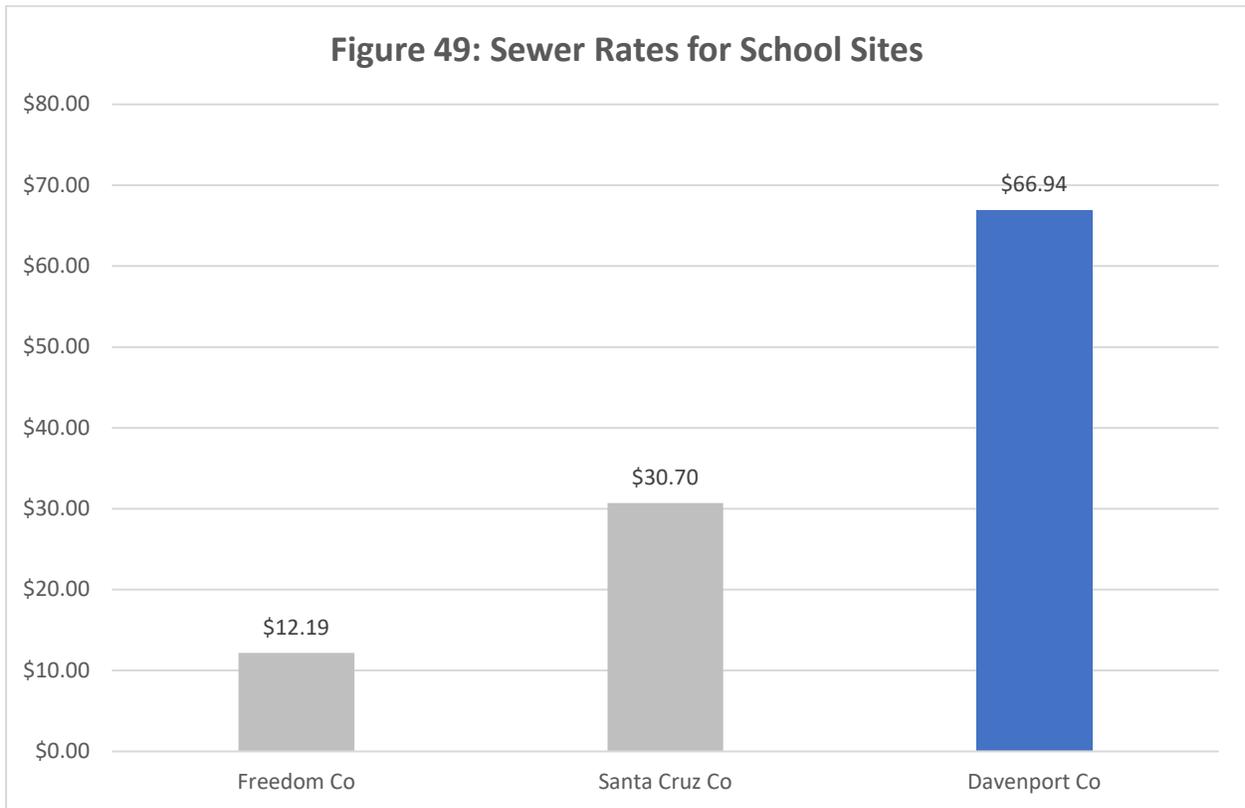
	FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	Average Change
Commercial	\$714.60	\$727.86	\$748.46	\$766.86	\$766.86	\$759.76	\$803.26	
<i>Change (\$)</i>		\$13.26	\$20.60	\$18.40	\$0	-\$7.10	\$43.50	\$14.78
<i>Change (%)</i>		2%	3%	2%	0%	-1%	6%	2%

Table 68: School's Annual Sewer Rates Review

	FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	Average Change
School	\$714.60	\$727.86	\$748.46	\$766.86	\$766.86	\$759.76	\$803.26	
<i>Change (\$)</i>		\$13.26	\$20.60	\$18.40	\$0	-\$7.10	\$43.50	\$14.78
<i>Change (%)</i>		2%	3%	2%	0%	-1%	6%	2%

When comparing the sewer rates with the other sanitation districts analyzed in this report, Davenport County Sanitation District is ranked the third highest in charges towards single family units (\$202.80/month), ranked third highest in charges towards commercial units (\$66.94/month), and ranked highest in charges towards school sites (\$66.94/month). Sewer rate comparisons are shown in the following figures (**Figures 47 to 49**).





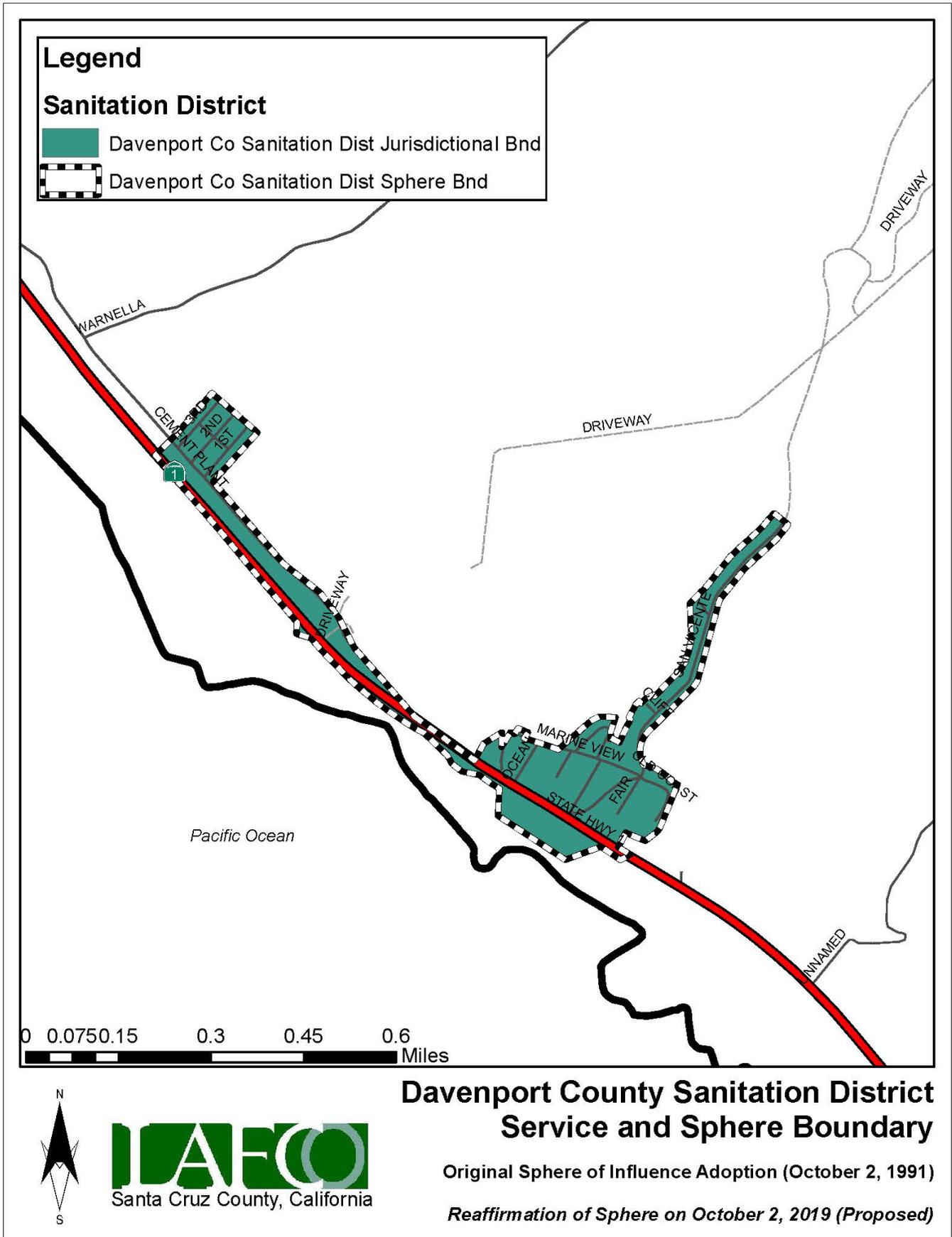
Infrastructure Summary

Davenport County Sanitation District provides treated drinking water and sewage collection, treatment and disposal services to the town of Davenport. It currently has 108 connections and approximately 3.2 miles of sewer line. **Table 69** provides an overview of the type of service and current infrastructure:

Table 69: Infrastructure Summary

	Type of System	Treatment Level	No. of Connections	No. of Lift Stations	Miles of Sewer Line
Davenport County Sanitation District	Collection, Treatment, and Recycled Water	Tertiary	108	3	3.0

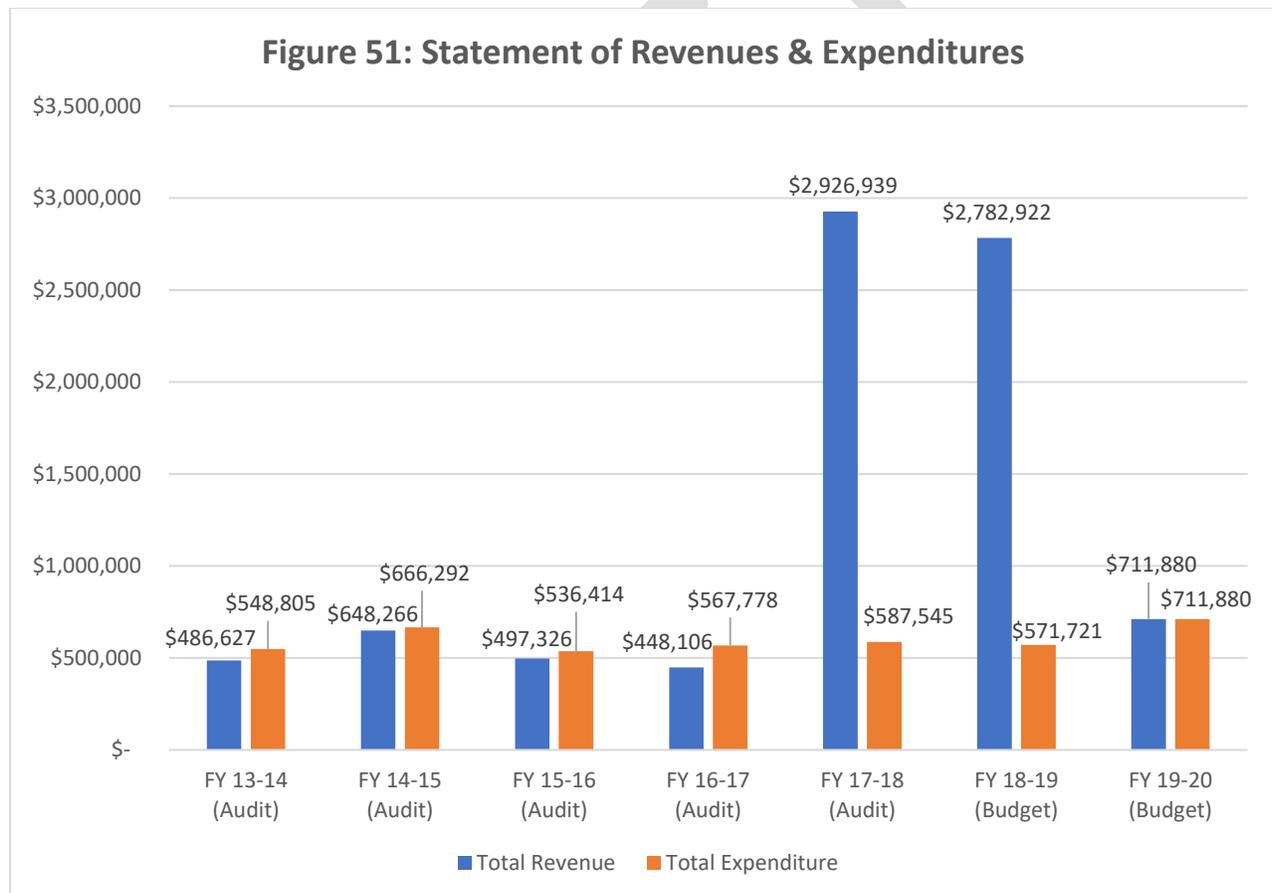
Figure 50: Davenport County Sanitation District's Vicinity Map



Finances

This section will highlight the District's audited financial performance during the most recent fiscal years. Fiscal Year 2017-18 is the latest audited financial statement available. A comprehensive analysis of the District's financial performance during the past 5 years is shown in **Tables 72** and **73**, on pages 146 and 147.

At the end of Fiscal Year 2017-18, total revenue collected was \$2,926,939, representing a 553% increase from the previous year (\$448,106 in FY 16-17). This significant increase is primary due to grants award for the scheduled Davenport Recycled Water Project. Total expenses for FY 17-18 were \$587,545, which increased from the previous year by approximately \$20,000 (\$567,778 in FY 16-17). As shown in the figure below, the District's total revenues did not cover total expenditures each year since 2013 (refer to **Figure 51**). However, based on the two most recently adopted budgets, it appears that the District will have the necessary funds to operate in an efficient manner. This budgetary surplus may be temporary due to the recent influx of grant funding.



District Revenues

The District's primary source of revenue is from Charges for Services. In FY 17-18, the District received revenue from three different sources: Charges for Services (\$493,281), Intergovernmental (\$2,402,811), and Property Taxes (\$34,923). On average, the District receives approximately \$462,000 each year in service fees. **Table 70** highlights the total revenue received since 2013.

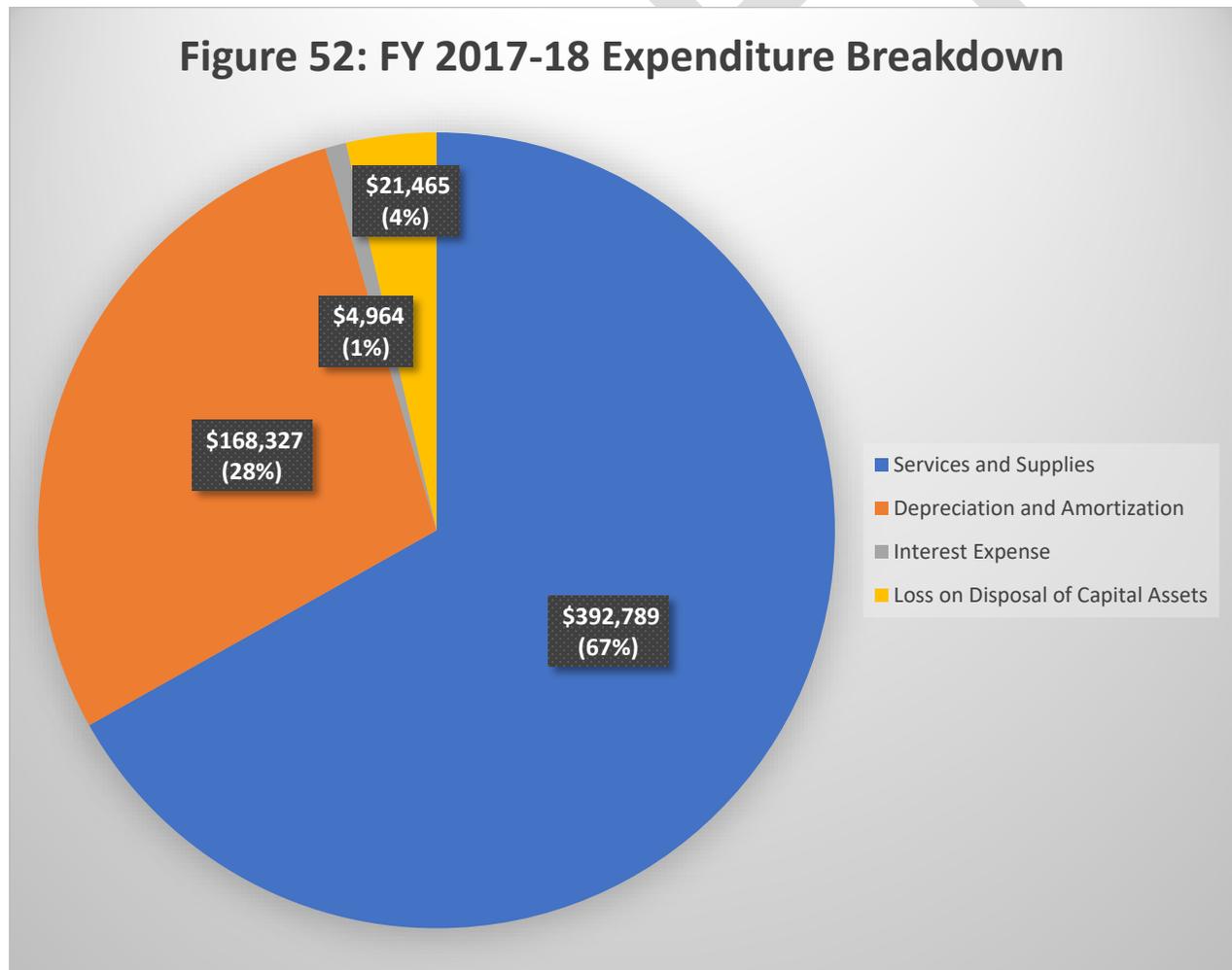
Table 70: Total Revenue (FY 13-14 to FY 17-18)

	FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18
Charges for Services	\$429,398	\$503,507	\$466,953	\$414,993	\$493,281
Intergovernmental	\$33,439	\$117,753	\$203	-	\$2,402,811
Interest Investment Income	-\$740	-\$150	\$1,165	\$1,252	-\$4,076
Property Taxes	<u>\$24,530</u>	<u>\$27,156</u>	<u>\$29,005</u>	<u>\$31,861</u>	<u>\$34,923</u>
Total Revenue	\$486,627	\$648,266	\$497,326	\$448,106	\$2,926,939

District Expenditures

The District’s total expenditures can be categorized into 4 budgetary groups: Services & Supplies, Depreciation & Amortization, Interest Expense, and Loss on Disposal of Capital Assets. The figure below depicts the how funding is distributed by category. The District’s primary expenditure is associated with operational and management costs, under Services and Supplies.

Figure 52: FY 2017-18 Expenditure Breakdown



Assets & Liabilities

The following is an overview of the District's assets and liabilities:

- District Assets: As of June 30, 2018, the District has \$7,677,912 in total assets.
- District Liabilities: As of June 30, 2018, the District has \$841,712 in total liabilities.

Fund Balance/Net Position

As of June 30, 2018, the total fund balance is approximately \$6,836,200. The fund balance has increased each year since 2015, as shown in the following table. Between 2013 to 2017, the District ended each fiscal year with a deficit. However, the net position increased during that time due to capital contributions ranging from \$195 to \$327,585.

A full review of the District's assets, liabilities, and net position is shown in page 147 (refer to **Table 73**).

Table 71: Fund Balance/Net Position

	FY 13-14 (Audited)	FY 14-15 (Audited)	FY 15-16 (Audited)	FY 16-17 (Audited)	FY 17-18 (Audited)
Net Position	\$4,244,057	\$4,226,031	\$4,288,893	\$4,496,806	\$6,836,200
Change in (\$) from previous year		-\$18,026	\$62,862	\$207,913	\$2,339,394
Change in (%) from previous year		-0.42%	1.49%	4.85%	52.02%

Table 72: Total Revenues & Expenditures

	FY 13-14 (Audit)	FY 14-15 (Audit)	FY 15-16 (Audit)	FY 16-17 (Audit)	FY 17-18 (Audit)	FY 18-19 (Budget)	FY 19-20 (Budget)
REVENUE							
Charges for Services	\$ 429,398	\$ 503,507	\$ 466,953	\$ 414,993	\$ 493,281	\$ 480,625	\$ -
Intergovernmental	\$ 33,439	\$ 117,753	\$ 203	\$ -	\$ 2,402,811		\$ -
Interest and Investment Income	\$ (740)	\$ (150)	\$ 1,165	\$ 1,252	\$ (4,076)	\$ 363	\$ -
Property Taxes	\$ 24,530	\$ 27,156	\$ 29,005	\$ 31,861	\$ 34,923	\$ 31,157	\$ -
St-Homeowners' Prop Tax Relief	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 204	\$ -
Other Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,000,000	\$ -
St-Water Resources Control Board	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,270,573	\$ -
Gain on Disposal of Capital Assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Revenue	\$ 486,627	\$ 648,266	\$ 497,326	\$ 448,106	\$ 2,926,939	\$ 2,782,922	\$ 711,880
EXPENDITURE							
Services and Supplies	\$ 375,274	\$ 492,564	\$ 365,397	\$ 396,568	\$ 392,789	\$ 389,600	\$ -
Depreciation and Amortization	\$ 165,390	\$ 165,390	\$ 165,390	\$ 165,390	\$ 168,327	\$ 169,281	\$ -
Interest Expense	\$ 8,141	\$ 8,338	\$ 5,627	\$ 5,820	\$ 4,964	\$ 2,840	\$ -
Operating Transfers Out	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,000	\$ -
Loss on Disposal of Capital Assets	\$ -	\$ -	\$ -	\$ -	\$ 21,465	\$ -	\$ -
Total Expenditure	\$ 548,805	\$ 666,292	\$ 536,414	\$ 567,778	\$ 587,545	\$ 571,721	\$ 711,880
Surplus/(Deficit)	\$ (62,178)	\$ (18,026)	\$ (39,088)	\$ (119,672)	\$ 2,339,394	\$ 2,211,201	\$ -
Capital Contributions	\$ 195	\$ -	\$ 101,950	\$ 327,585	\$ -	\$ -	\$ -
Net Position - Beginning	\$ 4,306,040	\$ 4,244,057	\$ 4,226,031	\$ 4,288,893	\$ 4,496,806	\$ 6,826,256	\$ 9,037,457
Net Position - Ending	\$ 4,244,057	\$ 4,226,031	\$ 4,288,893	\$ 4,496,806	\$ 6,836,200	\$ 9,037,457	\$ 9,037,457

Table 73: Total Assets & Liabilities

	FY 13-14 (Audit)	FY 14-15 (Audit)	FY 15-16 (Audit)	FY 16-17 (Audit)	FY 17-18 (Audit)
ASSETS					
<u>Current Assets</u>					
Cash and Investments	\$ 13,819	\$ 99,095	\$ 114,421	\$ 11,062	\$ (909,815)
Restricted Cash	\$ 16,427	\$ 16,509	\$ 16,585	\$ 16,668	\$ 16,752
Receivables	\$ -	\$ -	\$ -	\$ 170,269	\$ 1,873,846
<u>Non-Current Assets</u>					
Loans Receivable	\$ -	\$ -	\$ -	\$ -	\$ -
<u>Capital Assets:</u>					
Construction in Progress	\$ -	\$ -	\$ 227,530	\$ 548,082	\$ 2,605,578
Buildings and Structures	\$ 6,606,034	\$ 6,606,034	\$ 6,606,034	\$ 6,606,034	\$ 6,738,157
Equipment	\$ 17,345	\$ 17,345	\$ 17,345	\$ 17,345	\$ -
Accumulated Depreciation	\$ (2,054,404)	\$ (2,219,794)	\$ (2,385,184)	\$ (2,550,574)	\$ (2,646,606)
Total Assets	\$ 4,599,221	\$ 4,519,189	\$ 4,596,731	\$ 4,818,886	\$ 7,677,912
LIABILITIES					
<u>Current Liabilities</u>					
Payables	\$ 21,900	\$ 24,677	\$ 97,398	\$ 142,349	\$ 693,459
Due to Other Funds	\$ 63,755	\$ 28,123	\$ -	\$ -	\$ -
Current Portion of Long-term Liabilities	\$ 29,150	\$ 29,919	\$ 30,709	\$ 31,519	\$ 32,352
<u>Non-Current Liabilities</u>					
Long-term Liabilities	\$ 240,359	\$ 210,439	\$ 179,731	\$ 148,212	\$ 115,901
Total Liabilities	\$ 355,164	\$ 293,158	\$ 307,838	\$ 322,080	\$ 841,712
NET POSITION					
Net Investment in Capital Assets	\$ 4,299,467	\$ 4,163,227	\$ 4,255,285	\$ 4,441,156	\$ 6,422,963
Restricted for Debt Service	\$ 43,427	\$ 43,427	\$ 43,427	\$ 43,427	\$ 43,427
Unrestricted	\$ (98,837)	\$ 19,377	\$ (9,819)	\$ 12,223	\$ 369,810
Total Net Position	\$ 4,244,057	\$ 4,226,031	\$ 4,288,893	\$ 4,496,806	\$ 6,836,200

Governance

The Davenport County Sanitation District is governed by a District Board comprised of members of the Santa Cruz County Board of Supervisors. The DCSD is a nonprofit public agency providing treated drinking water and sewage collection, treatment and disposal services to the town of Davenport. The current Board is as follows:

Table 74: Board of Directors

Board Member	Title	Years of Service	Term of Office Expiration
Zach Friend	Director	7 years	1/2/2020
John Leopold	Director	11 years	1/2/2020
Ryan Coonerty	Director	5 years	1/2/2021
Greg Caput	Director	8 years	1/2/2021
Bruce McPherson	Director	3 years	1/2/2020

The Board of Directors meets on most Tuesdays in the Board of Supervisors' Chambers, 701 Ocean Street, Room 525. Meetings generally begin at 9:00am. Public notice is provided through posting. The District contracts for independent audits.

The County of Santa Cruz Public Works Department is responsible for the administration, engineering, maintenance, emergency response and construction of all County sanitation services. The department also manages various Board-governed special districts and CSAs. The Sanitation Operations unit is one of six organizational units within the Special Services Division of Public Works and provides operation and maintenance services to County sanitation districts and CSAs. Sanitation operations employees work in all Districts and CSAs. Each sanitation district is governed according to its specific code of regulations. The Districts' codes are very similar, and some sections are adopted by reference from the Santa Cruz County Sanitation District Code. CSAs are governed according to the Santa Cruz County Code of Regulations. Most of the County Code pertaining to sanitary sewer collection systems is adopted by reference from the SCCSD Code.

Website Requirements

Senate Bill 929 was signed into law in September 2018 and requires all independent special districts to have and maintain a website by January 1, 2020. It outlines minimum website data requirements, including contact information, financial reports, and meeting agendas/minutes. While this new law does not apply to county service areas, the County should consider following the requirements outlined in the new law. The County's water and sewer webpage offers a number of useful resources including formation resolutions, service maps, and current sewer charges for each County-operated sewer agency: <http://dpw.co.santa-cruz.ca.us/Home/SewerWater.aspx>. However, it is difficult to locate certain information and material.

LAFCO Staff Recommendation: *It may be beneficial for the County to include links to staff reports or other supporting documents related to the annual sewer rates. Additionally, the webpage should include all past and future LAFCO service reviews involving the District as additional resource material.*

Capital Improvement Plan

The Davenport County Sanitation District is part of the County's 2019/20 Capital Improvement Program. The 2019/20 Capital Improvement Program (CIP) presents a five-year financing implementation plan for capital improvements within the unincorporated County; Parks, Open Space and Cultural Services; and County Facility projects located Countywide. The CIP is an outgrowth of cooperative planning, programming and financing efforts through the County Administrative Office and by the County's land use departments including Planning, Public Works, and Parks, Open Space and Cultural Services, as well as non-land use departments including the Health Services Agency, General Services Department, Probation, and the Sheriff's Department. Unprogrammed road, roadside, sanitation, flood control, parks, and recycling and solid waste projects (which funding is not anticipated for in the coming five years, or longer, and meets requirements of unincorporated County service level needs at build-out under the 1994 General Plan) are also identified in the CIP.

The 2019/20 CIP currently identifies one project within the Davenport County Sanitation District, the ***Davenport Recycled Water Project***. This construction project upgraded the treatment facility to disinfected tertiary treated water, constructed a new storage pond and truck fill station and dredged the existing wastewater storage lagoon. The existing treatment plant used spray fields to discharge treated effluent and when the fields were overly saturated in the rainy season, runoff could occur which had potential to create a violation of permit requirements. Construction of a new recycled water pond and truck fill station allows for a local farmer to use the recycled water, thus removing the need for the spray fields. Additionally, dredging the lagoon allows for approximately 8 feet of additional storage. This project was officially completed in October 2018.

LAFCO Staff Recommendation: *The County should consider developing a specific capital improvement plan that covers the sanitation districts managed and operated by the Public Works Department – Davenport, Freedom, Santa Cruz County Sanitation Districts, and CSAs 2, 5, 7, 10, and 20.*

Sewer System Management Plan

The State Water Resources Control Board regulates wastewater discharges to surface water (rivers, ocean, etc.) and to groundwater (via land). The State Water Board requires sanitation districts to follow the Statewide General Waste Discharge Requirements for Sanitary Sewer Systems. These requirements include the following:

- Sanitary Sewer Overflows are prohibited, and
- All Sanitary Sewer Overflow (SSOs), with the exception of Private Sewer Lateral Discharge (PLSDs), irrespective of size, must be reported to the State Water Board electronically using the California Integrated Water Quality System, and the Districts/CSAs must prepare and implement a Sewer System Management Plan (SSMP).

In 2017, the County adopted a Sewer System Management Plan to cover the management, operation and maintenance, design, construction and emergency response of the Davenport Sanitation District, Freedom Sanitation District, Santa Cruz County Sanitation District and County Service Areas sanitary sewer systems.

Opportunities & Challenges

The Davenport County Sanitation District is significantly affected by aging infrastructure, escalating operational costs, and changes to state laws and regulations that may introduce new requirements without additional funding. These issues are common with other sanitation districts in Santa Cruz County. The following section discusses these challenges and identifies possible opportunities to ensure the delivery of wastewater services in an efficient and effective manner.

Revenue Deficiencies

Between 2013 to 2017, Davenport County Sanitation District ended each fiscal year with a deficit. During this time period, the sewer rate increased, on average, by 2% or \$51/year. As shown in the table below, LAFCO staff determined that sewer rates for the District should have been raised by 9% or \$309/year to cover total expenses. Under this scenario, the District would have had enough funds to cover total expenses each year. Additionally, if the County continues to increase sewer rates based on historical expenses rather than the Consumer Price Index going forward, the District should have enough funds to cover future expenses.

Table 75: Review of Annual Sewer Rates (Hypothetical Scenario)

	FY 13-14	FY 14-15	FY 15-16	FY 16-17	Average
Charges for Services	\$429,398	\$503,507	\$466,953	\$414,993	-
Annual Deficit	-\$62,178	-\$18,026	-\$39,088	-\$119,672	-
Required Revenue to Cover Total Expenses	\$491,576	\$521,533	\$506,041	\$534,665	-
Proposed Annual Sewer Rate	\$2,450	\$2,253	\$2,422	\$2,955	-
Annual Sewer Rates (Actual)					
Annual Sewer Rates (Actual)	\$2,140	\$2,176	\$2,235	\$2,293	\$2,211
Annual Sewer Rates (Proposed)	\$2,450	\$2,253	\$2,422	\$2,955	\$2,520
<i>Proposed Increase (\$)</i>	<i>\$310</i>	<i>\$78</i>	<i>\$187</i>	<i>\$661</i>	<i>\$309</i>
<i>Proposed Increase (%)</i>	<i>14%</i>	<i>4%</i>	<i>8%</i>	<i>29%</i>	<i>9%</i>

It is important to reiterate that District fees are considered benefit assessments, and any rate increase (except for preapproved annual Consumer Price Index increases) must comply with Proposition 218 procedures. These procedures require that an increase is approved by at least half of the votes cast by the property owners, with the votes weighted according to the amount of the proposed assessment of each parcel. Furthermore, a public hearing must be held to consider any protests to the proposed increase.

LAFCO Staff Recommendation: *The County should consider increasing future sewer rates based on historical costs and estimated projections, rather than the standard preapproved annual Consumer Price Index. This approach will ensure that the Davenport County Sanitation District has enough funds to cover future expenses and potential increase its net position for imminent capital improvement needs.*

Infrastructure Deficiencies

Older infrastructure is aging, deteriorating, and in need of repair. The County has indicated that one undersized sewer trunk requires upsizing to lift a sanitary sewer moratorium: this project is scheduled for 2020-2021. The District would also like to relocate the existing water line from the intake at San Vicente Creek and through the creek bed to a more secure location in the adjacent roadway. This would take significant funds to study viable options, complete the necessary studies, obtain permits, and construct the new pump station and pipeline. Infrastructure improvements continues to be an ongoing issue for not only the District, but rather, most of the sanitation districts throughout the County.

Regional Collaboration

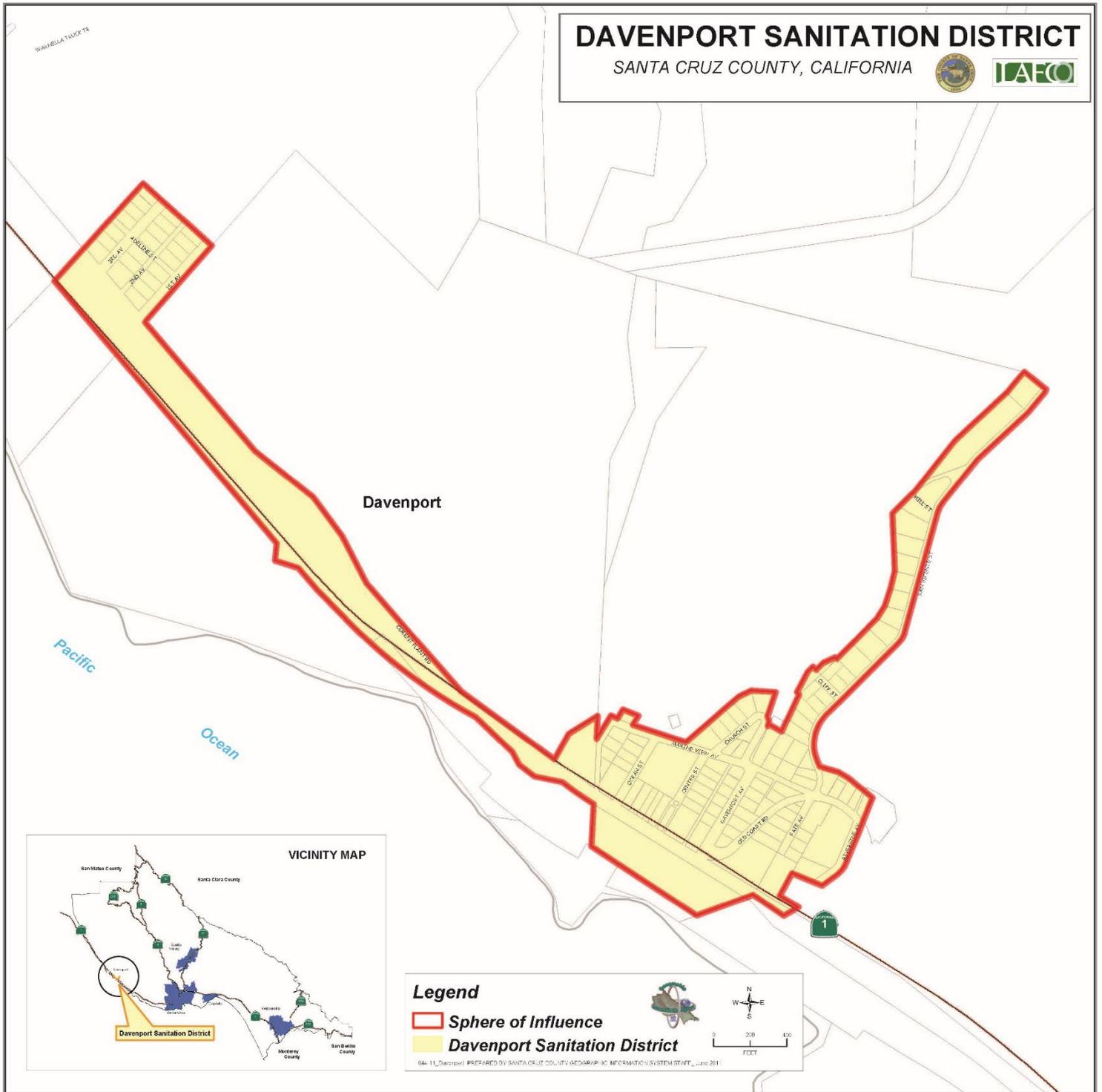
Several sanitation districts, including entities managed and operated by the County, have expressed interest in transferring sewer responsibilities to another agency due to funding issues, limited long-term planning, or lack of economies of scale. Establishment of a countywide memorandum of understanding or a joint powers authority may unify the already-established collaboration set by the sanitation providers in the county. Such agreements may also lay the foundation for future changes of organization, including but not limited to annexations, consolidations, or mergers.

Sphere of Influence

LAFCO originally adopted a coterminous sphere of influence for the District in 1991. A coterminous sphere of influence is identical to the agency's jurisdictional boundary. For the past 28 years, the sphere boundary has remained unchanged. Although the CEMEX site is and has been served by the District, the sphere of influence boundary does not include the CEMEX property.

It is yet to be determined how or when the CEMEX site will be developed. At this time, LAFCO staff, along with representatives of the District, do not recommend any changes to the sphere of influence. **Figure 53** shows the current sphere of influence boundary for the Davenport County Sanitation District.

Figure 53: Davenport County Sanitation District's Current Sphere Map



District Summary

Davenport County Sanitation District	
Formation	County Sanitation District Act (Health and Safety Code Sections 4700-4858)
Board of Directors	5 members, elected at-large to four-year terms
Contact Person	Beatriz Barranco, Senior Engineer, Sanitation Operations
Employees	1 full-time employee (approximately)
Facilities	Collection, Treatment, and Recycled Water Plant; 3 pump stations; 108 connections
District Area	64 acres (0.1 square mile)
Sphere of Influence	Coterminous with District (i.e. no sphere beyond existing jurisdictional boundary)
FY 2019-20 Budget	Total Revenue = \$711,880 Total Expenditure = \$711,880 Projected Net Position (Beginning Balance) = \$9,037,457
Contact Information	Mailing Address: 701 Ocean Street, Santa Cruz CA 95060 Phone Number: (831) 477-3907 Email Address: Beatriz.Barranco@santacruzcounty.us Website: http://dpw.co.santa-cruz.ca.us/Home/SewerWater.aspx
Public Meetings	The Board regularly meets on most Tuesdays in the Board of Supervisors' Chambers, 701 Ocean St, Rm. 525. Meetings generally begin at 9:00 am.
Mission Statement	The District does not have a published mission statement. However, their mission aligns with the published mission statement for the Santa Cruz County Sanitation District.

Service and Sphere Review Determinations

The following service and sphere review determinations fulfill the requirements outlined in the Cortese-Knox-Hertzberg Act. The County was instrumental in addressing the determinations by responding to a survey sent by LAFCO in June 2019. **Appendix G** provides a copy of the District's survey response.

Service Provision Determinations

Government Code Section 56430 requires LAFCO to conduct a municipal service review before, or in conjunction with, an action to establish or update a sphere of influence. Written statements of determination must be prepared with respect to each of the following:

1. Growth and population projections for the affected area.

The Davenport community is generally built-out with residential and commercial use. There are no growth projections available for the District. In general, the Santa Cruz County unincorporated area is projected to have slow growth over the next fifteen years. The County Public Works Department estimates that the population within the total area is currently 215. Based on the growth rate of approximately 1% for the unincorporated areas in the County, LAFCO staff projects that the District's entire population in 2020 will be 217.

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

In 2017, the California statewide median household income was \$67,169, and 80% of that was \$53,735. LAFCO staff utilized the ArcGIS mapping program to locate potential DUCs in the County. Based on the criteria set forth by SB 244, staff's analysis indicates that there are no areas in the Davenport County Sanitation District designated as a disadvantaged unincorporated community.

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

The Davenport County Sanitation District has an aging collection and treatment plant that serves residential units in the Davenport Community. The District also operates a recycled water system. The infrastructure is maintained by the County of Santa Cruz. Based on the County's 2017 Sewer System Management Plan, Davenport County Sanitation District has 108 connections with 3.0 miles of gravity sewer lines, 1.30 miles of force main lines, and 3 pump stations. Revenues to operate the District are collected yearly from residents and businesses that are connected to either the waterworks or the sanitary sewer system.

4. Financial ability of agencies to provide services.

The Davenport County Sanitation District has recently experienced annual deficits. Audited financial statements from Fiscal Years 2013 to 2017 indicate that the annual shortage has ranged from \$18,000 to \$120,000. As of June 30, 2018, the District is operating with a net position of approximately \$6.8 million. However, cash and investments, on average, has represented only 1% of total net position. LAFCO staff

projects that this negative trend will continue unless the CSA increases its overall revenue stream or decreases annual expenses.

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

Several sanitation districts, including entities managed and operated by the County, have expressed interest in transferring sewer responsibilities to another agency due to funding issues, limited long-term planning, or lack of economies of scale. Establishment of a countywide memorandum of understanding or a joint powers authority may unify the already-established collaboration set by the sanitation providers in the county. Such agreements may also lay the foundation for future changes of organization, including but not limited to annexations, consolidations, or mergers.

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

The CEMEX plant closed in 2008. The County has indicated that if the CEMEX plant is sold and developed, it could add a significant population to the Davenport County Sanitation District's service area. Any added commercial or residential use would be beneficial to the District, as the revenue generated from the sewer and water rates could fund necessary infrastructure improvements that are too expensive for the small population of the District to fund. If the CEMEX site were to be developed, the water treatment plant and recycled water plant would need to be expanded to meet the new demands. There would also be a need for new transmission lines and possibly pump stations to serve the new development.

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

No additional local LAFCO policies are specifically relevant to this service and sphere review.

Sphere of Influence Determinations

Government Code Section 56425 requires LAFCO to periodically review and update spheres of influence in concert with conducting municipal service reviews. Spheres are used as regional planning tools to discourage urban sprawl and encourage orderly growth. Written statements of determination must be prepared with respect to each of the following:

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

There are no agricultural or open-space lands within the service area.

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

The Davenport County Sanitation District owns and operates a wastewater treatment facility serving the community of Davenport, which includes a domestic wastewater collection system, influent headworks, aerated lagoon, sand filter, and a chlorine contact tank. More recently, the District now operates a recycled water treatment plant, with a recycled water fill station and a recycled water storage pond. The District currently has 108 connections and serves over 200 residents.

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

The CEMEX plant closed in 2008. The County has indicated that if the CEMEX plant is sold and developed, it could add a significant population to the Davenport County Sanitation District's service area.

LAFCO originally adopted a coterminous sphere of influence for the District in 1991. A coterminous sphere of influence is identical to the agency's jurisdictional boundary. For the past 28 years, the sphere boundary has remained unchanged. Although the CEMEX site is and has been served by the District, the sphere of influence boundary does not include the CEMEX property. It is yet to be determined how or when the CEMEX site will be developed.

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.

LAFCO staff is not aware of any social or economic communities of interest in the area. The District's service area is primarily residential units.

5. For an update of a sphere of influence of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, that occurs pursuant to subdivision (g) on or after July 1, 2012, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.

Neither the County nor LAFCO has identified any sub-area within or contiguous to the District's service or sphere boundaries that meet the definition of a disadvantaged unincorporated community. That said, the District 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.

FREEDOM COUNTY SANITATION DISTRICT

District Overview

The Freedom County Sanitation District provides wastewater collection service for the Buena Vista/Calabasas area of Freedom and the Green Valley Road corridor outside the Watsonville city limits. The District also serves three connections outside its boundaries, including one duplex, one single family dwelling, and the Pinto Lake County Park ranger's residence. **Figure 60**, on page 164, is a vicinity map of the service area.

The Santa Cruz County Board of Supervisors acts as the Board of Directors to the District. The County Public Works Department operates the District's sewage collection system. The District contracts with the City of Watsonville to treat, recycle, and dispose of the District's wastewater at the city treatment plant.

Population & Growth

The Freedom area is substantially built-out. There are no growth projections available for the District. In general, the Santa Cruz County unincorporated area is projected to have slow growth over the next fifteen years. The Public Works Department has indicated that the estimated population within the total area was approximately 4,100. Based on the growth rate of approximately 1% for the unincorporated areas in the County, LAFCO staff projects that the District's entire population in 2020 will be around 4,200. The projected population for the Freedom County Sanitation District are as follows:

Table 76: Projected Population

	2020	2025	2030	2035	Growth Rate
Santa Cruz County (unincorporated)	136,891	137,896	139,105	140,356	1%
Freedom County Sanitation District	4,200	4,242	4,284	4,327	1%

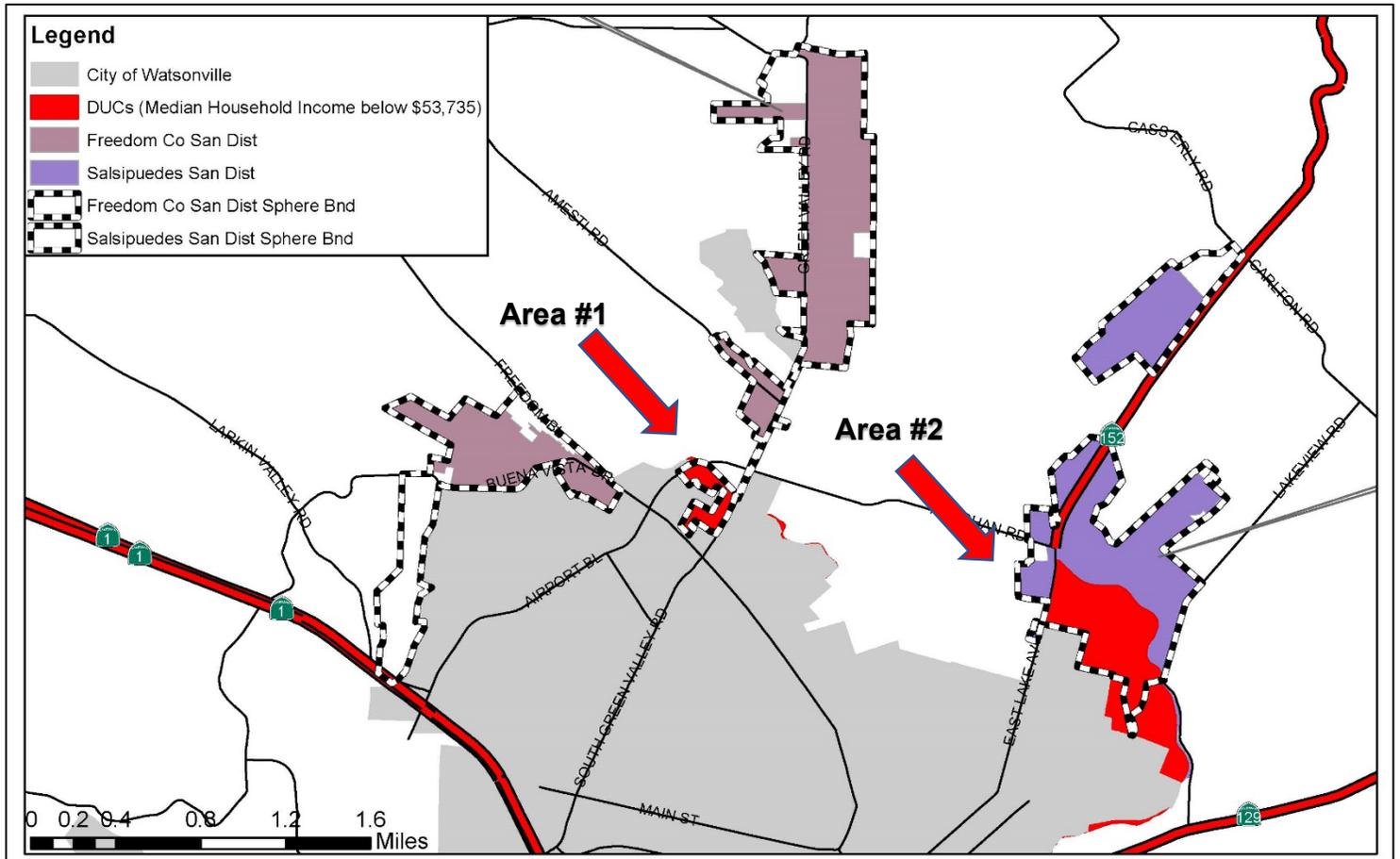
Source: AMBAG 2018 Regional Growth Forecast

Disadvantaged Unincorporated Communities

State law requires LAFCO to identify and describe all "disadvantaged unincorporated communities" (DUC) located within or contiguous to the existing spheres of influence of cities and special districts that provide fire protection, sewer, and/or water services. DUCs are defined as inhabited unincorporated areas with an annual median household income that is 80% or less than the statewide annual median household income.

LAFCO staff utilized the ArcGIS mapping program to locate potential DUCs in the County. Based on the criteria set forth by SB 244, staff's initial analysis located one DUC within the Freedom County Sanitation District's service and sphere boundaries (Area #1). This area is located near Airport Boulevard and is built-out with single-family homes. While Area #1 is located within Freedom County Sanitation District's service and sphere boundaries, it is an unincorporated community immediately outside Watsonville's city limits. LAFCO staff should evaluate Area #1 in more detail if a proposed reorganization or future boundary adjustment is considered within or adjacent to this DUC.

Figure 54: Areas #1 and #2 (near Freedom Co and Salsipuedes Sanitary Districts)



Services & Operations

The Freedom County Sanitation District has two non-contiguous service zones. The western zone serves the neighborhoods of the Watsonville Airport off Freedom Boulevard, Buena Vista Drive, Calabazas Road, and Bowker Road. The northern service zone serves the Green Valley Road corridor, including neighborhoods off Steward Street, Pajaro Lane, Amesti Road, Paulsen Road, Melody Lane, and Mesa Verde. The District collection system is pumped to the wastewater treatment plant on Beach Street, owned and operated by the City of Watsonville. The District is required to comply with the City of Watsonville’s NPDES permit NO. CA0048216.

The volume of wastewater is determined from records of water usage as metered by the Watsonville Water Department. Due to the lead time involved in getting the yearly sewer charges placed on the County property tax statements, the current fiscal year’s charges are based on water use and strength factors from the previous calendar year.

Based on the County’s 2017 Sewer System Management Plan, Freedom County Sanitation District has 1,859 connections with 15.30 miles of gravity sewer lines, 1.20 miles of force main lines, and 9 pump stations. Annual sewer charges are the District’s primary source of revenue.

Since the City of Watsonville operates a municipal sewage system, any annexation to Watsonville is accompanied by a concurrent detachment from the Freedom County
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Sanitation District. In 1984, the District had a contracted treatment capacity in the City plant of 1.350 million gallons per day. As a result of the detachments, the District's treatment capacity has been reduced under the agreement to 0.711 million gallons per day. The District believes that it has adequate capacity to accommodate general plan build-out within its sphere of influence.

Sewer Rates

At present, the District's annual sewer rates derive from five areas: Single-Family Units, Multi-Family Units, Mobile Homes, Commercial, and Schools. Each area has its own sewer rate. **Table 77** shows the gradual increase in annual rates during the last seven years.

Table 77: Annual Sewer Rates

	FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20
Single-Family	\$436.48	\$443.90	\$496.86	\$482.38	\$526.68	\$559.80	\$593.54
Multi-Family	\$342.80	\$348.02	\$367.28	\$376.40	\$409.92	\$418.22	\$471.70
Mobile Homes	\$346.92	\$352.24	\$371.80	\$381.08	\$415.08	\$415.08	\$546.64
Commercial	\$149.18	\$148.12	\$148.08	\$144.62	\$144.64	\$142.74	\$146.26
<i>Additional Charge (HCF)*</i>	\$2.82	\$2.89	\$3.09	\$3.19	\$3.52	\$4.14	\$4.80
School*	\$149.18	\$148.12	\$148.08	\$144.62	\$144.64	\$142.74	\$146.26
<i>Additional Charge (ADA)*</i>	\$7.54	\$7.71	\$8.25	\$8.53	\$9.40	\$11.05	\$12.83

Note: Additional Charge is for "Commercial" is based on Hundred Cubic Feet of Water (HCF); Additional Charge is for "School" is based on Average Daily Attendance (ADA)

Revenues to operate the Freedom County Sanitation District are collected annually from residents, businesses and schools that are connected to the sanitary sewer system through property taxes and manual bills. Sewer service rates are established through hearings held with the Santa Cruz County Board of Supervisors.

Using information supplied by District staff, the rates are reviewed each year by an independent engineering firm which specializes in revenue studies for utility districts and are subject to final approval by the Board. Before the rates are set, a notice of public hearing is mailed to all owners of property within the Sanitation District boundaries, another notice is published in the Santa Cruz Sentinel, and the public hearing is held. The public hearing is normally scheduled in April or May of each year, with the rates becoming effective on the first of July. The following tables (**Tables 78 to 82**) show the gradual increase in annual rates for each area.

Table 78: Single-Family Unit's Annual Sewer Rates Review

	FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	Average Change
Single Family	\$436.48	\$443.90	\$496.86	\$482.38	\$526.68	\$559.80	\$593.54	
Change (\$)		\$7.42	\$52.96	-\$14.48	\$44.30	\$33.12	\$33.74	\$26.18
Change (%)		2%	12%	-3%	9%	6%	6%	5.37%

Table 79: Multi-Family Unit's Annual Sewer Rates Review

	FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	Average Change
Multi-Family	\$342.80	\$348.02	\$367.28	\$376.40	\$409.92	\$418.22	\$471.70	
Change (\$)		\$5.22	\$19.26	\$9.12	\$33.52	\$8.30	\$53.48	\$21.48
Change (%)		2%	6%	2%	9%	2%	13%	5.37%

Table 80: Mobile Home Unit's Annual Sewer Rates Review

	FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	Average Change
Mobile Homes	\$346.92	\$352.24	\$371.80	\$381.08	\$415.08	\$415.08	\$546.64	
Change (\$)		\$5.32	\$19.56	\$9.28	\$34.00	\$0.00	\$131.56	\$33.29
Change (%)		2%	6%	2%	9%	0%	32%	8.37%

Table 81: Commercial's Annual Sewer Rates Review

	FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	Average Change
Commercial	\$149.18	\$148.12	\$148.08	\$144.62	\$144.64	\$142.74	\$146.26	
Change (\$)		-\$1.06	-\$0.04	-\$3.46	\$0.02	-\$1.90	\$3.52	-\$0.49
Change (%)		-1%	0%	-2%	0%	-1%	2%	-0.32%

Table 82: School's Annual Sewer Rates Review

	FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	Average Change
School	\$149.18	\$148.12	\$148.08	\$144.62	\$144.64	\$142.74	\$146.26	
Change (\$)		-\$1.06	-\$0.04	-\$3.46	\$0.02	-\$1.90	\$3.52	-\$0.49
Change (%)		-1%	0%	-2%	0%	-1%	2%	-0.32%

When comparing the sewer rates with the other sanitation districts analyzed in this report, Freedom County Sanitation District is ranked the second lowest in charges towards single family units (\$49.46/month), ranked lowest in charges towards multi-family units

(\$39.31/month), ranked lowest in charges towards mobile home units (\$45.55/month), ranked lowest in charges to commercial units (\$12.19/month), and ranked lowest in charges towards school sites (\$12.19/month). Sewer rate comparisons are shown in the following figures (**Figures 55 to 59**).

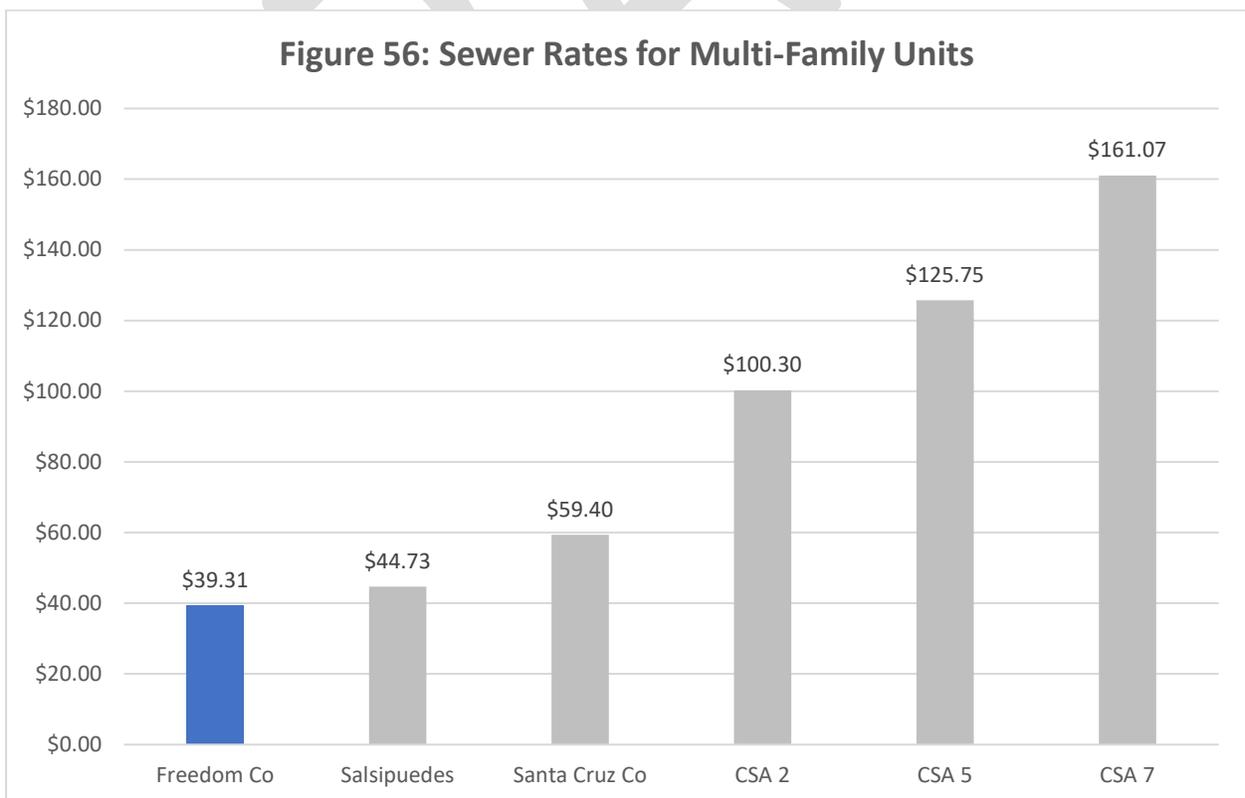
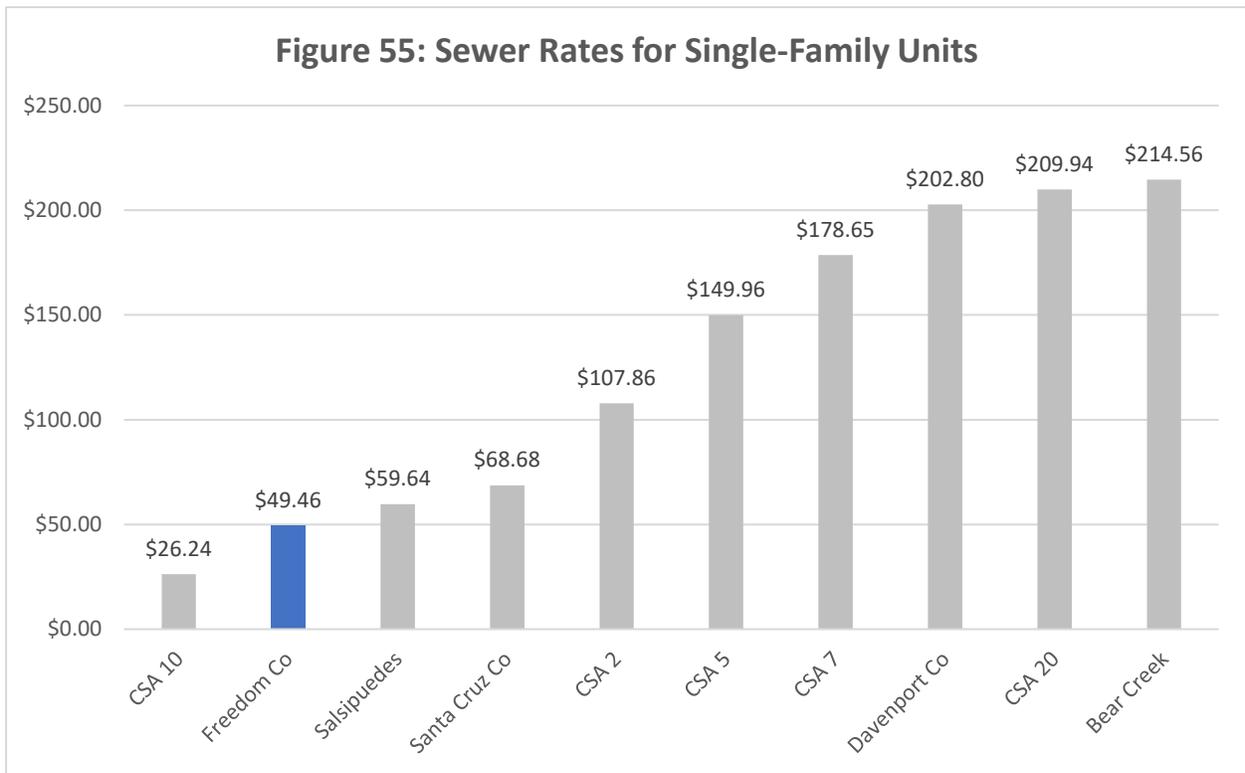


Figure 57: Sewer Rates for Mobile Home Units

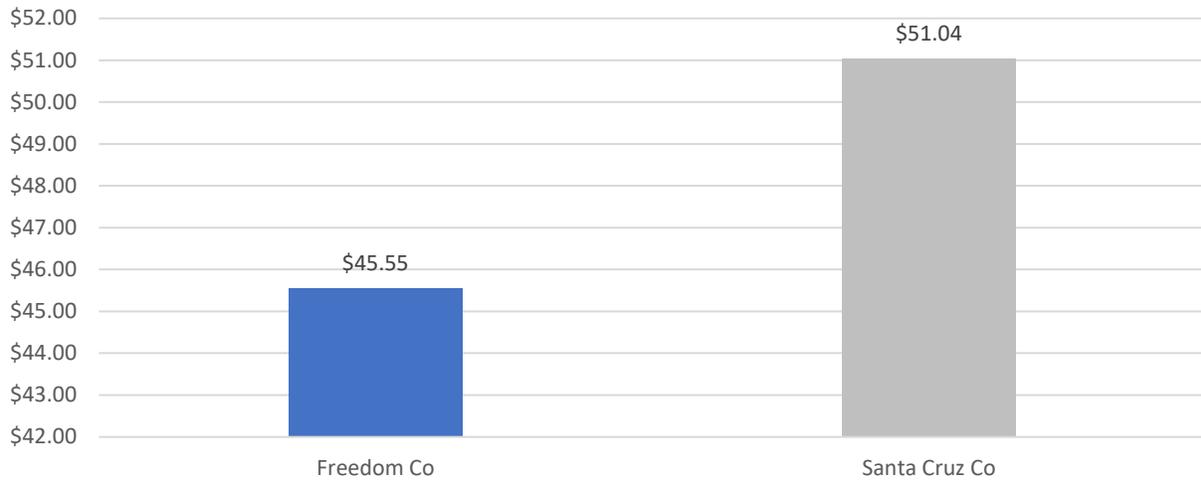


Figure 58: Sewer Rates for Commercial Sites

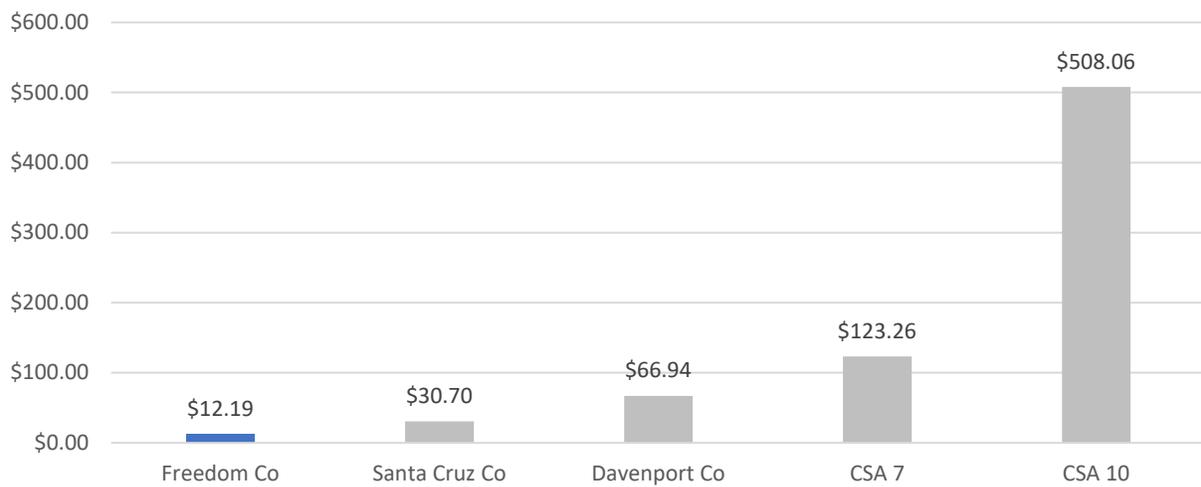
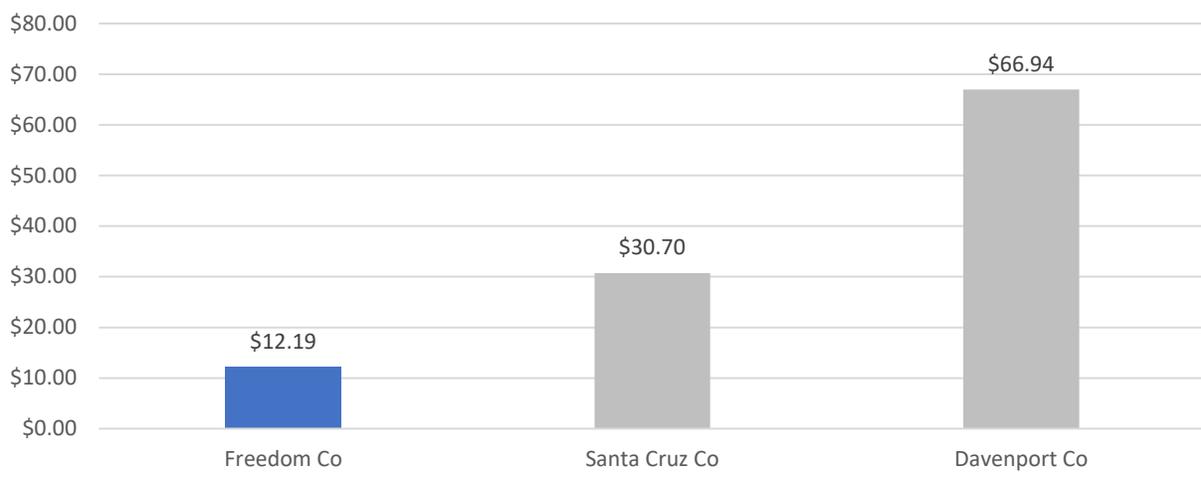


Figure 59: Sewer Rates for School Sites



Infrastructure Summary

Freedom County Sanitation District provides wastewater collection the unincorporated community of Freedom. It currently has over 1,800 connections and approximately 25 miles of sewer line. **Table 83** provides an overview of the type of service and current infrastructure:

Table 83: Infrastructure Summary

	Type of System	Treatment Level	No. of Connections	No. of Lift Stations	Miles of Sewer Line
Freedom County Sanitation District	Collection	N/A	1,859	9	15.30

The Public Works Department has indicated that older infrastructure is aging, deteriorating, and in need of repair. The District also must share in any improvements required at the City's sewer treatment plant which treats the District's wastewater. The District is also partially responsible for the transmission facility improvements related to the City's trunk lines that carry the City's wastewater flows combined with the District's lines.

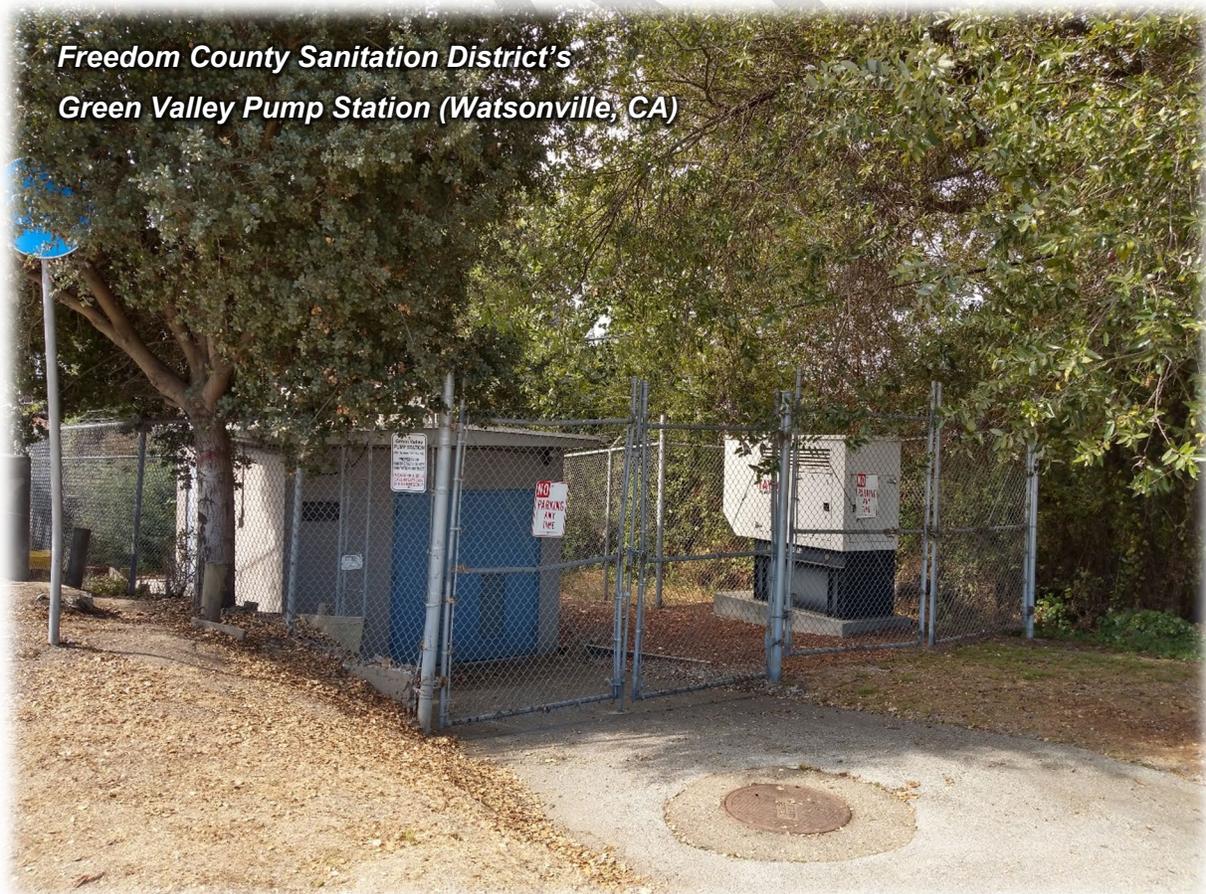
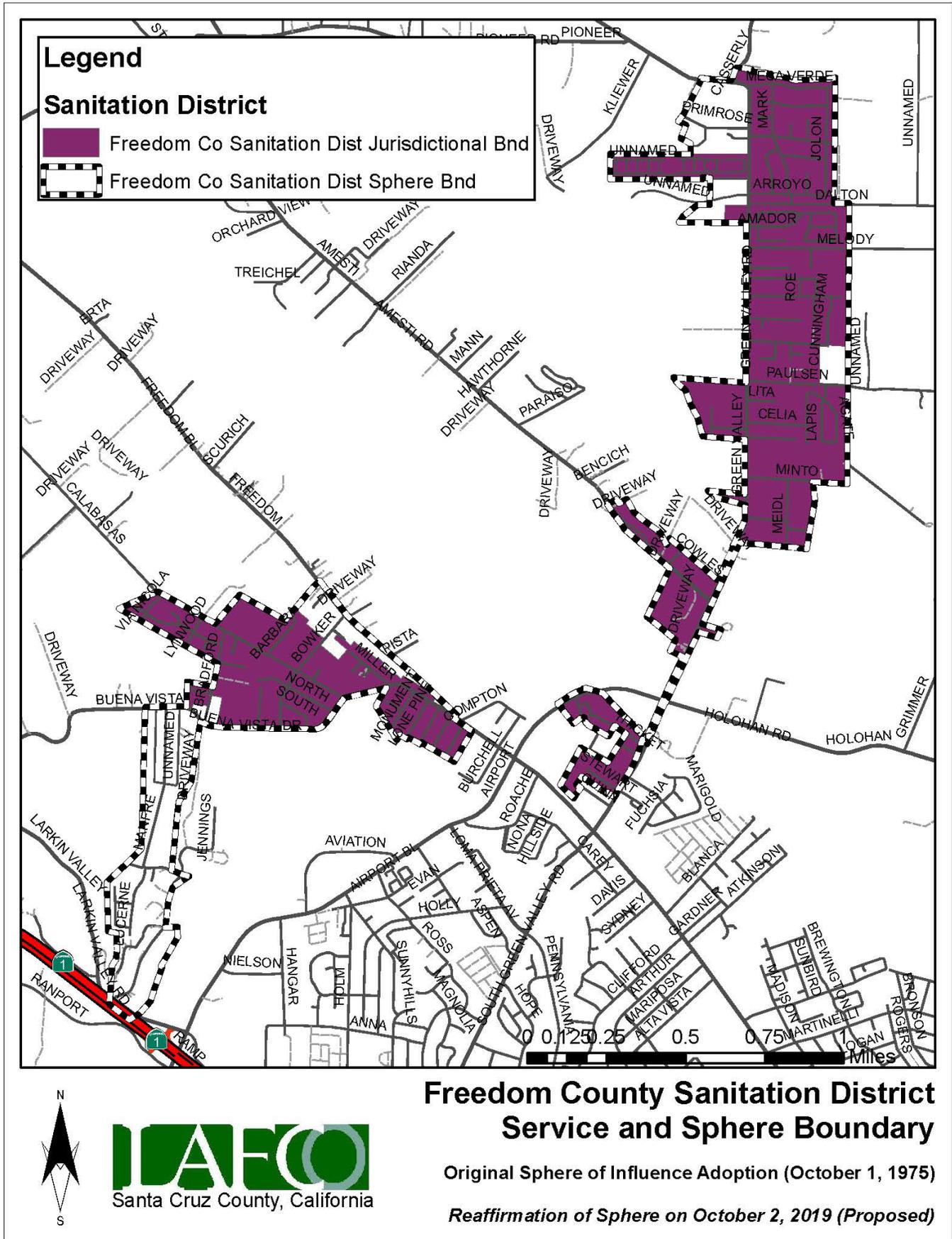


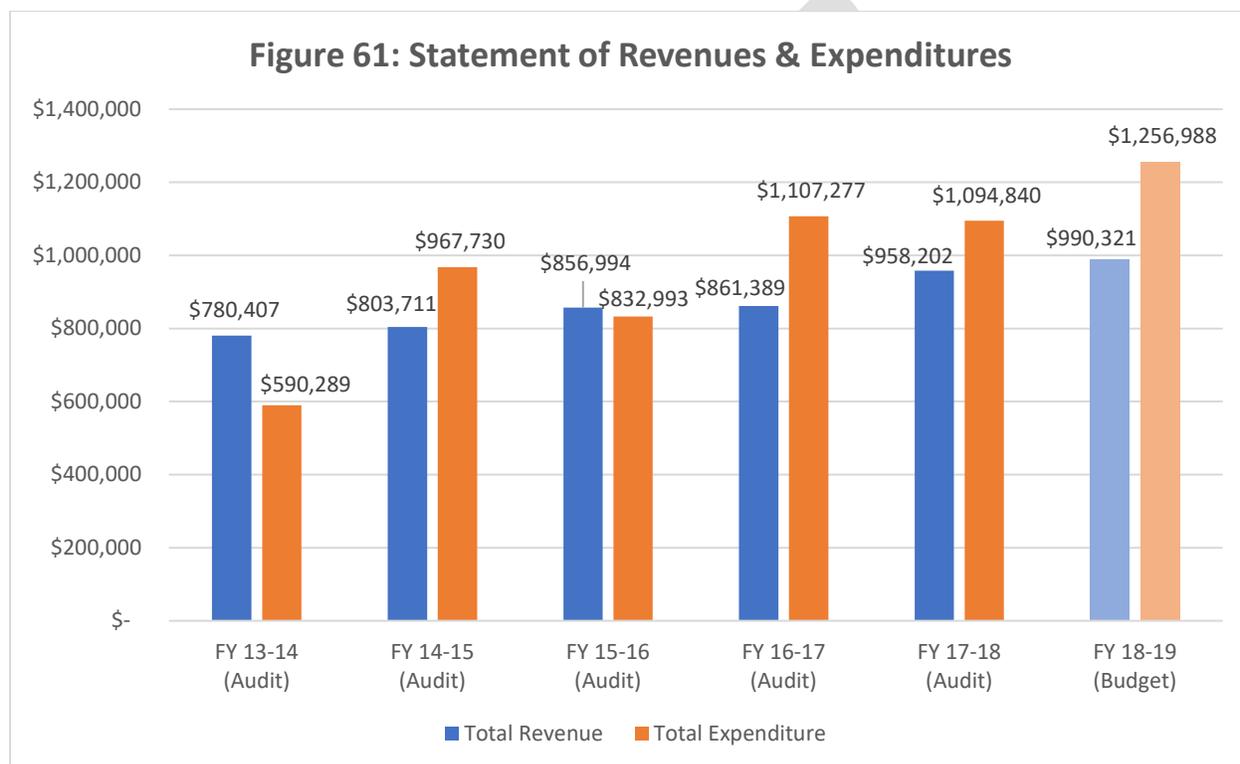
Figure 60: Freedom County Sanitation District's Vicinity Map



Finances

This section will highlight the District's audited financial performance during the most recent fiscal years. Fiscal Year 2017-18 is the latest audited financial statement available. A comprehensive analysis of the District's financial performance during the past 5 years is shown in **Tables 86** and **87**, on pages 168 and 169.

At the end of Fiscal Year 2017-18, total revenue collected was \$958,202, representing a 11% increase from the previous year (\$861,389 in FY 16-17). Total expenses for FY 17-18 were \$1,094,840, which decreased from the previous year by approximately \$12,000 (\$1,107,277 in FY 16-17). As shown in the figure below, the District's total revenues exceeded total expenditures only twice during the last five years (refer to **Figure 61**).



District Revenues

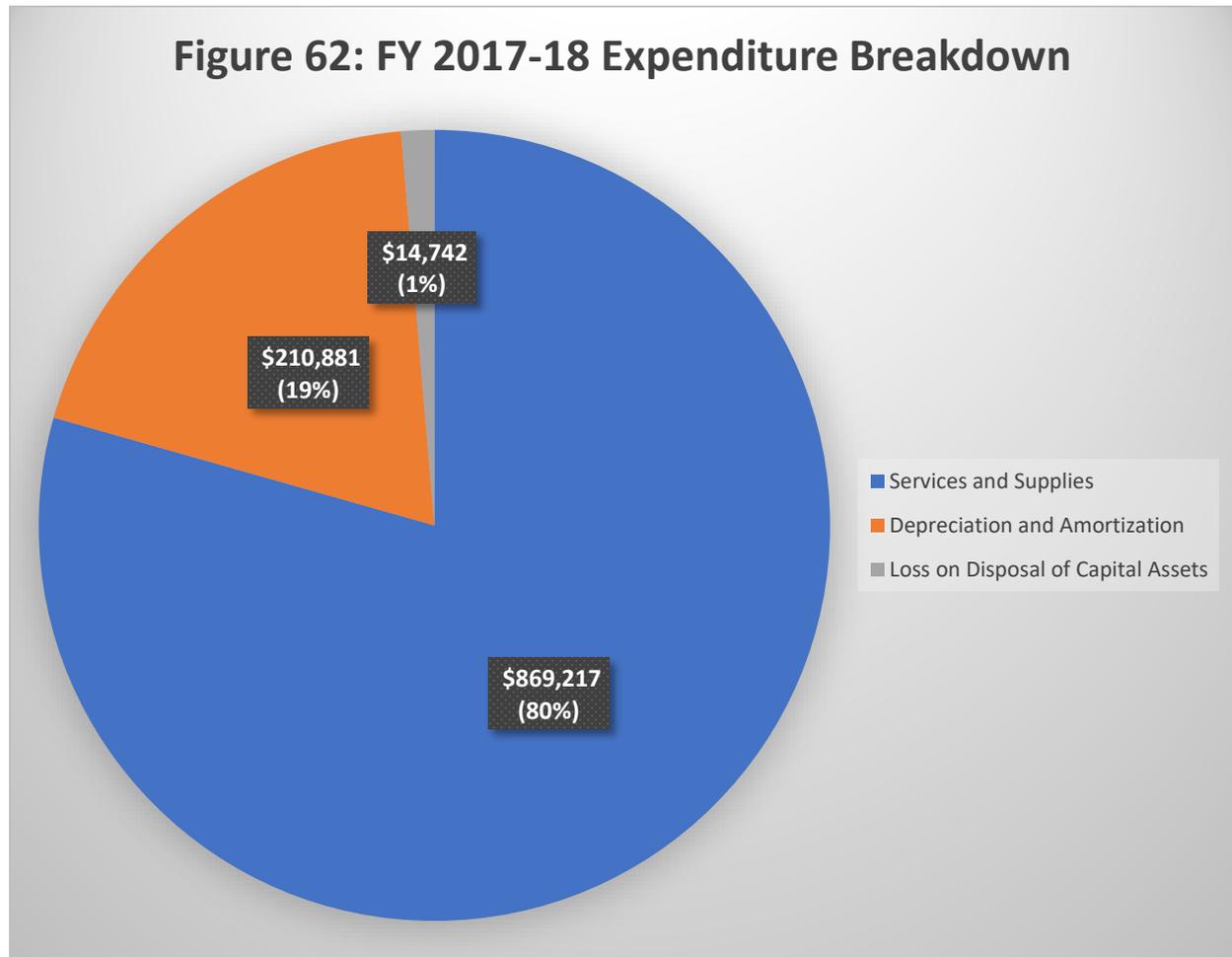
Freedom County Sanitation District's primary source of revenue is from Charges for Services. In FY 17-18, the District received revenue from two different sources: Charges for Services (\$935,805) and Interest and Investment Income (\$22,397). On average, the District receives approximately \$837,000 each year in service fees. **Table 84** highlights the total revenue received since 2013.

Table 84: Total Revenue (FY 13-14 to FY 17-18)

	FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18	Average
Charges for Services	\$765,831	\$795,227	\$845,074	\$844,752	\$935,805	\$837,338
Interest Investment Income	<u>\$14,576</u>	<u>\$8,484</u>	<u>\$11,920</u>	<u>\$16,637</u>	<u>\$22,397</u>	<u>\$14,803</u>
Total Revenue	\$780,407	\$803,711	\$856,994	\$861,389	\$958,202	\$852,141

District Expenditures

The District's total expenditures can be categorized into 3 budgetary groups: Services & Supplies, Depreciation & Amortization, and Loss on Disposal of Capital Assets. The figure below depicts the how funding is distributed by category. The District's primary expenditure is associated with operational and management costs, under Services and Supplies.



Assets & Liabilities

The following is an overview of the District's assets and liabilities:

- District Assets: As of June 30, 2018, the District has \$6,281,313 in total assets. Cash and Investments represent 30% of total assets.
- District Liabilities: As of June 30, 2018, the District has \$14,834 in total liabilities. Accounts Payable is currently the only liability associated with the District.

Fund Balance/Net Position

As of June 30, 2018, the total fund balance is approximately \$6,266,479. The fund balance has only increased once in the past 5 years, as shown in the following table. A full review of the District's assets, liabilities, and net position is shown in page 169 (refer to **Table 87**).

Table 85: Fund Balance/Net Position

	FY 13-14 (Audited)	FY 14-15 (Audited)	FY 15-16 (Audited)	FY 16-17 (Audited)	FY 17-18 (Audited)
Net Position	\$6,789,023	\$6,625,004	\$6,649,005	\$6,403,117	\$6,266,479
Change in (\$) from previous year		-\$164,019	\$24,001	-\$245,888	-\$136,638
Change in (%) from previous year		-2.42%	0.36%	-3.70%	-2.13%

Table 86: Total Revenues & Expenditures

	FY 13-14 (Audit)	FY 14-15 (Audit)	FY 15-16 (Audit)	FY 16-17 (Audit)	FY 17-18 (Audit)	FY 18-19 (Budget)	FY 19-20 (Budget)
REVENUE							
Charges for Services	\$ 765,831	\$ 795,227	\$ 845,074	\$ 844,752	\$ 935,805	\$ 988,221	\$ -
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest and Investment Income	\$ 14,576	\$ 8,484	\$ 11,920	\$ 16,637	\$ 22,397	\$ 2,100	\$ -
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Gain on Disposal of Capital Assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Revenue	\$ 780,407	\$ 803,711	\$ 856,994	\$ 861,389	\$ 958,202	\$ 990,321	\$ 10,943,461
EXPENDITURE							
Services and Supplies	\$ 402,847	\$ 759,792	\$ 627,096	\$ 899,002	\$ 869,217	\$ 884,100	\$ -
Depreciation and Amortization	\$ 187,442	\$ 207,938	\$ 205,897	\$ 208,275	\$ 210,881	\$ 231,010	\$ -
Operating Transfers Out	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 141,878	\$ -
Loss on Disposal of Capital Assets	\$ -	\$ -	\$ -	\$ -	\$ 14,742	\$ -	\$ -
Total Expenditure	\$ 590,289	\$ 967,730	\$ 832,993	\$ 1,107,277	\$ 1,094,840	\$ 1,256,988	\$ 10,943,461
Surplus/(Deficit)	\$ 190,118	\$ (164,019)	\$ 24,001	\$ (245,888)	\$ (136,638)	\$ (266,667)	\$ -
Net Position - Beginning	\$ 6,598,905	\$ 6,789,023	\$ 6,625,004	\$ 6,649,005	\$ 6,403,117	\$ 6,316,036	\$ 6,049,369
Net Position - Ending	\$ 6,789,023	\$ 6,625,004	\$ 6,649,005	\$ 6,403,117	\$ 6,266,479	\$ 6,049,369	\$ 6,049,369

Table 87: Total Assets & Liabilities

	FY 13-14 (Audit)	FY 14-15 (Audit)	FY 15-16 (Audit)	FY 16-17 (Audit)	FY 17-18 (Audit)
ASSETS					
<u>Current Assets</u>					
Cash and Investments	\$ 1,986,632	\$ 1,833,738	\$ 1,866,706	\$ 1,868,205	\$ 1,908,260
Restricted Cash	\$ -	\$ -	\$ -	\$ -	\$ -
Receivables	\$ -	\$ -	\$ 156,611	\$ -	\$ -
<u>Non-Current Assets</u>					
Loans Receivable	\$ -	\$ -	\$ -	\$ -	\$ -
<u>Capital Assets:</u>					
Construction in Progress	\$ 160,326	\$ 218,363	\$ 129,572	\$ -	\$ 60,667
Buildings and Structures	\$ 8,698,378	\$ 8,750,998	\$ 8,873,465	\$ 9,089,310	\$ 9,033,563
Equipment	\$ -	\$ -	\$ -	\$ -	\$ -
Accumulated Depreciation	\$ (3,929,191)	\$ (4,137,129)	\$ (4,343,026)	\$ (4,551,301)	\$ (4,721,177)
Total Assets	\$ 6,916,145	\$ 6,665,970	\$ 6,683,328	\$ 6,406,214	\$ 6,281,313
LIABILITIES					
<u>Current Liabilities</u>					
Payables	\$ 127,122	\$ 40,966	\$ 34,323	\$ 3,097	\$ 14,834
Current Portion of Long-term Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
<u>Non-Current Liabilities</u>					
Long-term Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
Total Liabilities	\$ 127,122	\$ 40,966	\$ 34,323	\$ 3,097	\$ 14,834
NET POSITION					
Net Investment in Capital Assets	\$ 4,929,513	\$ 4,832,231	\$ 4,660,011	\$ 4,538,009	\$ 4,373,053
Restricted for Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	\$ 1,859,510	\$ 1,792,773	\$ 1,988,994	\$ 1,865,108	\$ 1,893,426
Total Net Position	\$ 6,789,023	\$ 6,625,004	\$ 6,649,005	\$ 6,403,117	\$ 6,266,479

Governance

The Freedom County Sanitation District is governed by a District Board comprised of members of the Santa Cruz County Board of Supervisors. The current Board is as follows:

Table 88: Board of Directors

Board Member	Title	Years of Service	Term of Office Expiration
Zach Friend	Director	7 years	1/2/2020
John Leopold	Director	11 years	1/2/2020
Ryan Coonerty	Director	5 years	1/2/2021
Greg Caput	Director	8 years	1/2/2021
Bruce McPherson	Director	3 years	1/2/2020

The Board of Directors meets on most Tuesdays in the Board of Supervisors' Chambers, 701 Ocean Street, Room 525. Meetings generally begin at 9:00am. Public notice is provided through posting. The District contracts for independent audits.

The County of Santa Cruz Public Works Department is responsible for the administration, engineering, maintenance, emergency response and construction of all County sanitation services. The department also manages various Board-governed special districts and CSAs. The Sanitation Operations unit is one of six organizational units within the Special Services Division of Public Works and provides operation and maintenance services to County sanitation districts and CSAs. Sanitation operations employees work in all Districts and CSAs. Each sanitation district is governed according to its specific code of regulations. The Districts' codes are very similar, and some sections are adopted by reference from the Santa Cruz County Sanitation District Code. CSAs are governed according to the Santa Cruz County Code of Regulations. Most of the County Code pertaining to sanitary sewer collection systems is adopted by reference from the SCCSD Code.

Website Requirements

Senate Bill 929 was signed into law in September 2018 and requires all independent special districts to have and maintain a website by January 1, 2020. It outlines minimum website data requirements, including contact information, financial reports, and meeting agendas/minutes. While this new law does not apply to county service areas, the County should consider following the requirements outlined in the new law. The County's water and sewer webpage offers a number of useful resources including formation resolutions, service maps, and current sewer charges for each County-operated sewer agency: <http://dpw.co.santa-cruz.ca.us/Home/SewerWater.aspx>. However, it is difficult to locate certain information and material.

LAFCO Staff Recommendation: *It may be beneficial for the County to include links to staff reports or other supporting documents related to the annual sewer rates. Additionally, the webpage should include all past and future LAFCO service reviews involving the District as additional resource material.*

Capital Improvement Plan

The Freedom County Sanitation District is part of the County's 2019/20 Capital Improvement Program. The 2019/20 Capital Improvement Program (CIP) presents a five-year financing implementation plan for capital improvements within the unincorporated County; Parks, Open Space and Cultural Services; and County Facility projects located Countywide. The CIP is an outgrowth of cooperative planning, programming and financing efforts through the County Administrative Office and by the County's land use departments including Planning, Public Works, and Parks, Open Space and Cultural Services, as well as non-land use departments including the Health Services Agency, General Services Department, Probation, and the Sheriff's Department. Unprogrammed road, roadside, sanitation, flood control, parks, and recycling and solid waste projects (which funding is not anticipated for in the coming five years, or longer, and meets requirements of unincorporated County service level needs at build-out under the 1994 General Plan) are also identified in the CIP.

The 2019/20 CIP currently identifies one project within the Freedom County Sanitation District, the ***Freedom Sewer Rehabilitation Project***. The project rehabilitates gravity sewer collection pipes that are beyond their useful life and rehabilitates sewer manholes within the project area. The project has two distinct areas: one is the neighborhood located north of the Watsonville Municipal Airport (near Buena Vista Drive and Freedom Boulevard), and the second is a within a portion of Green Valley Road (GVR). Rehabilitating the sewer mains and manholes will serve to reduce infiltration and inflow, thus reducing flows and debris that could lead to sanitary sewer overflows. The amount of flow and debris discharged to the Watsonville treatment plant will likely be reduced, providing the District with lower treatment costs. All 6" mains will be increased to 8" mains, which are easier to inspect and maintain. The main in GVR will be upsized to channel current flows. The total project cost is estimated to be approximately \$8.9 million and is funded by state and federal grants and loans. The project is scheduled to be completed by December 2021.

LAFCO Staff Recommendation: *The County should consider developing a specific capital improvement plan that covers the sanitation districts managed and operated by the Public Works Department – Davenport, Freedom, Santa Cruz County Sanitation Districts, and CSAs 2, 5, 7, 10, and 20.*

Sewer System Management Plan

The State Water Resources Control Board regulates wastewater discharges to surface water (rivers, ocean, etc.) and to groundwater (via land). The State Water Board requires sanitation districts to follow the Statewide General Waste Discharge Requirements for Sanitary Sewer Systems. These requirements include the following:

- Sanitary Sewer Overflows are prohibited, and
- All Sanitary Sewer Overflow (SSOs), with the exception of Private Sewer Lateral Discharge (PLSDs), irrespective of size, must be reported to the State Water Board electronically using the California Integrated Water Quality System, and the Districts/CSAs must prepare and implement a Sewer System Management Plan.

In 2017, the County adopted a Sewer System Management Plan to cover the management, operation and maintenance, design, construction and emergency response of the Davenport Sanitation District, Freedom Sanitation District, Santa Cruz County Sanitation District and County Service Areas sanitary sewer systems.

Opportunities & Challenges

The Freedom County Sanitation District is significantly affected by aging infrastructure, escalating operational costs, and changes to state laws and regulations that may introduce new requirements without additional funding. These issues are common with other sanitation districts in Santa Cruz County. The following section discusses these challenges and identifies possible opportunities to ensure the delivery of wastewater services in an efficient and effective manner.

Revenue Deficiencies

Between 2013 to 2018, Freedom County Sanitation District ended three of its last five fiscal years with a deficit. During this time period, the sewer rate increased, on average, by 4% or \$16/year. As shown in the table below, LAFCO staff determined that sewer rates for the District should have been raised by 21% or \$103/year to cover total expenses. Under this scenario, the District would have had enough funds to cover total expenses each year. Additionally, if the County continues to increase sewer rates based on historical expenses rather than the Consumer Price Index going forward, the District should have enough funds to cover future expenses.

Table 89: Review of Annual Sewer Rates (Hypothetical Scenario)

	FY 14-15	FY 16-17	FY 17-18	Average
Charges for Services	\$795,227	\$844,752	\$935,805	-
Annual Deficit	-\$164,019	-\$245,888	-\$136,638	-
Required Revenue to Cover Total Expenses	\$959,246	\$1,090,640	\$1,072,443	-
Proposed Annual Sewer Rate	\$535	\$623	\$604	-
Annual Sewer Rates (Actual)				
Annual Sewer Rates (Actual)	\$444	\$482	\$527	\$477
Annual Sewer Rates (Proposed)	\$535	\$623	\$604	\$587
<i>Proposed Increase (\$)</i>	\$92	\$140	\$77	\$103
<i>Proposed Increase (%)</i>	21%	29%	15%	21%

It is important to reiterate that District fees are considered benefit assessments, and any rate increase (except for preapproved annual Consumer Price Index increases) must comply with Proposition 218 procedures. These procedures require that an increase is approved by at least half of the votes cast by the property owners, with the votes weighted according to the amount of the proposed assessment of each parcel. Furthermore, a public hearing must be held to consider any protests to the proposed increase.

LAFCO Staff Recommendation: *The County should consider increasing future sewer rates based on historical costs and estimated projections, rather than the standard preapproved annual Consumer Price Index. This approach will ensure that Freedom County Sanitation District has enough funds to cover future expenses and potential increase its net position for imminent capital improvement needs.*

Regional Collaboration

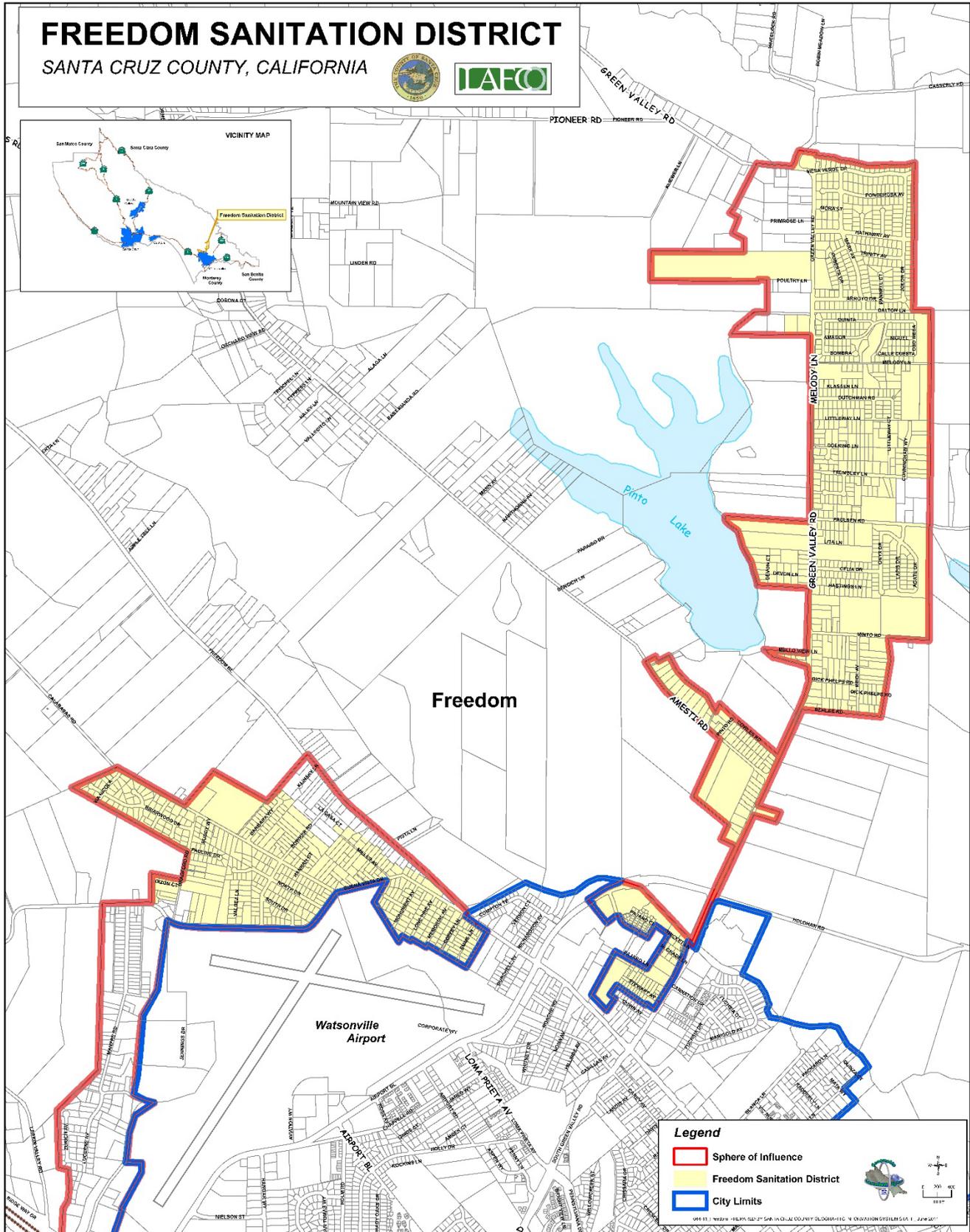
Several sanitation districts, including entities managed and operated by the County, have expressed interest in transferring sewer responsibilities to another agency due to funding issues, limited long-term planning, or lack of economies of scale. Establishment of a countywide memorandum of understanding or a joint powers authority may unify the already-established collaboration set by the sanitation providers in the county. Such agreements may also lay the foundation for future changes of organization, including but not limited to annexations, consolidations, or mergers.

Sphere of Influence

The Freedom County Sanitation District was formed in 1958, before the establishment of LAFCOs. Santa Cruz LAFCO adopted the first sphere of influence for the District in 1975, and performed a major review of the District's sphere boundary in 1990. Since then, the City of Watsonville has annexed over 300 acres of the District involving thousands of residents at the time of annexation. The last sphere update for the Freedom County Sanitation District was in March 2011.

LAFCO staff, along with District representatives, do not recommend any changes to the sphere of influence at this time. **Figure 63** shows the current sphere of influence boundary for the Freedom County Sanitation District.

Figure 63: Freedom County Sanitation District's Current Sphere Map



District Summary

Freedom County Sanitation District	
Formation	County Sanitation District Act (Health and Safety Code Sections 4700-4858)
Board of Directors	5 members, elected at-large to four-year terms
Contact Person	Beatriz Barranco, Senior Engineer, Sanitation Operations
Employees	8 full-time employees (approximately)
Facilities	Collection Plant; 9 pump stations; 1,859 connections
District Area	704 acres (1.1 square mile)
Sphere of Influence	Larger than District (i.e. sphere goes beyond existing jurisdictional boundary)
FY 2019-20 Budget	<p>Total Revenue = \$10,943</p> <p>Total Expenditure = \$10,943,461</p> <p>Projected Net Position (Beginning Balance) = \$6,049,369</p>
Contact Information	<p>Mailing Address: 701 Ocean Street, Santa Cruz CA 95060</p> <p>Phone Number: (831) 477-3907</p> <p>Email Address: Beatriz.Barranco@santacruzcounty.us</p> <p>Website: http://dpw.co.santa-cruz.ca.us/Home/SewerWater.aspx</p>
Public Meetings	The Board regularly meets on most Tuesdays in the Board of Supervisors' Chambers, 701 Ocean St, Rm. 525. Meetings generally begin at 9:00 am.
Mission Statement	The District does not have a published mission statement. However, their mission aligns with the published mission statement for the Santa Cruz County Sanitation District.

Service and Sphere Review Determinations

The following service and sphere review determinations fulfill the requirements outlined in the Cortese-Knox-Hertzberg Act. The County was instrumental in addressing the determinations by responding to a survey sent by LAFCO in June 2019. **Appendix H** provides a copy of the District's survey response.

Service Provision Determinations

Government Code Section 56430 requires LAFCO to conduct a municipal service review before, or in conjunction with, an action to establish or update a sphere of influence. Written statements of determination must be prepared with respect to each of the following:

1. Growth and population projections for the affected area.

The Freedom area is substantially built-out. There are no growth projections available for the District. In general, the Santa Cruz County unincorporated area is projected to have slow growth over the next fifteen years. The Public Works Department has indicated that the estimated population within the total area was approximately 4,100. Based on the growth rate of approximately 1% for the unincorporated areas in the County, LAFCO staff projects that the District's entire population in 2020 will be around 4,200.

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

Based on the criteria set forth by SB 244, staff's initial analysis located one DUC within the Freedom County Sanitation District's service and sphere boundaries (Area #1). This area is located near Airport Boulevard and is built-out with single-family homes. While Area #1 is located within Freedom County Sanitation District's service and sphere boundaries, it is an unincorporated community immediately outside Watsonville's city limits. LAFCO staff should evaluate Area #1 in more detail if a proposed reorganization or future boundary adjustment is considered within or adjacent to this DUC.

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

Based on the criteria set forth by SB 244, staff's analysis located one DUC within the Freedom County Sanitation District's service and sphere boundaries. The DUC, located near Airport Boulevard, is built-out with single-family homes. LAFCO staff should evaluate this DUC in more detail if a proposed reorganization or future boundary adjustment is considered within or adjacent to this disadvantaged community.

4. Financial ability of agencies to provide services.

The Freedom County Sanitation District has recently experienced annual deficits. Audited financial statements from Fiscal Years 2013 to 2018 indicate that the District has experienced a fiscal shortage in three separate years (FYs 14-15, 16-17, and 17-18). As of June 30, 2018, the District is operating with a net position of approximately \$6.2 million, of which \$2 million is in cash and investments.

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

Several sanitation districts, including entities managed and operated by the County, have expressed interest in transferring sewer responsibilities to another agency due to funding issues, limited long-term planning, or lack of economies of scale. Establishment of a countywide memorandum of understanding or a joint powers authority may unify the already-established collaboration set by the sanitation providers in the county. Such agreements may also lay the foundation for future changes of organization, including but not limited to annexations, consolidations, or mergers.

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

The Freedom County Sanitation District provides wastewater collection service for the Buena Vista/Calabasas area of Freedom and the Green Valley Road corridor outside the Watsonville city limits. The District also serves three connections outside its boundaries, including one duplex, one single family dwelling, and the Pinto Lake County Park ranger's residence. The District currently has over 1,800 connections and serves approximately 4,000 residents.

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

No additional local LAFCO policies are specifically relevant to this service and sphere review.

Sphere of Influence Determinations

Government Code Section 56425 requires LAFCO to periodically review and update spheres of influence in concert with conducting municipal service reviews. Spheres are used as regional planning tools to discourage urban sprawl and encourage orderly growth. Written statements of determination must be prepared with respect to each of the following:

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

There are no agricultural or open-space lands within the service area.

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

The Freedom County Sanitation District provides wastewater collection service for the Buena Vista/Calabasas area of Freedom and the Green Valley Road corridor outside the Watsonville city limits. The District also serves three connections outside its boundaries, including one duplex, one single family dwelling, and the Pinto Lake County Park ranger's residence. The District currently has over 1,800 connections and serves approximately 4,000 residents.

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

The Freedom County Sanitation District was formed in 1958, before the establishment of LAFCOs. Santa Cruz LAFCO adopted the first sphere of influence for the District in 1975, and performed a major review of the District's sphere boundary in 1990. Since then, the City of Watsonville has annexed over 300 acres of the District involving thousands of residents at the time of annexation. The last sphere update for the Freedom County Sanitation District was in March 2011. LAFCO staff, along with District representatives, do not recommend any changes to the sphere of influence at this time.

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.

LAFCO staff is not aware of any social or economic communities of interest in the area. The District's service area is primarily residential units.

5. For an update of a sphere of influence of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, that occurs pursuant to subdivision (g) on or after July 1, 2012, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.

Based on the criteria set forth by SB 244, staff's analysis located one DUC within the Freedom County Sanitation District's service and sphere boundaries. The DUC, located near Airport Boulevard, is built-out with single-family homes. LAFCO staff should evaluate this DUC in more detail if a proposed reorganization or future boundary adjustment is considered within or adjacent to this disadvantaged community.

SALSIPUEDES SANITARY DISTRICT

District Overview

The Salsipuedes Sanitary District provides wastewater collection services to the unincorporated area northeast of Watsonville since 1965. The service area of the District encompasses about 800 acres. Today, the District provides services to residential properties, as well as Lakeview Middle School, St. Francis High School, Our Lady Help of Christians Catholic Church, the Santa Cruz County Fairgrounds, and several commercial businesses.

The main streets in Salsipuedes Sanitary District's jurisdictional boundary include East Lake Avenue (Highway 152) and College Road. The District has 512 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, recycle, and/or dispose sewage at the City's plant on Beach Road. **Figure 68**, on page 186, is a vicinity map of the service area.

District History

Salsipuedes Sanitary District was formed in 1965 following an election. Prior to the formation of the Salsipuedes Sanitary District, the Interlocken County Sanitary District provided limited sanitary sewer service to the unincorporated area in southern Santa Cruz County, northeast of the City of Watsonville. 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 involving the District have also occurred as land was annexed to the City of Watsonville, which took over the sanitary sewer service responsibilities. A significant detachment occurred in 1987, in which LAFCO conditioned the Fairgrounds Reorganization to detach 200 acres of commercial agricultural land. This land was previous annexed into the District in the 1960s but was unlikely to need sewer service due to the agricultural land preservation policies enacted by the County in the 1970s and 1980s.

Population & Growth

There are no growth projections available for the Salsipuedes Sanitary District. In general, the Santa Cruz County unincorporated area is projected to have slow growth over the next fifteen years. Staff estimates that the population in the District is approximately 2,135. Based on the growth rate of approximately 1% for the unincorporated areas in the County, LAFCO staff projects that the District's population in 2020 will be around 2,153. In the daytime, the population in the District increases from attendance at the schools, churches, and fairgrounds.

The projected population for the Salsipuedes Sanitary District is as follows:

Table 90: Projected Population

	2020	2025	2030	2035	Growth Rate
Santa Cruz County (unincorporated)	136,891	137,896	139,105	140,356	1%
Salsipuedes Sanitary District	2,153	2,171	2,189	2,207	1%

Source: AMBAG 2018 Regional Growth Forecast

In recent years, the Salsipuedes Sanitary District has grown slowly with 3 new connections occurring in over a decade. 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 pipeline at the entrance to the Fairgrounds. The subdivision property owners considered an assessment district in 1999-2005, however, no action was taken.

The County General Plan applies in this area. 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.

St. Francis Subdivision

The 24-acre St. Francis Subdivision contains 37 lots. 33 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.

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.

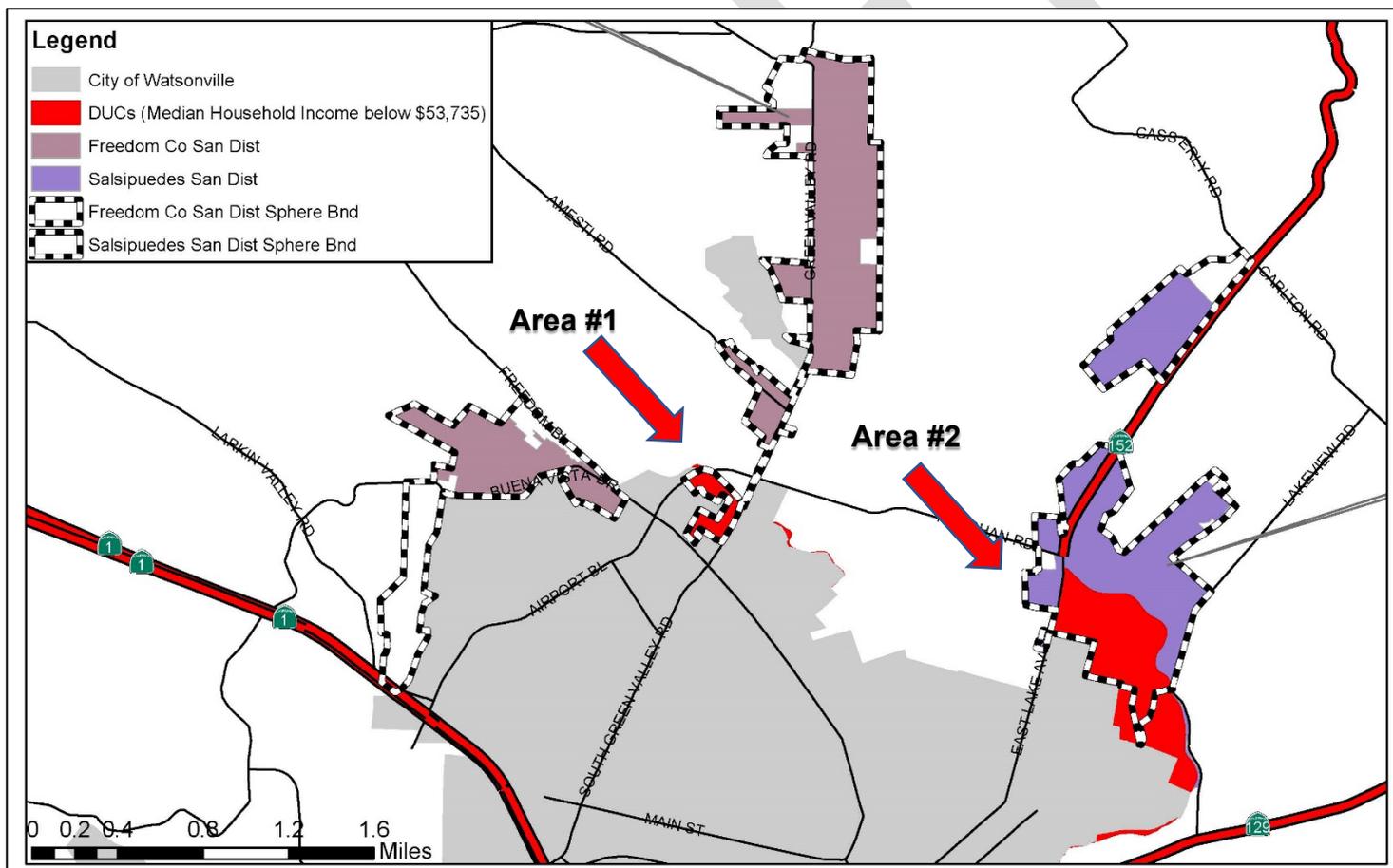
The District was willing to accept and serve the subdivision in 1999, but only if the affected property owners paid for the system improvements.

Disadvantaged Unincorporated Communities

State law requires LAFCO to identify and describe all “disadvantaged unincorporated communities” (DUC) located within or contiguous to the existing spheres of influence of cities and special districts that provide fire protection, sewer, and/or water services. DUCs are defined as inhabited unincorporated areas with an annual median household income that is 80% or less than the statewide annual median household income.

LAFCO staff utilized the ArcGIS mapping program to locate potential DUCs in the County. Based on the criteria set forth by SB 244, staff’s initial analysis located one DUC outside Salsipuedes Sanitary District’s service and sphere boundaries (Area #2). This area is located south of Holohan Road, it is currently uninhabited, and it is designated as Commercial Agriculture¹⁴ in the County’s General Plan. Since Area #2 is undeveloped and uninhabited, the Commission should not consider this area as a DUC in future boundary changes.

Figure 64: Areas #1 and #2 (near Freedom Co and Salsipuedes Sanitary Districts)



¹⁴ Commercial agriculture, farm buildings, livestock raising, greenhouses, farm worker camps. One single-family dwelling.

Services & Operations

Salsipuedes Sanitary District provides wastewater collection services for 512 connections within an unincorporated area northeast of Watsonville. Treatment of collected wastewater 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.

Table 91: Current Infrastructure

	Type of System	Treatment Level	No. of Connections	No. of Lift Stations	Miles of Sewer Line
Salsipuedes Sanitary District	Collection	N/A	512	2	7.0

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 saltwater intrusion into the groundwater aquifers. The tertiary plant has a capacity of 7.7 million gallons per day. On October 1, 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

Contractual Agreement with the City of Watsonville

The District has acquired certain capacity rights in the City of Watsonville's Wastewater Treatment Facilities under an agreement dated March 28, 1985. The agreement provides for the apportionment of the costs of construction, reconstruction, enlargement, maintenance and operation of the existing and proposed facilities for the treatment and disposal of all sanitary sewage and industrial waste.

Under the agreement, the District does not obtain any ownership rights or other property rights, other than capacity rights. Capacity rights are for the right to discharge to the City of Watsonville's collection system and treatment plant up to a maximum of 0.281 million-gallon-per-day (mgd) of wastewater flow, 440 pounds a day biochemical oxygen demand, and 514 pounds a day suspended solids reflecting 1.7%, 0.71% and 1.00%, respectively of the treatment plant's capacity.

Charges under the contract include operations and maintenance (based on the total flow from the District divided by the total flow to the treatment plant) and city collection system capital improvements (based on the District's rights to use in the improved facility). Charges under the contract totaled \$114,953 for FY 2017-18. The following table depicts the City's contractual charges for the District's share of the treatment plant's operating and maintenance expenses during the last 5 years.

Table 92: Charges under the contract with the City of Watsonville

	FY 13-14 (audit)	FY 14-15 (audit)	FY 15-16 (audit)	FY 16-17 (audit)	FY 17-18 (audit)
Contractual Charges	\$83,381	\$83,147	\$95,330	\$155,783	\$114,953
Change (\$)		-\$234	+\$12,183	+\$60,453	-\$40,830
Change (%)		-0.28%	+14.65%	+63.41%	-26.21%

Sewer Rates

At present, the District's annual sewer rates derive from five primary areas: Single Family Dwelling, Condominiums, Commercial, the Lakeview Middle School, and the Fairgrounds. Each area has its own sewer rate. The following tables (**Tables 93 to 98**) show the gradual increase in annual rates during the last seven years.

Table 93: Annual Sewer Rates

	FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20
Residential	\$605.52	\$523.64	\$642.36	\$674.52	\$674.52	\$694.80	\$715.68
Condos	\$454.20	\$467.76	\$481.80	\$505.92	\$505.92	\$521.16	\$536.76
Commercial	\$94.80	\$97.68	\$103.92	\$111.48	\$117.72	\$119.16	\$122.40
School	\$2,154.60	\$2,222.42	\$2,579.72	\$2,244.00	\$2,770.00	\$3,887.00	\$3,264.00
Fairgrounds	\$13,707.00	\$15,542.04	\$15,542.04	\$16,643.04	\$16,907.04	\$18,069.00	\$19,277.04

Table 94: Single Family Dwelling's Annual Sewer Rates Review

	FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	Average Change
Single-Family	\$605.52	\$523.64	\$642.36	\$674.52	\$674.52	\$694.80	\$715.68	
Change (\$)		\$18.12	\$18.72	\$32.16	\$0.00	\$20.28	\$20.88	\$18.36
Change (%)		3%	3%	5%	0%	3%	3%	3%

Table 95: Condominium's Annual Sewer Rates Review

	FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	Average Change
Multi-Family	\$454.20	\$467.76	\$481.80	\$505.92	\$505.92	\$521.16	\$536.76	
Change (\$)		\$13.56	\$14.04	\$24.12	\$0.00	\$15.24	\$15.60	\$13.76
Change (%)		3%	3%	5%	0%	3%	3%	3%

Table 96: Commercial's Annual Sewer Rates Review

	FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	Average Change
Commercial	\$94.80	\$97.68	\$103.92	\$111.48	\$117.72	\$119.16	\$122.40	
Change (\$)		\$2.88	\$6.24	\$7.56	\$6.24	\$1.44	\$3.24	\$4.60
Change (%)		3%	6%	7%	6%	1%	3%	4%

Table 97: School's Annual Sewer Rates Review

	FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	Average Change
School	\$2,154.60	\$2,222.42	\$2,579.72	\$2,244.00	\$2,770.00	\$3,887.00	\$3,264.00	
Change (\$)		\$67.82	\$357.30	-\$335.72	\$526.00	\$1,117.00	\$623.00	\$184.90
Change (%)		3%	16%	-13%	23%	40%	-16%	9%

Table 98: Fairground's Annual Sewer Rates Review

	FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	Average Change
Fairgrounds	\$13,707	\$15,542	\$15,542	\$16,643	\$16,907	\$18,069	\$19,277	
Change (\$)		\$1,835	\$0	\$1,101	\$264	\$1,162	\$1,208	\$928.34
Change (%)		13%	0%	7%	2%	7%	7%	6%

When comparing the sewer rates with the other sanitation districts analyzed in this report, Salsipuedes Sanitary District is ranked the third lowest in charges towards single family units (\$59.64/month), ranked second lowest in charges towards multi-family units (\$44.73/month), and rank highest in charges towards school units (\$272/month). Sewer rate comparisons are shown in the following figures (**Figures 65 and 67**).

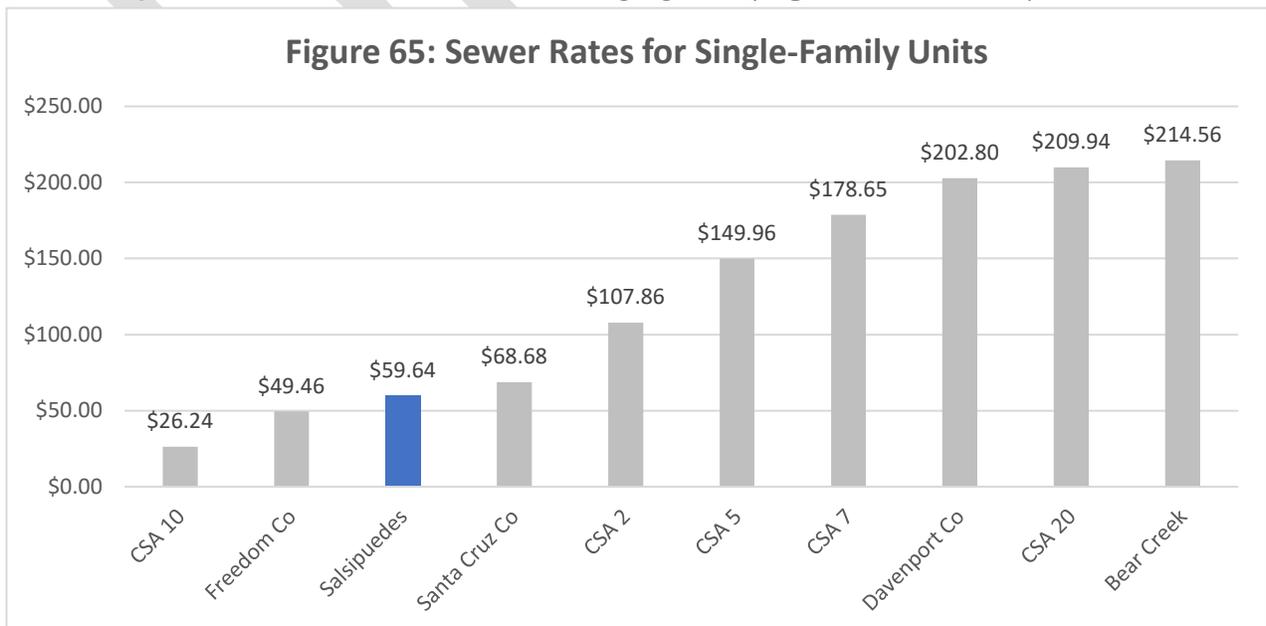


Figure 66: Sewer Rates for Multi-Family Units

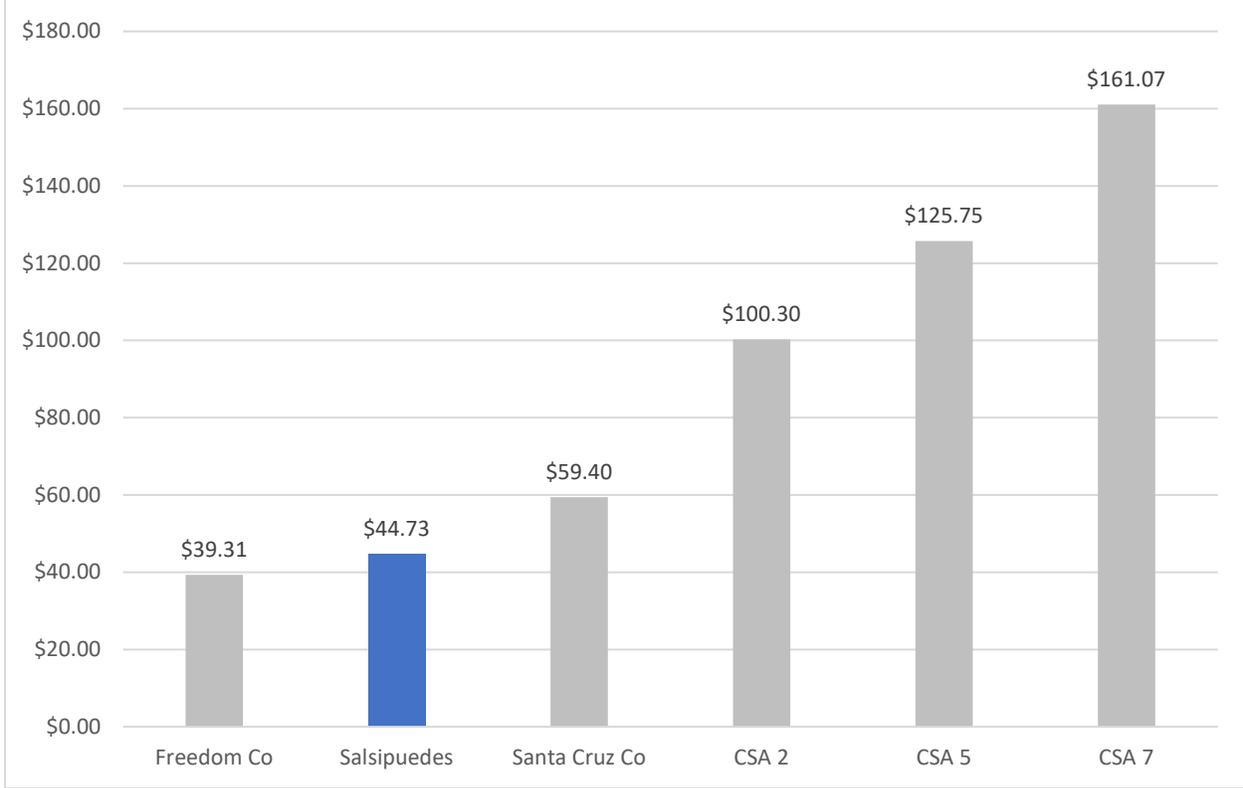


Figure 67: Sewer Rates for School Sites

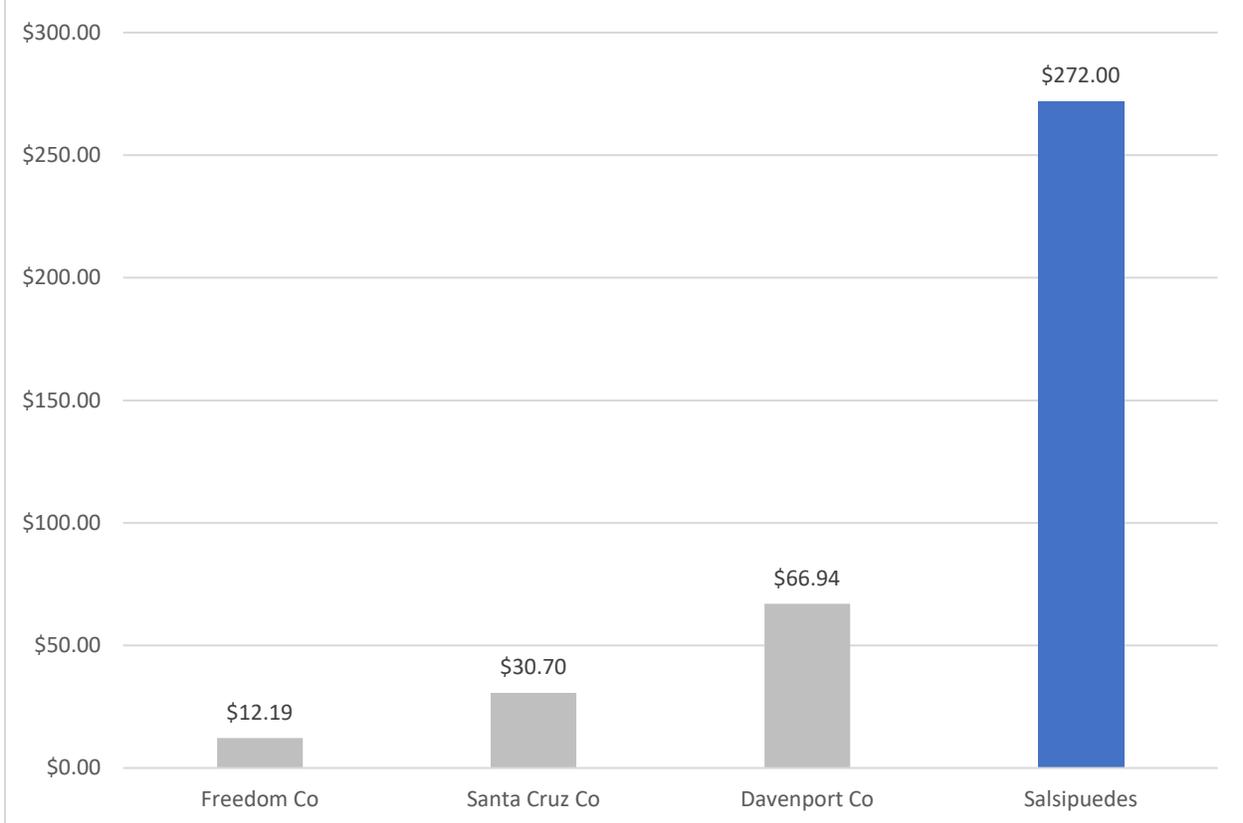
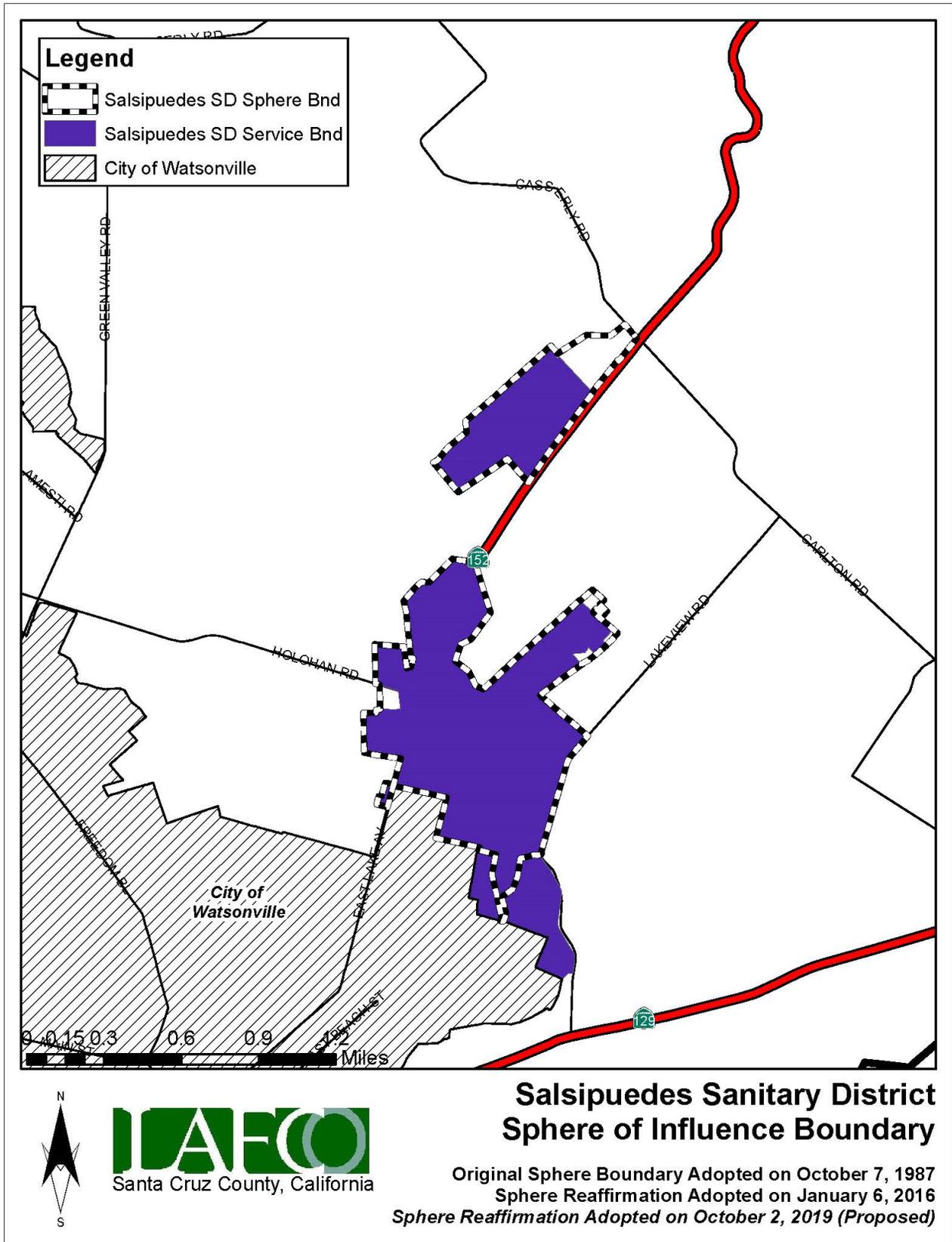


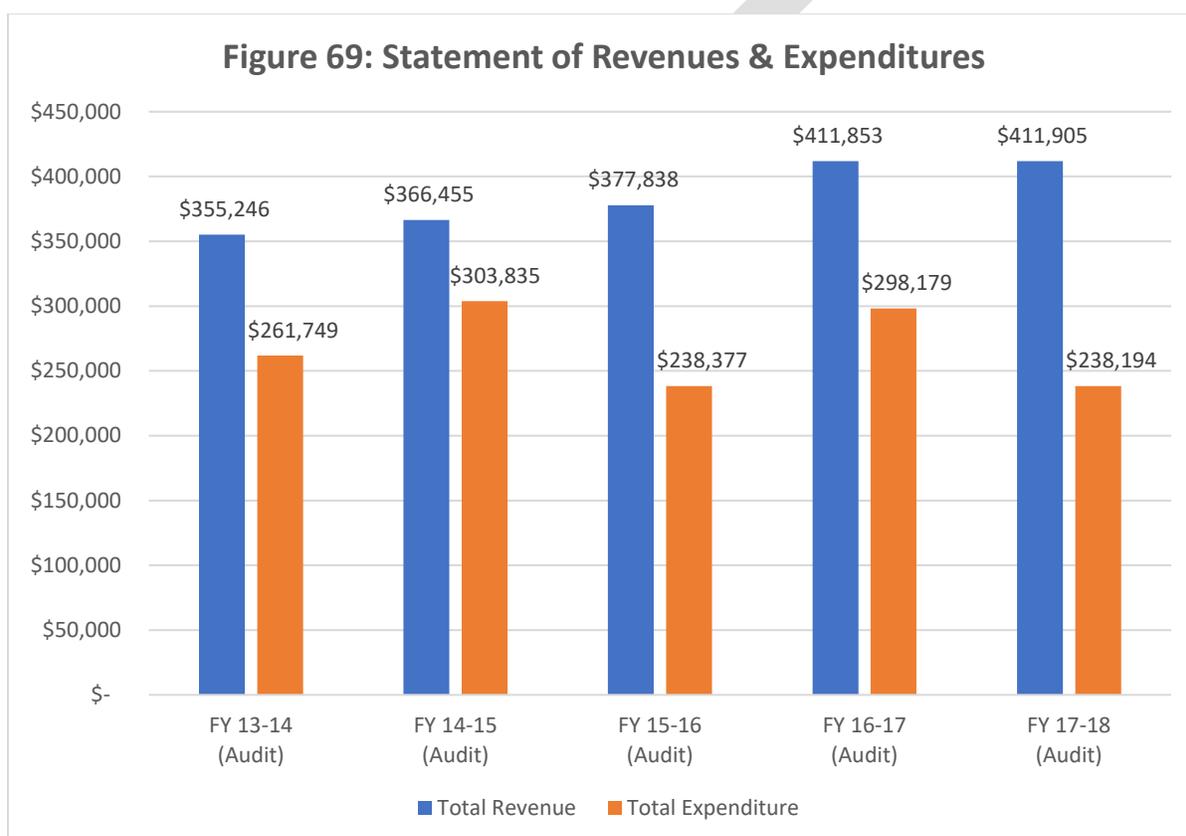
Figure 68: Salsipuedes Sanitary District's Vicinity Map



Finances

This section will highlight the District's audited financial performance during the most recent fiscal years. Fiscal Year 2017-18 is the latest audited financial statement available. A comprehensive analysis of the District's financial performance during the past 5 years is shown in **Tables 102** and **103**, on pages 192 and 193.

At the end of Fiscal Year 2017-18, total revenue collected was \$411,905, representing a slight increase from the previous year (\$411,853 in FY 16-17). Total expenses for FY 17-18 were \$238,194, which decreased from the previous year by approximately \$60,000 (\$298,179 in FY 16-17). As shown in the table below, the District's total revenues have exceeded total expenditures each year, resulting in a positive increase to the net position ranging from \$93,000 to \$174,000 (refer to **Figure 69**).



District Revenues

Operating Revenue

Salsipuedes Sanitary District's primary source of revenue is from Sewer Service Charges. In FY 17-18, Sewer Service Charges totaled approximately \$358,000. Overall, operating revenue represents 87% of the District's entire revenue stream. **Table 99** highlights the operating revenue funds for FY 17-18.

Non-Operating Revenue

In FY 17-18, the District collected approximately \$54,000 in non-operating revenue. Property taxes (\$20,535) and Sewer Inspection and Fees (\$19,383) are the largest contributors to the non-operating revenue stream. Overall, non-operating revenue represents 13% of the District's entire revenue stream. **Table 99** highlights the non-operating revenue funds for FY 17-18.

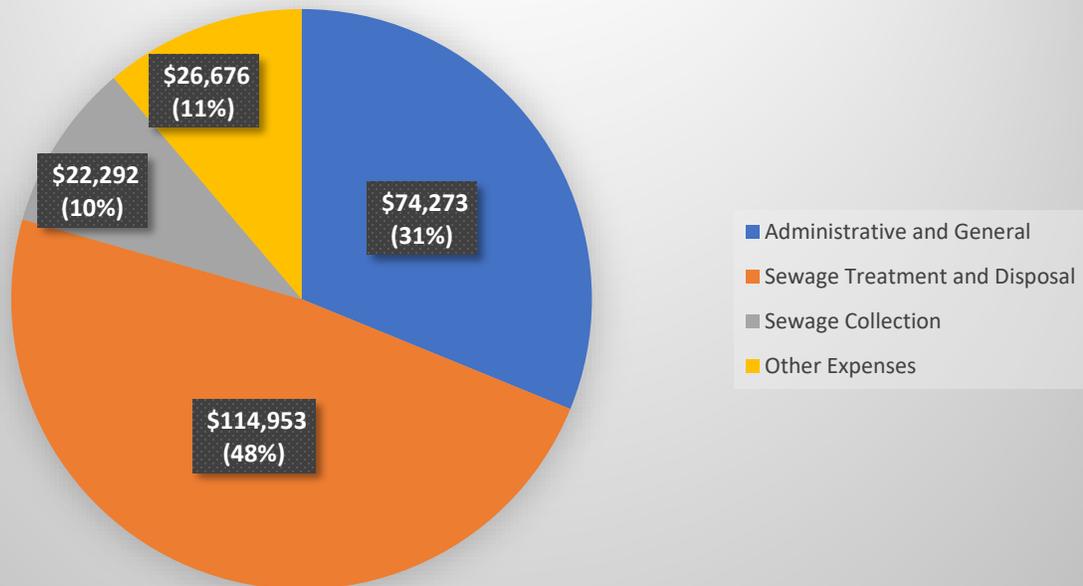
Table 99: Fiscal Year 2017-18 Revenue Breakdown

Operating Revenues:	(\$)	(%)
Sewer Service Charges	\$357,786	86.86%
Miscellaneous Revenue	-	0.00%
Sub-total: Operating Revenue	\$357,786	86.86%
Non-Operating Revenues:		
Interest Income	\$15,076	3.66%
Taxes – Property	\$20,535	4.99%
Homeowners Property Tax Relief	\$125	0.03%
Connection Fees	-	0.00%
Sewer Inspection and Fees	<u>\$18,383</u>	<u>4.46%</u>
Sub-total: Non-Operating Revenue	\$54,119	13.14%
Total Revenue	\$411,905	100.0%

District Expenditures

Salsipuedes Sanitary District’s total expenditures can be categorized into 4 budgetary groups: Administrative and General, Sewerage Treatment & Disposal, Sewage Collection, and Other Expenses. The table below depicts the how funding is distributed by category. The following pages provide a summary for each budgetary group.

Figure 70: FY 2017-18 Expenditure Breakdown



Administrative and General

In FY 2017-18, Administrative and General expenses accounted for 31% or \$74,273 of the District's total expenditures (\$238,194). **Table 100** highlights each budgetary line item associated with this category.

Table 100: Administrative and General Expenses (audited data)

Administrative and General Expenses:	(\$)	(%)
Salaries	\$34,890	32.32%
Payroll Taxes	\$3,268	0.00%
Workers' Compensation	\$2,294	2.75%
Attorney Fees	-	3.44%
Accounting and Auditing Fees	\$1,529	7.75%
Custodial Services	-	0.05%
Director's Fees	\$6,400	5.68%
Professional and Special Services	-	1.03%
Telephone	\$2,812	1.89%
Property Insurance	\$1,360	3.10%
Utilities	\$3,357	3.10%
Office Expense – Supplies	\$3,405	3.44%
Publication and Legal Notices	\$983	0.69%
Rent	\$12,000	10.33%
Election Expense	\$75	0.06%
Travel – Mileage	\$1,362	1.64%
Contingencies	-	22.24%
Contribution to Other Agencies	\$538	0.48%
Sub-total: Administrative and General	\$74,273	100.%

Sewage Treatment and Disposal

In FY 2017-18, Sewage Treatment and Disposal expenses accounted for 48% or \$114,953 of the District's total expenditures (\$238,194). Since inception, the District has contracted with the City of Watsonville to treat the collected wastewater.

Sewage Collection

In FY 2017-18, Sewage Collection expenses accounted for 10% or \$22,292 of the District's total expenditures (\$238,194). The District has two lift stations and seven miles of sewer pipeline.

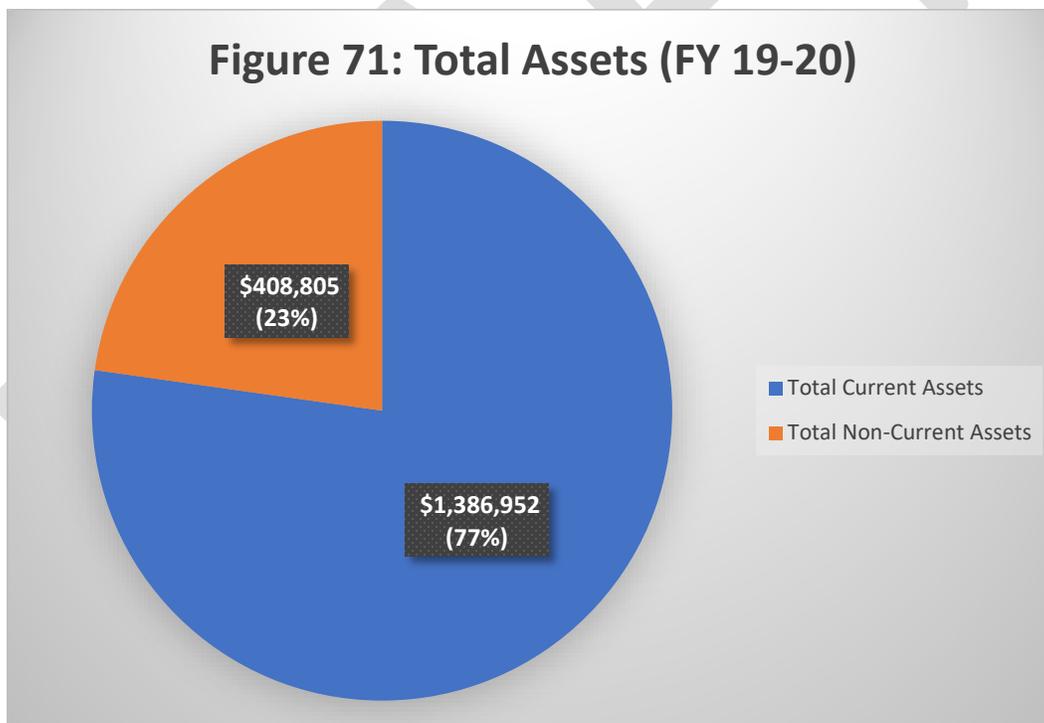
Other Expenses

In FY 2017-18, Other Expenses accounted for 11% or \$26,676 of the District's total expenditures (\$238,194). These costs include capital improvements and depreciation. The total amount for Other Expenses has remained the same for the past five years.

Assets & Liabilities

District Assets

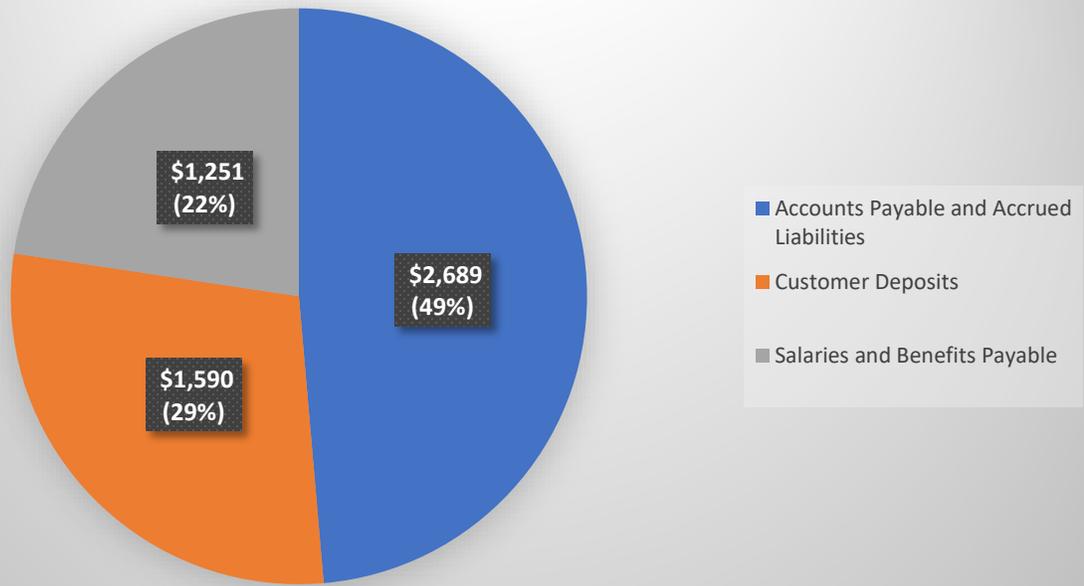
As of June 30, 2018, the District has approximately \$1.8 million in total assets. This represents an increase of about \$168,000 or 10% from FY 16-17's total assets of approximately \$1.6 million. Total assets can be categorized into two types: Current and Non-Current Assets. In FY 17-18, current assets were approximately \$1.4 million and non-current assets was about \$409,000. As shown in **Figure 71**, capital assets represent 77% of total assets.



District Liabilities

As of June 30, 2018, the District has approximately \$5,500 in total liabilities. This represents a decrease of \$5,900 or 51% from FY 16-17's total liabilities of approximately \$11,300. Total liabilities can be categorized into three types: Accounts Payable and Accrued Liabilities, Customer Deposits, and Salaries and Benefits Payable. In FY 17-18, Accounts Payable and Accrued Liabilities was \$2,689, Customer Deposits was \$1,590, and Salaries and Benefits Payable was \$1,251. As shown in **Figure 72**, Accounts Payable and Accrued Liabilities represents 49% of total liabilities.

Figure 72: Total Liabilities (FY 19-20)



Fund Balance/Net Position

As of June 30, 2018, the total fund balance is approximately \$1.8 million. The following table highlights the Fund Balance from 2013 to 2018. The District has experienced an increase in total reserves each year. On average, total reserves has increased by approximately \$122,000 or 8% since 2013.

Table 101 – Fund Balance/Net Position

	FY 13-14 (Audited)	FY 14-15 (Audited)	FY 15-16 (Audited)	FY 16-17 (Audited)	FY 17-18 (Audited)
Net Position	\$1,300	\$1,363	\$1,502	\$1,616	\$1,790
Change in (\$) from previous year		\$62	\$139	\$114	\$174
Change in (%) from previous year		5%	10%	8%	11%

Table 102: Total Revenues & Expenditures

	FY 13-14 (Audit)	FY 14-15 (Audit)	FY 15-16 (Audit)	FY 16-17 (Audit)	FY 17-18 (Audit)	FY 18-19 (Budget)	FY 19-20 (Budget)
REVENUE							
Operating Revenue							
Sewer Service Charges	\$ 334,605	\$ 343,747	\$ 352,535	\$ 374,990	\$ 357,786	\$ 391,330	\$ 401,480
Miscellaneous Revenue	\$ -	\$ 1,667	\$ 705	\$ 978	\$ -	\$ -	\$ -
Operating Revenue Sub-total	\$ 334,605	\$ 345,414	\$ 353,240	\$ 375,968	\$ 357,786	\$ 391,330	\$ 401,480
Non-Operating Revenue							
Interest Income	\$ 2,466	\$ 3,663	\$ 5,853	\$ 9,191	\$ 15,076	\$ 1,000	\$ 1,000
Taxes - Property	\$ 15,601	\$ 17,248	\$ 18,219	\$ 19,367	\$ 20,535	\$ 17,598	\$ 17,598
Homeowners Property Tax Relief	\$ 124	\$ 130	\$ 126	\$ 127	\$ 125	\$ 126	\$ 126
Connection Fees	\$ 1,650	\$ -	\$ -	\$ 6,000	\$ -	\$ 3,172	\$ 3,172
Sewer Inspection and Fees	\$ 800	\$ -	\$ 400	\$ 1,200	\$ 18,383	\$ 800	\$ 800
Non-Operating Revenue Sub-total	\$ 20,641	\$ 21,041	\$ 24,598	\$ 35,885	\$ 54,119	\$ 22,696	\$ 22,696
Total Revenue	\$ 355,246	\$ 366,455	\$ 377,838	\$ 411,853	\$ 411,905	\$ 414,026	\$ 424,176
EXPENDITURE							
Administrative and General							
Salaries	\$ 44,090	\$ 37,888	\$ 32,025	\$ -	\$ 34,890	\$ 32,550	\$ 37,550
Payroll Taxes	\$ 4,022	\$ 3,405	\$ 2,917	\$ -	\$ 3,268	\$ -	\$ -
Workers' Compensation	\$ 1,583	\$ 2,147	\$ 2,344	\$ -	\$ 2,294	\$ 3,200	\$ 3,200
Attorney Fees	\$ 2,534	\$ 4,089	\$ 200	\$ -	\$ -	\$ 6,000	\$ 4,000
Accounting and Auditing Fees	\$ 7,880	\$ 8,920	\$ 9,457	\$ -	\$ 1,529	\$ 9,000	\$ 9,000
Custodial Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 55	\$ 55
Directors' Fees	\$ 8,090	\$ 5,210	\$ 6,100	\$ -	\$ 6,400	\$ 6,600	\$ 6,600
Professional and Special Services	\$ 284	\$ -	\$ -	\$ -	\$ -	\$ 1,000	\$ 1,200
Telephone	\$ 2,324	\$ 2,466	\$ 2,399	\$ -	\$ 2,812	\$ 2,000	\$ 2,200
Property Insurance	\$ 1,155	\$ 1,373	\$ 1,459	\$ -	\$ 1,360	\$ 1,800	\$ 3,605
Utilities	\$ 1,916	\$ 2,141	\$ 2,491	\$ -	\$ 3,357	\$ 3,300	\$ 3,600
Office Expense - Supplies	\$ 6,506	\$ 2,421	\$ 2,584	\$ -	\$ 3,405	\$ 3,000	\$ 4,000
Publication and Legal Notices	\$ 1,461	\$ -	\$ 1,177	\$ -	\$ 983	\$ 800	\$ 800
Rent	\$ 7,620	\$ 7,720	\$ 8,220	\$ -	\$ 12,000	\$ 12,000	\$ 12,000
Election Expense	\$ 75	\$ -	\$ -	\$ -	\$ 75	\$ 75	\$ 75
Travel - Mileage	\$ 1,301	\$ 1,465	\$ 1,042	\$ -	\$ 1,362	\$ 1,700	\$ 1,900
Contingencies	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,840	\$ 25,840
Contribution to Other Agencies	\$ 455	\$ 505	\$ 505	\$ -	\$ 538	\$ 575	\$ 555
Administrative and General Sub-total	\$ 91,296	\$ 79,750	\$ 72,920	\$ 75,209	\$ 74,273	\$ 109,495	\$ 116,180
Sewage Treatment and Disposal							
Treatment Plant Operating and Maintenance Contract	\$ 83,381	\$ 83,147	\$ 95,330	\$ 155,783	\$ 114,953	\$ 144,000	\$ 144,000
Sewage Collection							
Maintenance and Repair Projects - Sewer Line - MRO	\$ 46,782	\$ 106,961	\$ 37,444	\$ -	\$ 18,821	\$ 124,000	\$ 127,465
Engineering	\$ 13,659	\$ 7,346	\$ 6,052	\$ -	\$ 3,471	\$ 9,900	\$ 9,900
Sewage Collection Sub-total	\$ 60,441	\$ 114,307	\$ 43,496	\$ 40,556	\$ 22,292	\$ 133,900	\$ 137,365
Other Expenses							
Capital Improvements	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Depreciation	\$ 26,631	\$ 26,631	\$ 26,631	\$ -	\$ 26,676	\$ 26,631	\$ 26,631
Other Expenses Sub-total	\$ 26,631	\$ 26,631	\$ 26,631	\$ 26,631	\$ 26,676	\$ 26,631	\$ 26,631
Total Expenditure	\$ 261,749	\$ 303,835	\$ 238,377	\$ 298,179	\$ 238,194	\$ 414,026	\$ 424,176
Surplus/(Deficit)	\$ 93,497	\$ 62,620	\$ 139,461	\$ 113,674	\$ 173,711	\$ -	\$ -
Net Position - Beginning of Year	\$ 1,207,264	\$ 1,300,761	\$ 1,363,381	\$ 1,502,842	\$ 1,616,516	\$ -	\$ -
Net Position - End of Year	\$ 1,300,761	\$ 1,363,381	\$ 1,502,842	\$ 1,616,516	\$ 1,790,227	\$ -	\$ -

Footnote: FY 16-17 audit not available

Table 103: Total Assets & Liabilities

	FY 13-14 (Audit)	FY 14-15 (Audit)	FY 15-16 (Audit)	FY 16-17 (Audit)	FY 17-18 (Audit)
ASSETS					
<u>Current Assets</u>					
Cash and Cash Equivalents	\$ 800,779	\$ 853,235	\$ 992,122	\$ 1,197,021	\$ 1,379,110
Restricted Cash - Customer Deposits	\$ 17,487	\$ 10,968	\$ 11,968	\$ 1,590	\$ 1,590
Accounts Payable	\$ 1,142	\$ 1,295	\$ 1,295	\$ -	\$ -
Prepaid City of Watsonville Contract	\$ -	\$ 30,396	\$ 56,565	\$ -	\$ 6,252
Prepaid Insurance	\$ 3,520	\$ -	\$ -	\$ -	\$ -
Total Current Assets	\$ 822,928	\$ 895,894	\$ 1,061,950	\$ 1,198,611	\$ 1,386,952
<u>Non-Current Assets</u>					
Property, Plant, and Equipment, net of accumulated depreciation					
Underground Plant, Net	\$ 507,254	\$ 481,167	\$ 455,080	\$ 428,993	\$ 402,916
Pump Stations, Net	\$ -	\$ -	\$ -	\$ -	\$ -
Other Equipment, Net	\$ 1,898	\$ 1,354	\$ 810	\$ 266	\$ 5,889
Total Non-Current Assets	\$ 509,152	\$ 482,521	\$ 455,890	\$ 429,259	\$ 408,805
Total Assets	\$ 1,332,080	\$ 1,378,415	\$ 1,517,840	\$ 1,627,870	\$ 1,795,757
LIABILITIES					
Accounts Payable and Accrued Liabilities	\$ 5,607	\$ 3,089	\$ 2,292	\$ 6,967	\$ 2,689
Accounts Payable City of Watsonville Contract	\$ 4,000	\$ -	\$ -	\$ -	\$ -
Accounts Payable from Restricted Deposits	\$ 5,310	\$ -	\$ -	\$ -	\$ -
Customer Deposits	\$ 12,177	\$ 10,968	\$ 11,968	\$ 1,590	\$ 1,590
Salaries and Benefits Payable	\$ 2,769	\$ 977	\$ 738	\$ 2,797	\$ 1,251
Accrued Vacation Payable	\$ 1,456	\$ -	\$ -	\$ -	\$ -
Total Liabilities	\$ 31,319	\$ 15,034	\$ 14,998	\$ 11,354	\$ 5,530
NET POSITION					
Net Investment in Capital Assets	\$ 509,152	\$ 482,521	\$ 455,890	\$ 429,259	\$ 408,805
Unrestricted	\$ 791,609	\$ 880,860	\$ 1,046,952	\$ 1,187,257	\$ 1,381,422
Total Net Position	\$ 1,300,761	\$ 1,363,381	\$ 1,502,842	\$ 1,616,516	\$ 1,790,227

Governance

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 104: Board of Directors

Board Member	Title	Term of Office Expiration
David Ferracane	President	2019
Miguel Cisneros	Director	2021
Robert Roberts	Director	2021
Allen Rusler	Director	2019
Priscilla Stumbaugh	Director	2019

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 contracts for independent audits.

Website Requirements

Senate Bill 929 was signed into law in September 2018 and requires all independent special districts to have and maintain a website by January 1, 2020. The District currently does not have a website. LAFCO staff is coordinating with the District in order to comply with the statutory requirements before the 2020 deadline.

SB 929 states that the Internet Web Site, maintained by the independent special district, shall conform with various laws in Government Code Sections 6270.5, 53893, 53908, 54954.2, and Section 32139 of the Health and Safety Code. In summary, the District's Internet Website is required to have the following:

- Contact information
- Adopted budgets
- List of current board members
- Information regarding public meetings (Brown Act)
- Service Reviews adopted by LAFCO
- Recipients of grant funding or assistance provided by the district, if any
- Audits (pursuant to GCS 26909)
- Adopted annual policies
- Any other information the board deems relevant

LAFCO Staff Recommendation: *The District should establish a live website no later than December 2019.*

Infrastructure Management Plans

The State Water Resources Control Board regulates wastewater discharges to surface water (rivers, ocean, etc.) and to groundwater (via land). The State Water Board requires sanitation districts to follow the Statewide General Waste Discharge Requirements for Sanitary Sewer Systems.

The District's sewer system management plan consists of weekly inspections to both pump lift stations by a maintenance staff. Regular inspections ensure that wastewater flow is at adequate levels. Additionally, the District is scheduled for annual flushing.

At present, the District does not have a capital improvement plan. The District's General Manager has indicated that the District is developing a CIP plan which will identify future infrastructure repairs/replacements. The District is currently reviewing grant information to prepare for costs of future infrastructure needs.

LAFCO Staff Recommendation: *The District should consider adopting a long-term maintenance plan to ensure scheduled and unforeseen repairs, replacements, and installations are adequately funded.*

Opportunities & Challenges

Salsipuedes Sanitary District is significantly affected by aging infrastructure, escalating operational costs, and changes to state laws and regulations that may introduce new requirements without additional funding. These issues are common with other sanitation districts in Santa Cruz County. The following section discusses these challenges and identifies possible opportunities to ensure the delivery of wastewater services in an efficient and effective manner.

Regional Collaboration

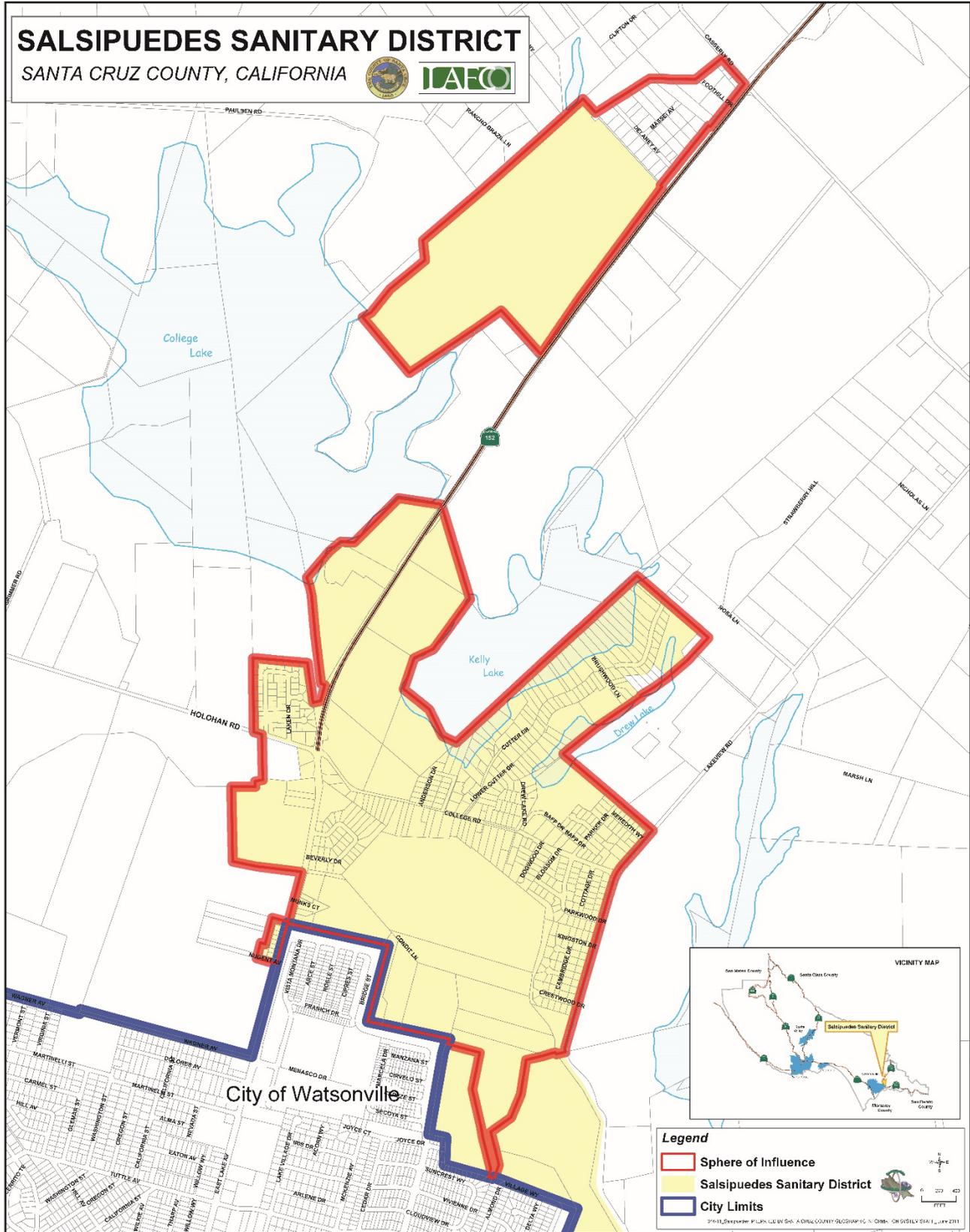
Several sanitation districts, including entities managed and operated by the County, have expressed interest in transferring sewer responsibilities to another agency due to funding issues, limited long-term planning, or lack of economies of scale. Establishment of a countywide memorandum of understanding or a joint powers authority may unify the already-established collaboration set by the sanitation providers in the county. Such agreements may also lay the foundation for future changes of organization, including but not limited to annexations, consolidations, or mergers.

Sphere of Influence

LAFCO originally adopted a sphere of influence for the District back in 1987. The Commission, at that time, adopted a sphere boundary that goes beyond the District's jurisdictional boundary in the north but also excluded areas from being part of the sphere boundary adjacent to Watsonville's city limits. The area outside the sphere of influence but within the District is approximately 60 acres, undeveloped, and primarily used for agriculture.

The exclusion of this area from the adopted sphere of influence indicates that this area should be detached from the Salsipuedes Sanitary District. The County General Plan designates this area as "CA" Commercial Agriculture. It is unknown whether future developments are scheduled in this area. Therefore, LAFCO staff does not recommend changing the sphere of influence boundary at this time. **Figure 73** shows the current sphere of influence boundary for the Salsipuedes Sanitary District.

Figure 73: Salsipuedes Sanitary District's Current Sphere Map



District Summary

Salsipuedes Sanitary District	
Formation	Health and Safety Code §6400 et seq. (Sanitary District Act of 1923)
Board of Directors	Five members, elected at-large to four-year terms
Contact Person	Delia N. Brambila, Secretary/Manager
Employees	1 Full-Time Employee
Facilities	Collection Plant; 2 pump stations; 512 connections
District Area	7 square miles
Sphere of Influence	Slightly Larger than the District (i.e. sphere goes beyond existing jurisdictional boundary)
FY 2019-20 Budget	Total Revenue = \$424,176 Total Expenditure = \$ 424,176 Projected Net Position (Beginning Balance) = \$1,790,227
Contact Information	Mailing Address: 739 East Lake Avenue, Suite 2, Watsonville CA 95076 Phone Number: (831) 722-7760 Email Address: salsan@sbcglobal.net Website: None
Public Meetings	The Board of Directors meets the first Wednesday of each month at 7:00 PM at the District's offices. Public noticed is provided through posting.
Mission Statement	None

Service and Sphere Review Determinations

The following service and sphere review determinations fulfill the requirements outlined in the Cortese-Knox-Hertzberg Act. The District was instrumental in addressing the determinations by responding to a survey sent by LAFCO in June 2019. **Appendix I** provides a copy of the District's survey response.

Service Provision Determinations

Government Code Section 56430 requires LAFCO to conduct a municipal service review before, or in conjunction with, an action to establish or update a sphere of influence. Written statements of determination must be prepared with respect to each of the following:

1. Growth and population projections for the affected area.

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's jurisdictional and sphere of influence boundaries.

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

Based on the criteria set forth by SB 244, staff's initial analysis located one DUC outside Salsipuedes Sanitary District's service and sphere boundaries (Area #2). This area is located south of Holohan Road, it is currently uninhabited, and it is designated as Commercial Agriculture¹⁵ in the County's General Plan. Since Area #2 is undeveloped and uninhabited, the Commission should not consider this area as a DUC in future boundary changes.

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

Salsipuedes Sanitary District serves 512 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 to provide services.

Salsipuedes Sanitary District's financial ability to provide services is well-established. The District has successfully kept costs below its revenue stream since 2013. Audited financial statements from Fiscal Years 2013 to 2018 indicate that the increase in net position has ranged from \$62,000 to \$174,000. As of June 30, 2018, the District is operating with a net position of approximately \$1.8 million, of which \$1.4 million is in cash and investments.

¹⁵ Commercial agriculture, farm buildings, livestock raising, greenhouses, farm worker camps. One single-family dwelling.

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

Salsipuedes Sanitary District has an active contract with the City of Watsonville to utilize their regional treatment plant. The District should explore other collaborative efforts with neighboring agencies, which may help to reduce costs and/or maximize economies of scale.

Several sanitation districts, including entities that are managed and operated by the County, have expressed interest in transferring sewer responsibilities to another agency due to funding issues, limited long-term planning, or lack of economies of scale. Establishment of a countywide memorandum of understanding or a joint powers authority may unify the already-established collaboration set by the sanitation providers in the county. Such agreements may also lay the foundation for future changes of organization, including but not limited to annexations, consolidations or mergers.

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

Salsipuedes Sanitary District currently does not have a website, as required by new legislation. LAFCO staff recommends that the District conform with SB 929 and host a live website before the January 1, 2020 deadline.

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

No additional local LAFCO policies are specifically relevant to this service and sphere review.

Sphere of Influence Determinations

Government Code Section 56425 requires LAFCO to periodically review and update spheres of influence in concert with conducting municipal service reviews. Spheres are used as regional planning tools to discourage urban sprawl and encourage orderly growth. Written statements of determination must be prepared with respect to each of the following:

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

The present and planned land uses 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 jurisdictional and sphere boundaries 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.

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

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

Salsipuedes Sanitary District serves 512 connections. It has adequate transmission and treatment capacity for the present and planned facilities within the District's jurisdictional and sphere of influence boundaries. 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.

LAFCO staff is not aware of any social or economic communities of interest in the area. The District's service area is primarily residential units.

5. For an update of a sphere of influence of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, that occurs pursuant to subdivision (g) on or after July 1, 2012, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.

Neither the County nor LAFCO has identified any sub-area within or contiguous to the Salsipuedes Sanitary District's service or sphere boundaries that meet the definition of a disadvantaged unincorporated community. That said, the District 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.

SANTA CRUZ COUNTY SANITATION DISTRICT

District Overview

The Santa Cruz County Sanitation District provides wastewater collection service for the City of Capitola and the unincorporated communities of Aptos, Soquel and Live Oak. The District also serves Harbor High School, a satellite medical center and the Port District which are within the City of Santa Cruz and outside the District's boundary. The District receives periodic inquiries regarding sewer service in the La Selva Beach area due to septic problems in that area, but that area lies outside its current sphere of influence. **Figure 80**, on page 208, is a vicinity map of the service area.

The Santa Cruz County Sanitation District was formed in 1973 by the consolidation of three sanitation districts: East Cliff, Capitola, and Aptos. At that time each district had a primary treatment plant and ocean outfall into Monterey Bay. The discharges did not meet either the Federal or State clean water standards. During the 1970s the District participated in regional sewer studies and ultimately acted to abandon its treatment plants and outfall, build a transmission line into the City of Santa Cruz, and contract with the city to treat and dispose of the district's sewage. The city built a new outfall in 1989 and added secondary treatment in 1998.

Population & Growth

There are no growth projections available for the Santa Cruz County Sanitation District. In general, the Santa Cruz County unincorporated area is projected to have slow growth over the next fifteen years. However, the District also includes the entire City of Capitola. The Public Works Department has estimated the population within the total area at approximately 72,000. Based on the growth rate of approximately 1% for the unincorporated areas in the County, LAFCO staff projects that the District's entire population in 2020 will be around 73,600. The projected population for the Santa Cruz County Sanitation District are as follows:

Table 105: Projected Population

	2020	2025	2030	2035	Growth Rate
Santa Cruz County (unincorporated)	136,891	137,896	139,105	140,356	1%
City of Capitola	10,194	10,312	10,451	10,622	1%
Santa Cruz County Sanitation District	72,922	73,651	74,388	75,132	1%

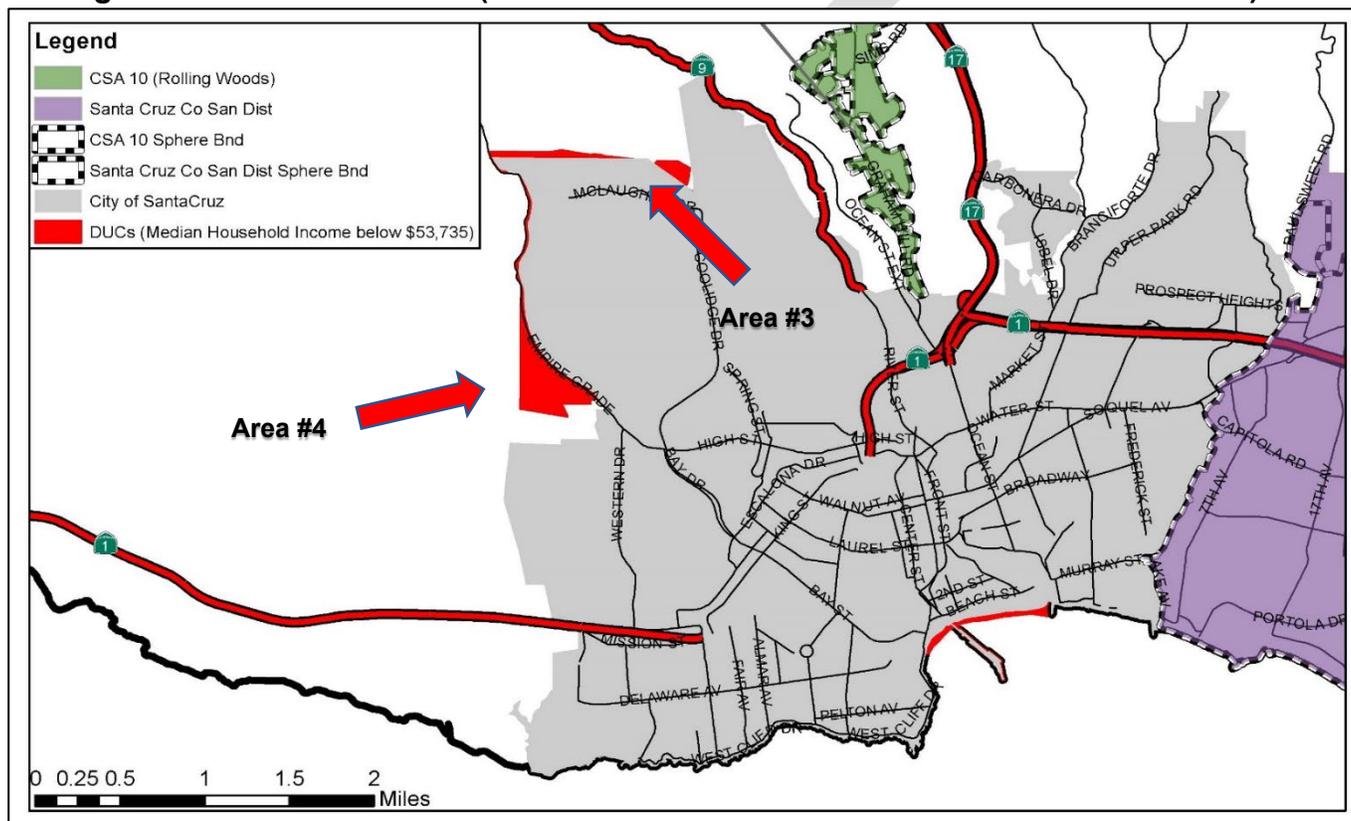
Source: AMBAG 2018 Regional Growth Forecast

Disadvantaged Unincorporated Communities

State law requires LAFCO to identify and describe all "disadvantaged unincorporated communities" (DUC) located within or contiguous to the existing spheres of influence of cities and special districts that provide fire protection, sewer, and/or water services. DUCs are defined as inhabited unincorporated areas with an annual median household income that is 80% or less than the statewide annual median household income.

LAFCO staff utilized the ArcGIS mapping program to locate potential DUCs in the County. Based on the criteria set forth by SB 244, staff's initial analysis located two DUCs near CSA 10 and the Santa Cruz County Sanitation District (Areas #3 and #4). However, these two areas are not within or adjacent to a sanitation districts' service or sphere boundary, as shown in the figure below. Additionally, these two areas are in vacant parcels outside the University of California, Santa Cruz. The County's General Plan designates Area #3, located north of McLaughlin Drive, as Special Use¹⁶. Area #4, located south of Empire Grade, is designated as Commercial Agriculture. Based on the two identified sites being undeveloped and uninhabited, the Commission should not consider these areas as a disadvantaged unincorporated community in future boundary changes.

Figure 74: Areas #3 and #4 (near CSA 10 and Santa Cruz Co Sanitation District)



Services & Operations

The Santa Cruz County Sanitation District includes the following areas in the County with sewer service: Aptos, Capitola, Soquel, and Live Oak. The District collection system is pumped to the City of Santa Cruz POTW for treatment. The District is required to comply with the requirements of the City of Santa Cruz NPDES permit NO. CA0048194. The main pump station along the transmission main is located at the D. A. Porath Wastewater Facility at 2750 Lode Street off 26th Avenue in Live Oak. That facility pretreats sewage from the entire District before it is pumped to the City of Santa Cruz for treatment. The District uses a Supervisory Control and Data Acquisition (SCADA) system to remotely monitor its pumping stations.

¹⁶ Special Use - All uses allowed in the "RA" or "R-1" zone district provided the use is consistent with the General Plan. All other permitted or conditionally permitted uses provided they are consistent with the General Plan and a Level 5 use approval is obtained.

The volume of wastewater is determined from records of water usage as metered by the Santa Cruz City Water Department (their jurisdiction within the Santa Cruz County Sanitation District covers the Live Oak area from Lake Avenue on the east side of the Yacht Harbor to 41st Avenue) and Soquel Creek Water District (from 41st Avenue to San Andreas Road). Due to the lead time involved in getting the yearly sewer charges placed on the County property tax statements, the current fiscal year's charges are based on water use and strength factors from the previous calendar year.

Based on the County's 2017 Sewer System Management Plan, Santa Cruz County Sanitation District has 36,000 connections with 220 miles of gravity sewer lines, 14 miles of force main lines, and 35 pump stations. Annual sewer charges are the District's primary source of revenue.

Sewer Rates

At present, the District's annual sewer rates derive from five areas: Single-Family Units, Multi-Family Units, Mobile Homes, Commercial, and Schools. Each area has its own sewer rate. **Table 106** shows the gradual increase in annual rates during the last six years.

Table 106: Annual Sewer Rates

	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20
Single-Family	\$696.12	\$729.84	\$749.28	\$758.40	\$783.00	\$824.16
Multi-Family	\$581.16	\$609.84	\$626.04	\$654.12	\$676.80	\$712.80
Mobile Homes	\$501.48	\$526.68	\$540.84	\$560.16	\$581.04	\$612.48
Commercial	\$266.64	\$279.84	\$284.64	\$305.16	\$353.88	\$368.40
<i>Additional Charge (HCF)*</i>	<i>\$6.67- \$13.00</i>	<i>\$6.82- 12.64</i>	<i>\$7.09- \$12.47</i>	<i>\$7.76- \$13.27</i>	<i>\$7.97- \$13.20</i>	<i>\$8.43- \$13.40</i>
School*	\$266.64	\$279.84	\$284.64	\$305.16	\$353.88	\$368.40
<i>Additional Charge (ADA)*</i>	<i>\$17.81- \$26.75</i>	<i>\$18.21- \$27.36</i>	<i>\$18.94- \$28.45</i>	<i>\$20.72- \$31.12</i>	<i>\$21.27- \$31.95</i>	<i>\$22.52- \$33.82</i>

Note: Additional Charge is for "Commercial" is based on Hundred Cubic Feet of Water (HCF); Additional Charge is for "School" is based on Average Daily Attendance (ADA)

Using information supplied by District staff, the rates are reviewed each year by an independent engineering firm which specializes in revenue studies for utility districts and are subject to final approval by the Board. Before the rates are set, a notice of public hearing is mailed to all owners of property within the Sanitation District boundaries, another notice is published in the Santa Cruz Sentinel, and the public hearing is held. The public hearing is normally scheduled in April or May of each year, with the rates becoming effective on the first of July. Customers are encouraged to participate in the public hearings and can send written comments to the attention of the District Engineer.

The following tables (Tables 107 to 111) show the gradual increase in annual rates for each area.

Table 107: Single-Family Unit's Annual Sewer Rates Review

	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	Average Change
Single Family	\$696.12	\$729.84	\$749.28	\$758.40	\$783.00	\$824.16	
<i>Change (\$)</i>		\$33.72	\$19.44	\$9.12	\$24.60	\$41.16	\$25.61
<i>Change (%)</i>		5%	3%	1%	3%	5%	4%

Table 108: Multi-Family Unit's Annual Sewer Rates Review

	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	Average Change
Multi-Family	\$581.16	\$609.84	\$626.04	\$654.12	\$676.80	\$712.80	
<i>Change (\$)</i>		\$28.68	\$16.20	\$28.08	\$22.68	\$36.00	\$26.33
<i>Change (%)</i>		5%	3%	4%	4%	5%	4%

Table 109: Mobile Home Unit's Annual Sewer Rates Review

	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	Average Change
Mobile Homes	\$501.48	\$526.68	\$540.84	\$560.16	\$581.04	\$612.48	
<i>Change (\$)</i>		\$25.20	\$14.16	\$19.32	\$20.88	\$31.44	\$22.20
<i>Change (%)</i>		5%	3%	4%	4%	5%	5%

Table 110: Commercial's Annual Sewer Rates Review

	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	Average Change
Commercial	\$266.64	\$279.84	\$284.64	\$305.16	\$353.88	\$368.40	
<i>Change (\$)</i>		\$13.20	\$4.80	\$20.52	\$48.72	\$14.52	\$20.35
<i>Change (%)</i>		5%	2%	7%	16%	4%	10%

Table 111: School's Annual Sewer Rates Review

	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	Average Change
School	\$266.64	\$279.84	\$284.64	\$305.16	\$353.88	\$368.40	
<i>Change (\$)</i>		\$13.20	\$4.80	\$20.52	\$48.72	\$14.52	\$20.35
<i>Change (%)</i>		5%	2%	7%	16%	4%	10%

When comparing the sewer rates with the other sanitation districts analyzed in this report, Santa Cruz County Sanitation District is ranked fourth in charges towards single family units (\$68.68/month), ranked third lowest in charges towards multi-family units (\$59.40/month), ranked highest in charges towards mobile home units (\$51.04/month), ranked second lowest in charges to commercial units (\$30.70/month), and ranked in the middle for charges towards school sites (\$30.70/month). Sewer rate comparisons are shown in the following figures (**Figures 75 to 79**).

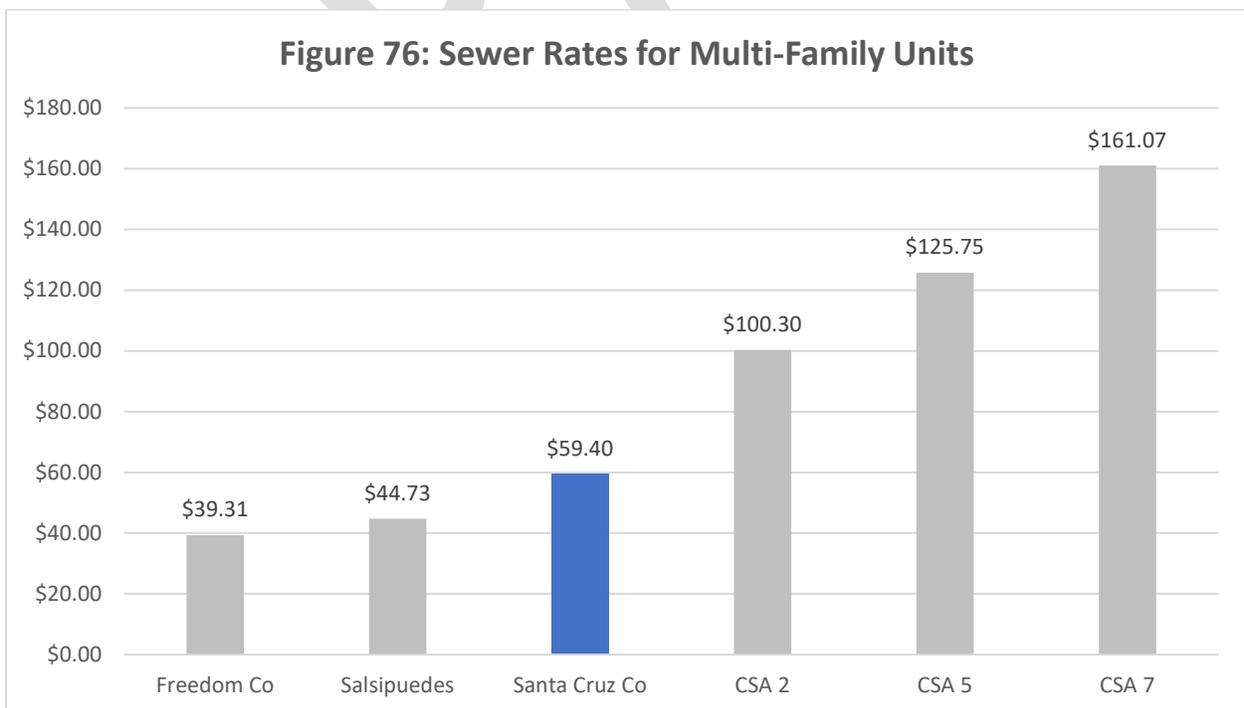
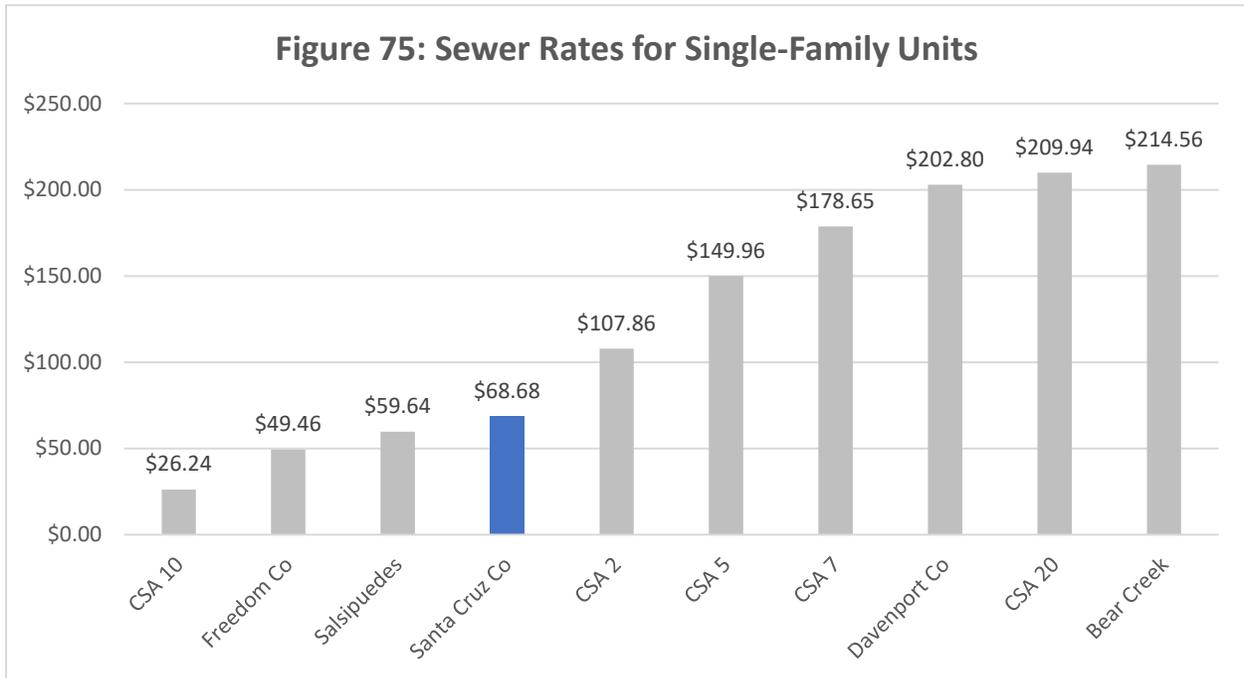


Figure 77: Sewer Rates for Mobile Home Units

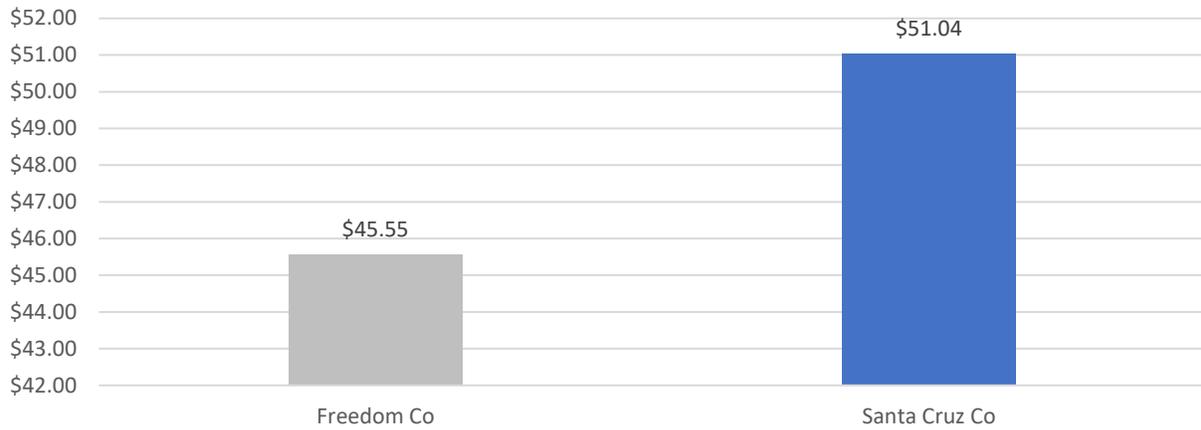


Figure 78: Sewer Rates for Commercial Sites

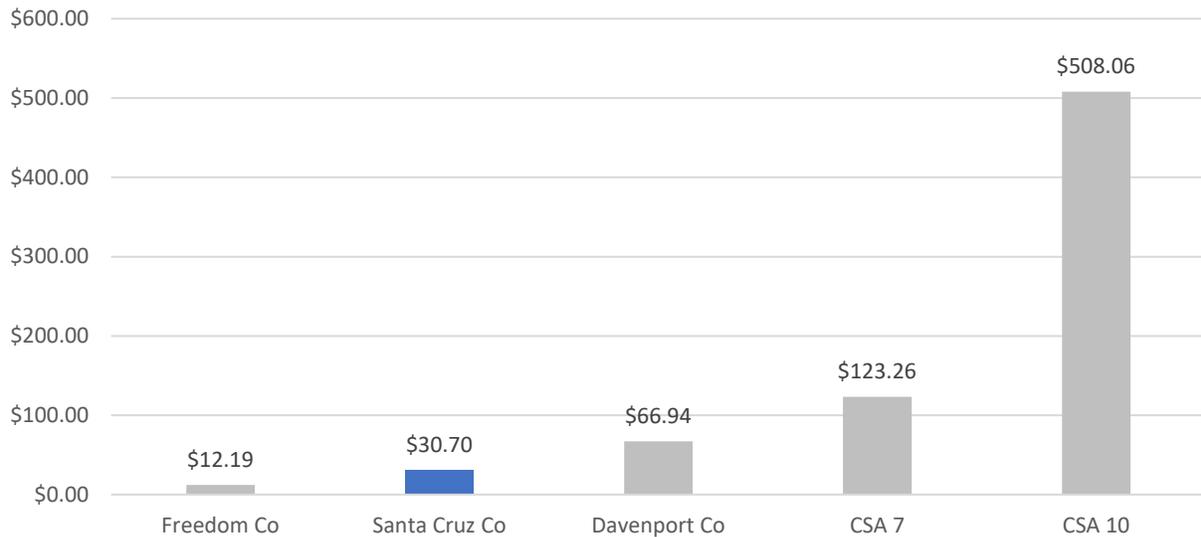


Figure 79: Sewer Rates for School Sites



Infrastructure Summary

Santa Cruz County Sanitation District operates a collection system and serves about 72,000 residents. It currently has 36,000 connections and approximately 200 miles of sewer line. **Table 112** provides an overview of the type of service and current infrastructure:

Table 112: Infrastructure Summary

	Type of System	Treatment Level	No. of Connections	No. of Lift Stations	Miles of Sewer Line
Santa Cruz County Sanitation District	Collection	N/A	36,000	35	220.0

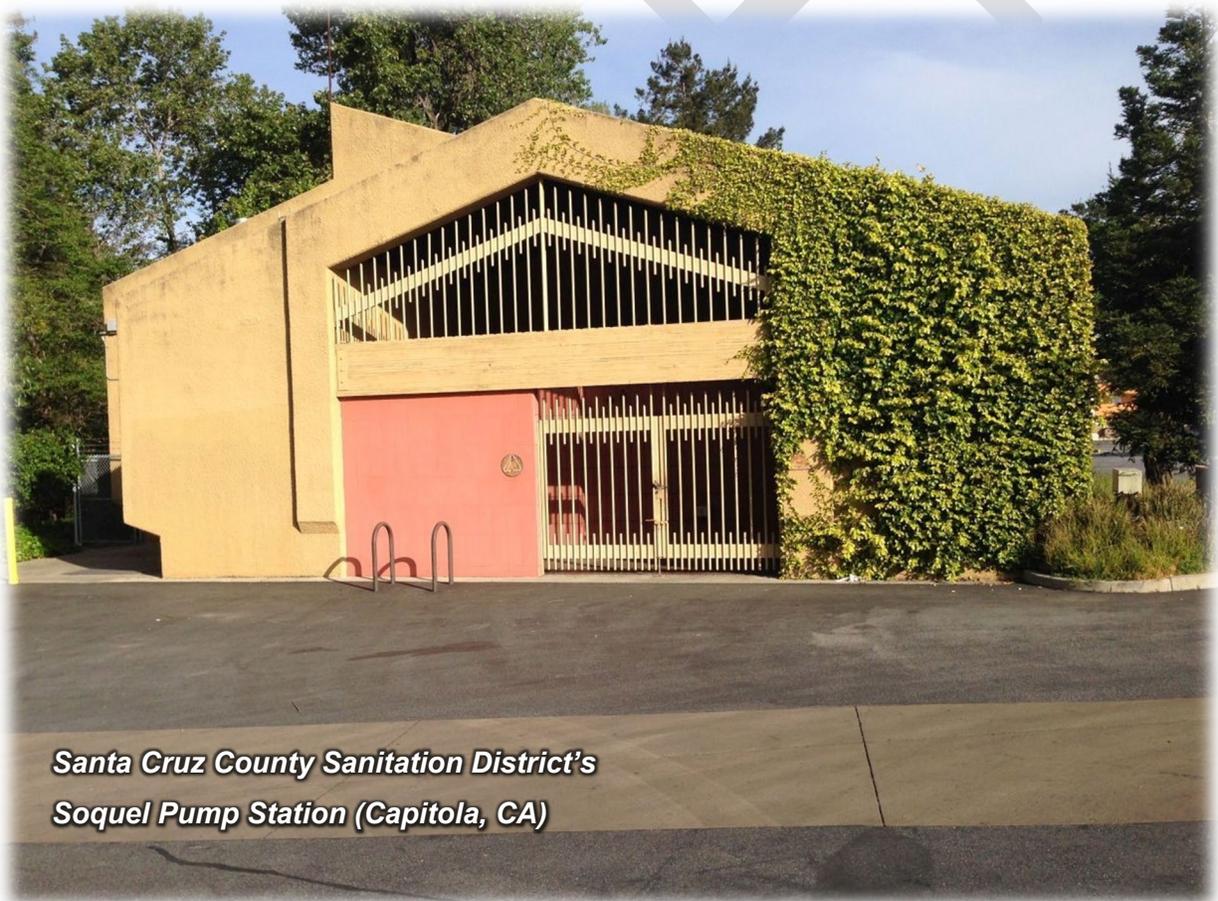
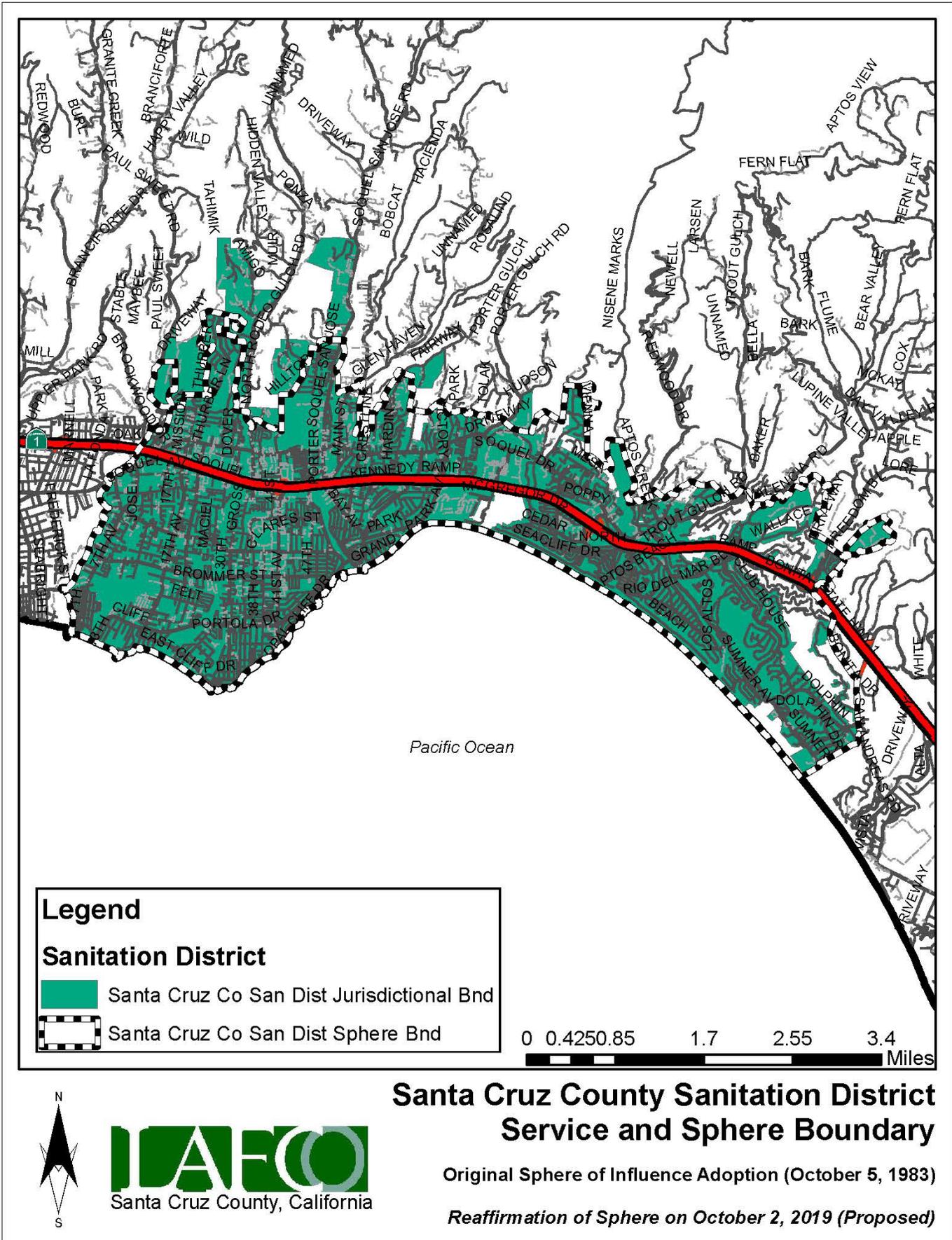


Figure 80: Santa Cruz County Sanitation District's Vicinity Map



Finances

This section will highlight the District's audited financial performance during the most recent fiscal years. Fiscal Year 2017-18 is the latest audited financial statement available. A comprehensive analysis of the District's financial performance during the past 5 years is shown in **Tables 115** and **116**, on pages 212 and 213.

At the end of Fiscal Year 2017-18, total revenue collected was \$26,035,875, representing a 7% increase from the previous year (\$24,329,065 in FY 16-17). Total expenses for FY 17-18 were \$23,366,294, which increased from the previous year by approximately \$3 million (\$20,390,741 in FY 16-17). As shown in the figure below, the District's total revenues have exceeded total expenditures since 2014 (refer to **Figure 81**). However, based on the two most recently adopted budgets, LAFCO staff believes this positive trend will end.

Figure 81: Statement of Revenues & Expenditures



District Revenues

The District's primary source of revenue is from Charges for Services. In FY 17-18, the District received revenue from four different sources: Charges for Services (\$24,758,144), Intergovernmental (\$91,348), Aid from Other Government Agencies (\$965,497), and Interest and Investment Income (\$220,886). On average, the District receives approximately \$23 million each year in service fees. **Table 113** highlights the total revenue received since 2013.

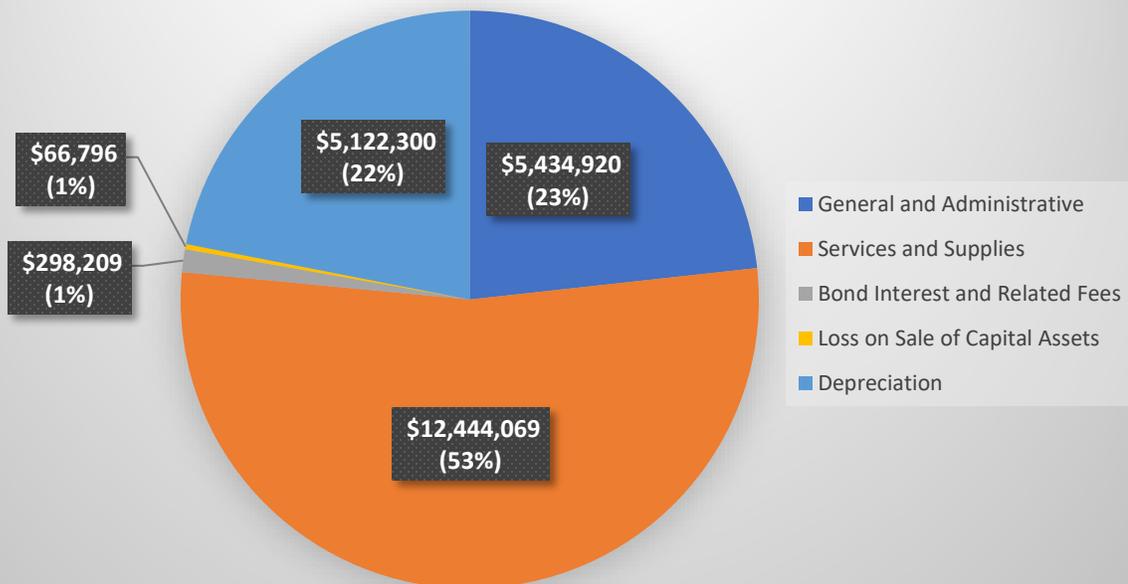
Table 113: Total Revenue (FY 13-14 to FY 17-18)

	FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18
Charges for Services	\$21,977,224	\$22,412,016	\$23,491,067	\$23,814,123	\$24,758,144
Intergovernmental	\$93,064	\$90,297	\$91,598	\$91,703	\$91,348
Aid from Other Govt Agencies	\$21,898	-	\$1,586,016	\$307,000	\$965,497
Interest Investment Income	\$229,497	\$153,593	\$144,855	\$116,239	\$220,886
Contribution and Donations	\$238,396	-	-	-	-
Gain on Sale of Capital Assets	\$4,655	\$84,529	\$600	-	-
Total Revenue	\$22,564,734	\$22,740,435	\$25,314,136	\$24,329,065	\$26,035,875

District Expenditures

The District's total expenditures can be categorized into 5 budgetary groups: General & Administrative, Services & Supplies, Bond Interest & Related Fees, Loss on Sale of Capital Assets, and Depreciation. The figure below depicts the how funding is distributed by category. The District's primary expenditure is Services and Supplies.

Figure 82: FY 2017-18 Expenditure Breakdown



Assets & Liabilities

The following is an overview of the District's assets and liabilities:

- District Assets: As of June 30, 2018, the District has \$147,520,196 in total assets. Net Capital Assets represent 91% of total assets.
- District Liabilities: As of June 30, 2018, the District has \$13,783,137 in total liabilities. Net Bonds and Loans Payable represents 63% of total liabilities.

Fund Balance/Net Position

As of June 30, 2018, the total fund balance is approximately \$133,737,059. The fund balance has increased each year since 2013, as shown in the following table. A full review of the District's assets, liabilities, and net position is shown in page 213 (refer to **Table 114**).

Table 114: Fund Balance/Net Position

	FY 13-14 (Audited)	FY 14-15 (Audited)	FY 15-16 (Audited)	FY 16-17 (Audited)	FY 17-18 (Audited)
Net Position	\$121,390,042	\$124,637,087	\$127,129,154	\$131,067,478	\$133,737,059
Change in (\$) from previous year		\$3,247,045	\$2,492,067	\$3,938,324	\$2,669,581
Change in (%) from previous year		3%	2%	3%	2%

Table 115: Total Revenues & Expenditures

	FY 13-14 (Audit)	FY 14-15 (Audit)	FY 15-16 (Audit)	FY 16-17 (Audit)	FY 17-18 (Audit)	FY 18-19 (Budget)	FY 19-20 (Budget)
REVENUE							
Charges for Services	\$ 21,977,224	\$ 22,412,016	\$ 23,491,067	\$ 23,814,123	\$ 24,758,144	\$ -	\$ -
Special Assessments	\$ 93,064	\$ 90,297	\$ 91,598	\$ 91,703	\$ 91,348	\$ -	\$ -
Aid from Other Government Agencies	\$ 21,898		\$ 1,586,016	\$ 307,000	\$ 965,497	\$ -	\$ -
Investment Income	\$ 229,497	\$ 153,593	\$ 144,855	\$ 116,239	\$ 220,886	\$ -	\$ -
Contributions and Donations	\$ 238,396		\$ -	\$ -	\$ -	\$ -	\$ -
Gain on Sale of Capital Assets	\$ 4,655	\$ 84,529	\$ 600	\$ -	\$ -	\$ -	\$ -
Total Revenue	\$ 22,564,734	\$ 22,740,435	\$ 25,314,136	\$ 24,329,065	\$ 26,035,875	\$ 43,855,898	\$ 41,963,853
EXPENDITURE							
General and Administrative	\$ 4,438,926	\$ 4,639,987	\$ 5,331,941	\$ 5,357,032	\$ 5,434,920	\$ -	\$ -
Services and Supplies	\$ 12,971,877	\$ 9,545,195	\$ 11,784,103	\$ 9,817,855	\$ 12,444,069	\$ -	\$ -
Bond Interest and Related Fees	\$ 855,013	\$ 671,143	\$ 401,514	\$ 447,909	\$ 298,209	\$ -	\$ -
Loss on Sale of Capital Assets	\$ -	\$ -	\$ -	\$ -	\$ 66,796	\$ -	\$ -
Depreciation	\$ 4,432,511	\$ 4,637,065	\$ 4,334,037	\$ 4,767,945	\$ 5,122,300	\$ -	\$ -
Total Expenditure	\$ 22,698,327	\$ 19,493,390	\$ 21,851,595	\$ 20,390,741	\$ 23,366,294	\$ 52,472,086	\$ 52,453,573
Surplus/(Deficit)	\$ (133,593)	\$ 3,247,045	\$ 3,462,541	\$ 3,938,324	\$ 2,669,581	\$ (8,616,188)	\$ (10,489,720)
Net Position - Beginning	\$ 121,523,635	\$ 121,390,042	\$ 123,666,613	\$ 127,129,154	\$ 131,067,478	\$ 133,737,059	\$ 125,120,871
Net Position - Ending	\$ 121,390,042	\$ 124,637,087	\$ 127,129,154	\$ 131,067,478	\$ 133,737,059	\$ 125,120,871	\$ 114,631,151

Table 116: Total Assets & Liabilities

	FY 13-14 (Audit)	FY 14-15 (Audit)	FY 15-16 (Audit)	FY 16-17 (Audit)	FY 17-18 (Audit)
ASSETS					
<u>Current Assets</u>					
Cash and Investments with County Treasurer, Unrestricted	\$ 27,648,822	\$ 19,821,327	\$ 14,081,483	\$ 10,385,721	\$ 13,605,952
Account Receivables	\$ -	\$ 2,599	\$ 155,904	\$ 186,604	\$ 30,700
Prepaid Insurance	\$ -	\$ -	\$ -	\$ 2,143	\$ -
Inventories	\$ 13,935	\$ 13,935	\$ 13,384	\$ 13,212	\$ 13,202
<u>Non-Current Assets</u>					
Cash and Investments with County Treasurer, Restricted	\$ 261,705	\$ -	\$ -	\$ -	\$ -
Cash and Investments with Fiscal Agents	\$ 969,937	\$ 969,937	\$ 969,937	\$ 969,937	\$ -
Capital Assets, net	\$ 118,455,757	\$ 128,303,126	\$ 135,868,817	\$ 135,313,818	\$ 133,815,265
Promissory Note Receivable	\$ 55,077	\$ 55,077	\$ 55,077	\$ 55,077	\$ 55,077
Other Assets	\$ -	\$ -	\$ -	\$ 4,286	\$ -
Total Assets	\$ 147,405,233	\$ 149,166,001	\$ 151,144,602	\$ 146,930,798	\$ 147,520,196
DEFERRED OUTFLOWS OF RESOURCES					
Loss on Refunding	\$ -	\$ -	\$ -	\$ 39,230	\$ -
Total Deferred Outflows of Resources	\$ -	\$ -	\$ -	\$ 39,230	\$ -
LIABILITIES					
<u>Current Liabilities</u>					
Accounts Payable and Accrued Liabilities	\$ 2,593,103	\$ 3,950,663	\$ 6,378,577	\$ 1,378,915	\$ 2,818,542
Accrued Bond Interest	\$ 202,885	\$ 234,128	\$ 135,076	\$ 151,293	\$ 69,192
Due to Other County Funds	\$ -	\$ -	\$ 128,644	\$ -	\$ -
Capital Leases	\$ -	\$ -	\$ -	\$ 963	\$ 1,072
Bonds and Loans Payable, Current Portion	\$ 2,868,614	\$ 2,970,973	\$ 3,062,801	\$ 2,722,395	\$ 2,212,666
<u>Non-Current Liabilities</u>					
Bonds and Loans Payable, Net	\$ 20,344,124	\$ 17,373,150	\$ 14,310,350	\$ 11,646,399	\$ 8,680,151
Capital Leases	\$ -	\$ -	\$ -	\$ 2,585	\$ 1,514
Pollution Remediation Liability	\$ 6,465	\$ -	\$ -	\$ -	\$ -
Total Liabilities	\$ 26,015,191	\$ 24,528,914	\$ 24,015,448	\$ 15,902,550	\$ 13,783,137
NET POSITION					
Net Investment in Capital Assets	\$ 95,243,019	\$ 107,959,003	\$ 118,495,668	\$ 120,980,706	\$ 122,919,862
Restricted for Debt Service	\$ 1,133,798	\$ 968,799	\$ 969,937	\$ 969,937	\$ -
Unrestricted	\$ 25,013,225	\$ 15,709,285	\$ 7,663,549	\$ 9,116,835	\$ 10,817,197
Total Net Position	\$ 121,390,042	\$ 124,637,087	\$ 127,129,154	\$ 131,067,478	\$ 133,737,059

Governance

The Santa Cruz County Sanitation District operates under the authority of the County Sanitation District Act. The Board consists of the Mayor of Capitola (or his or her council representative) and the County Supervisors representing the 1st and 2nd Districts. The current Board is as follows:

Table 117: Board of Directors

Board Member	Title	Years of Service	Term of Office Expiration
Zach Friend	Director	6 years	1/2/2020
John Leopold	Director	10 years	1/2/2020
Jacques Bertrand	Chairperson	First Year	11/6/2022
<i>Sam Storey</i>	<i>Alternate Director</i>	<i>3 years</i>	<i>11/9/2020</i>

Board members receive \$100 compensation per meeting. The Board's meeting room is located at 2750 Lode Street, Santa Cruz. The Board's regular meeting dates are the first and third Thursday of the month at 4:45 p.m. Public notice is provided through posting. The District contracts for independent audits.

The County of Santa Cruz Public Works Department is responsible for the administration, engineering, maintenance, emergency response and construction of all County sanitation services. The department also manages various Board-governed special districts and CSAs. The Sanitation Operations unit is one of six organizational units within the Special Services Division of Public Works and provides operation and maintenance services to County sanitation districts and CSAs. Sanitation operations employees work in all Districts and CSAs. Each sanitation district is governed according to its specific code of regulations. The Districts' codes are very similar, and some sections are adopted by reference from the Santa Cruz County Sanitation District Code. CSAs are governed according to the Santa Cruz County Code of Regulations. Most of the County Code pertaining to sanitary sewer collection systems is adopted by reference from the SCCSD Code.

Website Requirements

Senate Bill 929 was signed into law in September 2018 and requires all independent special districts to have and maintain a website by January 1, 2020. It outlines minimum website data requirements, including contact information, financial reports, and meeting agendas/minutes. While this new law does not apply to county service areas, the County should consider following the requirements outlined in the new law. The County's water and sewer webpage offers a number of useful resources including formation resolutions, service maps, and current sewer charges for each County-operated sewer agency: <http://dpw.co.santa-cruz.ca.us/Home/SewerWater.aspx>. However, it is difficult to locate certain information and material.

LAFCO Staff Recommendation: *It may be beneficial for the County to include links to staff reports or other supporting documents related to the annual sewer rates. Additionally, the webpage should include all past and future LAFCO service reviews involving the District as additional resource material.*

Capital Improvement Plan

The County has adopted a capital improvement plan specifically for the Santa Cruz County Sanitation District. The purpose of this Capital Improvement Plan (CIP) is to identify and prioritize needs and project costs for planned improvements to the infrastructure that will serve the District's ratepayers in an efficient and cost-effective manner throughout the next five-plus years of growth and change. The 2018-23 CIP identifies over 40 different projects located in various areas of the District, including Live Oak, Soquel, Aptos, and the Cities of Capitola and Santa Cruz.

LAFCO Staff Recommendation: *The County should consider developing a specific capital improvement plan that covers the sanitation districts managed and operated by the Public Works Department – Davenport, Freedom, Santa Cruz County Sanitation Districts, and CSAs 2, 5, 7, 10, and 20.*

Sewer System Management Plan

The State Water Resources Control Board regulates wastewater discharges to surface water (rivers, ocean, etc.) and to groundwater (via land). The State Water Board requires sanitation districts to follow the Statewide General Waste Discharge Requirements for Sanitary Sewer Systems. These requirements include the following:

- Sanitary Sewer Overflows are prohibited, and
- All Sanitary Sewer Overflow (SSOs), with the exception of Private Sewer Lateral Discharge (PLSDs), irrespective of size, must be reported to the State Water Board electronically using the California Integrated Water Quality System, and the Districts/CSAs must prepare and implement a Sewer System Management Plan (SSMP).

In 2017, the County adopted a Sewer System Management Plan to cover the management, operation and maintenance, design, construction and emergency response of the Davenport Sanitation District, Freedom Sanitation District, Santa Cruz County Sanitation District and County Service Areas sanitary sewer systems.

Urban Services Line

The County General Plan, the Local Coastal Program Land Use Plan and Chapter 17.01 SCCC (Growth Management) requires the County to preserve a distinction between urban and rural areas, to encourage the location of new development in urban areas, and to protect agricultural land and natural resources in rural areas. These policies are supported by the establishment of a rural services line (RSL) and an Urban Services Line (USL) to define areas which are or have the potential to be urban and areas which are and should remain rural. The establishment of distinct urban boundaries serves the following purposes:

- To administer separate urban and rural growth rates and the allocation of residential building permits;

- To encourage residential development to locate in urban areas and to discourage division of land in rural areas;
- To develop and apply different policies governing urban and rural development;
- To provide a basis for a County capital improvements program;
- To coordinate planning for the public services among the County, cities, special districts, and the Local Agency Formation Commission (LAFCO);
- To ensure that urban development proceeds at a pace consistent with the provision of urban public services; and
- To limit the extension of urban services to those areas within the rural services line in the Coastal Zone. [Ord. 4416 § 27, 1996; Ord. 4406 § 27, 1996; Ord. 3327 § 1, 1982; Ord. 2657, 1979].

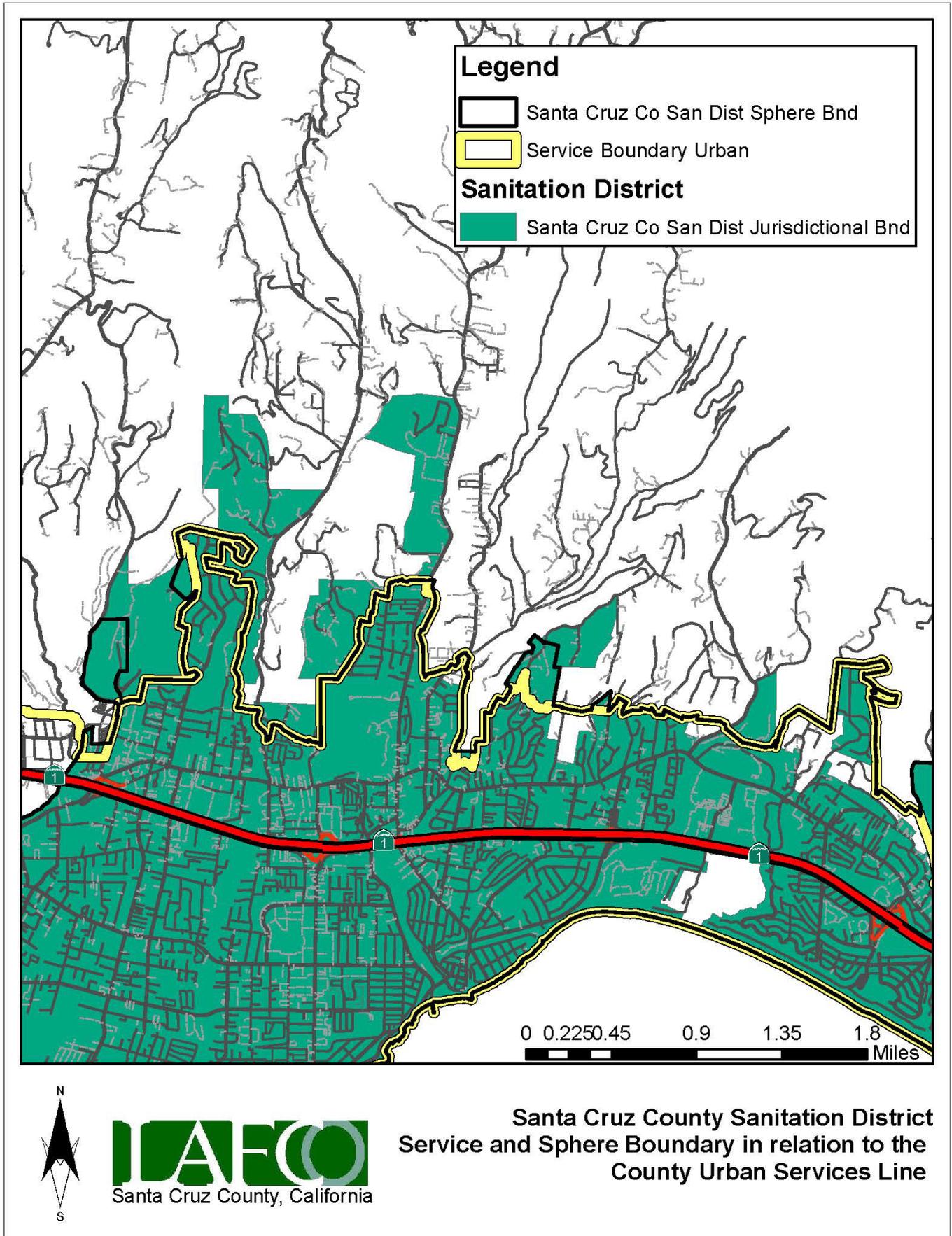
It is important to note that the Urban Services Line was developed and managed by the County, not LAFCO. Historically, LAFCO staff receives inquiries from confused landowners who are interested in connecting to the Santa Cruz County Sanitation District but are unfamiliar with the Urban Services Line restrictions. A primary reason for such confusion is the inconsistency between the District's jurisdictional and sphere boundaries and the Urban Services Line, as shown on the map on page 217 (refer to **Figure 83**).

The Santa Cruz County Sanitation District's northern boundary does not match the County Urban Services Line. In some cases, before the adoption of the Urban Services Line in 1979, the District annexed strips of land up into the lower elevations of Santa Cruz Mountains. The Urban Services Line was subsequently adopted closer to the urbanized and sewer areas of the Mid-County. The current County General Plan does not envision urban or suburban development occurring further than the Urban Services Line at the edge of the mountains, and the County and District may want to propose detachments of the areas within the district boundary that are unsewered and beyond the Urban Services Line.

In other cases, there are areas within the Urban Services Line and the adopted District Sphere of Influence that are not within the County Sanitation District's boundaries. The current practice is for individual property owners to apply for annexation either when a septic system fails at an existing house, or when the planning approvals are secured for new development. The County and District may want to propose wholesale annexations of areas within the Urban Service Area that are developed or are planned for development at a density that only utilizes sanitary sewers.

LAFCO Staff Recommendation: *The County and LAFCO staff members should meet to discuss how the Urban Services Line relates to the District's jurisdiction and sphere of influence and explore opportunities to address irregular boundaries.*

Figure 83: Areas of Conflict with the County Urban Services Line



Opportunities & Challenges

The Santa Cruz County Sanitation District is significantly affected by aging infrastructure, escalating operational costs, and changes to state laws and regulations that may introduce new requirements without additional funding. These issues are common with other sanitation districts in Santa Cruz County. The following section discusses these challenges and identifies possible opportunities to ensure the delivery of wastewater services in an efficient and effective manner.

Regional Collaboration

Several sanitation districts, including entities managed and operated by the County, have expressed interest in transferring sewer responsibilities to another agency due to funding issues, limited long-term planning, or lack of economies of scale. Establishment of a countywide memorandum of understanding or a joint powers authority may unify the already-established collaboration set by the sanitation providers in the county. Such agreements may also lay the foundation for future changes of organization, including but not limited to annexations, consolidations, or mergers.

Sphere of Influence

LAFCO originally adopted a sphere of influence for the Santa Cruz County Sanitation District on October 5, 1983. The main theme of that sphere boundary was to utilize the County's Urban Services Line as the primary tool to locate the sphere line. Sanitary sewer is perhaps the clearest example of an "urban service." The adopted sphere of influence line included the areas of the District in Live Oak, Capitola, Soquel, and Aptos and many developed and undeveloped areas of Live Oak (Santa Cruz Gardens), Soquel, and Aptos that were inside the Urban Services Line, but not yet annexed or connected for sewer service.

The 1983 sphere excluded a series of unserved rural areas in the lower Santa Cruz Mountains above Live Oak, Soquel, and Aptos that were outside the Urban Services Line, but had annexed to the Sanitation District, by its predecessor district during the 1950s, 1960s, and 1970s. LAFCO staff, along with District representatives, do not recommend any changes to the sphere of influence at this time. However, the County and LAFCO should meet to discuss how the Urban Services Line relates to the District's jurisdiction and sphere of influence and explore opportunities to address irregular boundaries. **Figure 84** shows the current sphere of influence boundary for the Santa Cruz County Sanitation District.

District Summary

Santa Cruz County Sanitation District	
Formation	County Sanitation District Act (Health and Safety Code Sections 4700-4858)
Board of Directors	Three-member board; two County Board of Supervisors and one Capitola City Council Member.
Contact Person	Beatriz Barranco, Senior Engineer, Sanitation Operations
Employees	52 full-time employees (approximately)
Facilities	Collection Plant; 35 pump stations; 36,000 connections
District Area	870 acres (1.36 square mile)
Sphere of Influence	Slightly larger than the District in the south-eastern side (i.e. sphere goes beyond existing jurisdictional boundary); and
FY 2019-20 Budget	Total Revenue = \$41,963,853 Total Expenditure = \$52,453,573 Projected Net Position (Beginning Balance) = \$133,737,059
Contact Information	Mailing Address: 701 Ocean Street, Santa Cruz CA 95060 Phone Number: (831) 477-3907 Email Address: Beatriz.Barranco@santacruzcounty.us Website: http://dpw.co.santa-cruz.ca.us/Home/SewerWater.aspx
Public Meetings	The Board's regular meeting dates are the first and third Thursday of the month at 4:45 p.m. Meetings are held at 2750 Lode Street, Santa Cruz.
Mission Statement	"The purpose of the District is to construct and maintain pipelines transporting waste from the District to the Wastewater Treatment Facility, as well as to provide instruction, services, and monitoring for environmental compliance. To accomplish this last item, the District's Environmental Compliance Unit conducts programs to educate residents, professionals, and business owners about the proper use of their sewer and drainage systems in order to help preserve their own, as well as the District's, facilities and to help protect the environment."

Service and Sphere Review Determinations

The following service and sphere review determinations fulfill the requirements outlined in the Cortese-Knox-Hertzberg Act. The County was instrumental in addressing the determinations by responding to a survey sent by LAFCO in June 2019. **Appendix J** provides a copy of the District's survey response.

Service Provision Determinations

Government Code Section 56430 requires LAFCO to conduct a municipal service review before, or in conjunction with, an action to establish or update a sphere of influence. Written statements of determination must be prepared with respect to each of the following:

1. Growth and population projections for the affected area.

There are no growth projections available for the Santa Cruz County Sanitation District. In general, the Santa Cruz County unincorporated area is projected to have slow growth over the next fifteen years. However, the District also includes the entire City of Capitola. The Public Works Department has estimated the population within the total area at approximately 72,000. Based on the growth rate of approximately 1% for the unincorporated areas in the County, LAFCO staff projects that the District's entire population in 2020 will be around 73,600.

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

Based on the criteria set forth by SB 244, staff's analysis located two DUCs near the Santa Cruz County Sanitation District (as shown in the figure below). However, these two DUC areas are not within or adjacent to the District's service or sphere boundary. Additionally, these two DUCs are on vacant parcels outside the University of California, Santa Cruz. The County's General Plan designates the upper DUC, located north of McLaughlin Drive, as Special Use. The lower DUC, located south of Empire Grade, is designated as Commercial Agriculture. Based on the two identified DUCs being undeveloped and uninhabited, the Commission should not consider these areas as a disadvantaged unincorporated community in future boundary changes.

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

The Santa Cruz County Sanitation District provides wastewater collection service for the City of Capitola and the unincorporated communities of Aptos, Soquel and Live Oak. The District also serves Harbor High School, a satellite medical center and the Port District which are within the City of Santa Cruz and outside the District's boundary. The District receives periodic inquiries regarding sewer service in the La Selva Beach area due to septic problems in that area, but that area lies outside its current sphere of influence.

The Santa Cruz County Sanitation District was formed in 1973 by the consolidation of three sanitation districts: East Cliff, Capitola, and Aptos. At that time each district had a primary treatment plant and ocean outfall into Monterey Bay. The discharges did not meet either the Federal or State clean water standards. During the 1970s the District

participated in regional sewer studies and ultimately acted to abandon its treatment plants and outfall, build a transmission line into the City of Santa Cruz, and contract with the city to treat and dispose of the District's sewage. The city built a new outfall in 1989 and added secondary treatment in 1998.

4. Financial ability of agencies to provide services.

For FY 19-20, the County adopted a budget of \$42 million in anticipated revenue. The District has successfully kept costs below its revenue stream since 2014. Audited financial statements from Fiscal Years 2014 to 2018 indicate that the increase in net position has ranged from \$2.6 million to \$3.9 million. As of June 30, 2018, the District is operating with a net position of approximately \$134 million, of which \$14 million is in cash and investments. However, the two most recently adopted budgets (FY 18-19 and FY 19-20) indicate potential revenue shortage ranging between \$8-10 million.

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

Several sanitation districts, including entities managed and operated by the County, have expressed interest in transferring sewer responsibilities to another agency due to funding issues, limited long-term planning, or lack of economies of scale. Establishment of a countywide memorandum of understanding or a joint powers authority may unify the already-established collaboration set by the sanitation providers in the county. Such agreements may also lay the foundation for future changes of organization, including but not limited to annexations, consolidations, or mergers.

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

The Santa Cruz County Sanitation District provides wastewater collection service for the City of Capitola and the unincorporated communities of Aptos, Soquel and Live Oak. The District also serves Harbor High School, a satellite medical center and the Port District which are within the City of Santa Cruz and outside the District's boundary.

The County currently has a contractual agreement with the City of Santa Cruz to transfer collected wastewater to the City of Santa Cruz's treatment system. The City treats the sewage at its Neary Lagoon Wastewater Treatment Facility and disposes the treated wastewater into the Pacific Ocean off West Cliff Drive. The District currently has 36,000 connections and serves over 72,000 residents.

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

No additional local LAFCO policies are specifically relevant to this service and sphere review.

Sphere of Influence Determinations

Government Code Section 56425 requires LAFCO to periodically review and update spheres of influence in concert with conducting municipal service reviews. Spheres are used as regional planning tools to discourage urban sprawl and encourage orderly growth. Written statements of determination must be prepared with respect to each of the following:

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

There are no agricultural or open-space lands within the service area.

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

The Santa Cruz County Sanitation District provides wastewater collection service for the City of Capitola and the unincorporated communities of Aptos, Soquel and Live Oak. The District also serves Harbor High School, a satellite medical center and the Port District which are within the City of Santa Cruz and outside the District's boundary. The County currently has a contractual agreement with the City of Santa Cruz to transfer collected wastewater to the City of Santa Cruz's treatment system. The City treats the sewage at its Neary Lagoon Wastewater Treatment Facility and disposes the treated wastewater into the Pacific Ocean off West Cliff Drive. The District currently has 36,000 connections and serves over 72,000 residents.

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

LAFCO originally adopted a sphere of influence for the Santa Cruz County Sanitation District back in 1983. The adopted sphere of influence boundary included the areas of the District in Live Oak, Capitola, Soquel, and Aptos and many developed and undeveloped areas of Live Oak (Santa Cruz Gardens), Soquel, and Aptos that were inside the Urban Services Line, but not yet annexed or connected for sewer service. However, there are still inconsistencies between the District's jurisdictional and sphere boundaries and the Urban Services Line.

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.

LAFCO staff is not aware of any social or economic communities of interest in the area. The CSA's service area is primarily residential units.

5. For an update of a sphere of influence of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, that occurs pursuant to subdivision (g) on or after July 1, 2012, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.

Neither the County nor LAFCO has identified any sub-area within or contiguous to the District's service or sphere boundaries that meet the definition of a disadvantaged unincorporated community. That said, the District 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.

APPENDICES

- A. Bear Creek Estates Wastewater System – Survey Response**
- B. CSA 2 (Place de Mer) – Survey Response**
- C. CSA 5 (Sand Dollar/Canon del Sol) – Survey Response**
- D. CSA 7 (Boulder Creek) – Survey Response**
- E. CSA 10 (Rolling Woods/Graham Hill) – Survey Response**
- F. CSA 20 (Trestle Beach) – Survey Response**
- G. Davenport County Sanitation District – Survey Response**
- H. Freedom County Sanitation District – Survey Response**
- I. Salsipuedes Sanitary District – Survey Response**
- J. Santa Cruz County Sanitation District – Survey Response**

